

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Financial Statements as of  
June 30, 2019  
Together with Independent  
Auditor's Reports**

**Bonadio & Co., LLP**  
Certified Public Accountants

## Middleburgh Central School District

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## **INDEPENDENT AUDITOR'S REPORT**

October 3, 2019

To the Board of Education of  
Middleburgh Central School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Middleburgh Central School District (School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

## **INDEPENDENT AUDITOR'S REPORT**

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Middleburgh Central School District as of June 30, 2019, 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**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedule of proportionate share of net pension liability (asset), and schedule of contributions – pension plans be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information described in the table of contents, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **INDEPENDENT AUDITOR'S REPORT**

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

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2019, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School District's internal control over financial reporting and compliance.

## **MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited) For the year ended June 30, 2019**

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The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2019. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It considers both the government-wide and fund-based financial statements. The results of the current year are analyzed 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 School District's financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The 2018-2019 budget was approved by the voters for \$22,169,182 and actual expenditures for the fiscal year were \$21,470,143, equating to a favorable difference of \$699,039 net of encumbrances. This is primarily due to carefully monitoring of expenditures and reduction of cost associated with special education and employee benefits. The favorable difference is 3.2% of the total budget.
- In May 2019, the 2019-2020 budget proposal of \$22,481,913 passed.

The School District applied \$403,204 of its fund balance to the 2020 budget.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited) For the year ended June 30, 2019

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The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year. Table A-1 shows how the various sections of this annual report are arranged and related to one another.

**Table A-1** Organization of the School District's Annual Financial Report

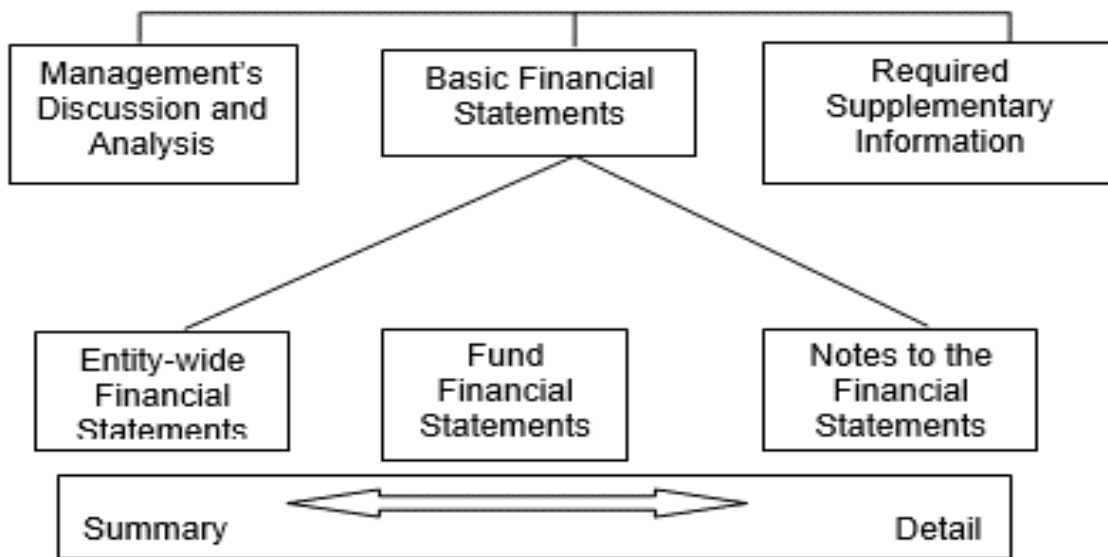


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.



## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the year ended June 30, 2019

**Table A-2** Major Features of the School District-Wide and Fund Financial Statements

		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the School District, such as instruction and special education.	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred inflows-outflows of resources/liability information	All assets, deferred inflows/outflows of resources and liabilities, both financial and capital, short-term and long-term.	Assets, deferred inflows/outflows of deferred resources, and liabilities that come due during the year or soon after; no capital assets or long-term liabilities	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

#### District-Wide Statements

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

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the year ended June 30, 2019

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The two District-wide statements report the School District's *net position* and how they have changed. Net position – the difference between the School District's assets, deferred inflows/outflows of resources, and liabilities – is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional non-financial factors such as changes in property tax bases and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Net position invested in capital assets
  - Restricted net position are those with constraints placed on use by external sources or imposed by law.
  - Unrestricted net position are those that do not meet any of the above restrictions.

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the year ended June 30, 2019

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#### Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two kinds of funds:

- *Governmental Funds* : Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the School District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Fiduciary Funds* : The School District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the School District-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the year ended June 30, 2019

#### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's net position as of June 30, 2019 is detailed in Tables A-3 and A-4.

**Table A-3** Condensed Statement of Net Position (In millions of dollars)

	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Assets:			
Current and other assets	\$ 6.6	\$ 6.5	1%
Net pension asset	0.8	-	100%
Capital assets	<u>14.8</u>	<u>16.5</u>	-10%
Deferred outflows of resources	<u>7.4</u>	<u>5.3</u>	39%
Total assets	<u>\$ 29.6</u>	<u>\$ 28.3</u>	4%
Liabilities:			
Current liabilities	\$ 3.4	\$ 3.5	-4%
Long-term liabilities	<u>55.5</u>	<u>60.7</u>	-8%
Deferred inflows of resources	<u>2.9</u>	<u>0.3</u>	864%
Total liabilities	<u>61.8</u>	<u>64.5</u>	-4%
Net position:			
Invested in capital assets	9.8	9.2	6%
Restricted	1.4	1.1	29%
Unrestricted	<u>(43.5)</u>	<u>(46.5)</u>	-7%
Total net position	<u>\$ (32.3)</u>	<u>\$ (36.2)</u>	-11%

Deferred outflows of resources relate primarily to the pension contributions made after the plan measurement date.

Increase in deferred inflows is result of recording \$1,701,092 pertaining to OPEB.

The School District's 2018-2019 revenue was \$22,831,702 (See Table A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 43% and 48% of the total revenue raised, respectively (see Table A-5). The remainder of revenue came from fees for services, use of money and property, operating grants, and other miscellaneous sources.

The total cost of all programs and services totaled \$20,401,933 for 2018-2019. Of these expenses 78% are predominately for the education, supervision, and transportation of students (see Table A-6). The School District's administrative and business activities accounted for 22% of total costs.

# MIDDLEBURGH CENTRAL SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the year ended June 30, 2019

**Table A-4** Changes in Net Position from Operating Results Governmental Activities Only (In Millions of dollars)

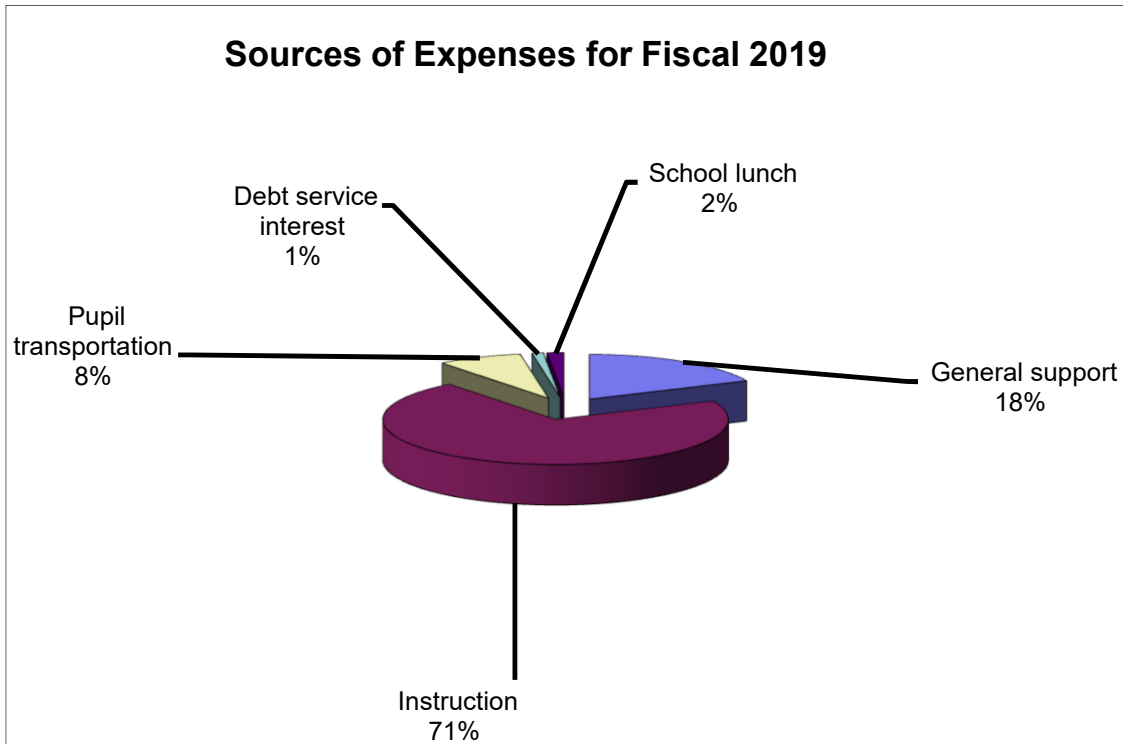
	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Revenue:			
Program revenue:			
Charges for services	\$ 0.2	\$ 0.3	-22%
Operating grants	0.9	1.0	-10%
General revenue:			
Property and other tax items	9.9	9.6	3%
Use of money and property	0.1	0.0	0%
State formula aid	11.1	10.1	9%
Federal sources	0.5	0.6	-15%
Miscellaneous	0.1	0.2	-29%
Total revenue	22.8	21.8	5%
Expenses:			
General support	3.8	3.0	27%
Instruction	14.4	16.0	-10%
Pupil transportation	1.6	1.7	-4%
Debt service - Interest	0.2	0.3	-24%
School lunch program	0.3	0.5	-33%
Total expenses	20.4	21.5	-5%
Increase in net position	\$ 2.4	\$ 0.3	710%

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

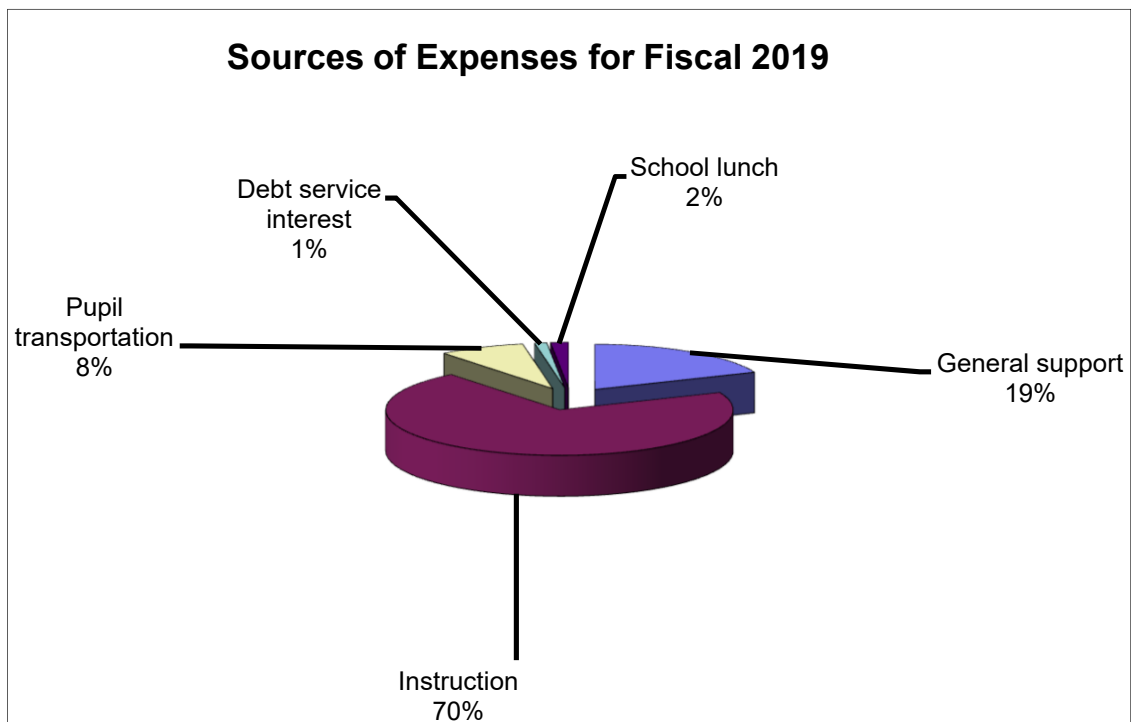
**Management's Discussion and Analysis (Unaudited)**  
**For the year ended June 30, 2019**

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**Table A-5** Sources of Revenue for 2019



**Table A-6** Sources of Expenses for 2019



## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the year ended June 30, 2019

#### Governmental Activities

Revenue for the School District's governmental activities totaled \$22,831,702, while total expenses were \$20,401,933. Accordingly, net position increased by \$2,429,769. The net result of the change in the School District's financial condition can be credited to:

Increase in grants received and savings in projected cost in special education and employee benefits.

Table A-7 presents the cost of several of the School District's major activities. The table also shows each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the local share of the School District's taxpayers by each of these functions.

**Table A-7** Net Costs of Governmental Activities (in Millions)

	Total Cost of Services 2019	Total Cost of Services 2018	Percent Change	(Net) Cost of Services 2019	(Net) Cost of Services 2018	Percent Change
Functions:						
General support	\$ 3.8	\$ 3.1	23.4%	\$ (3.8)	\$ 3.0	-227.5%
Instruction	14.4	15.5	-7.2%	(13.6)	14.5	-193.6%
Pupil transportation	1.6	1.7	-4.1%	(1.6)	1.7	-195.9%
Debt service - Interest	0.2	0.3	-23.7%	(0.2)	0.3	-176.3%
Cost of sales - Food	0.3	0.5	-33.0%	(0.0)	0.2	-112.1%
Total	<u>\$ 20.4</u>	<u>\$ 21.1</u>	-3.3%	<u>\$ (19.3)</u>	<u>\$ 19.7</u>	-197.8%

- The cost of all governmental activities for the year was \$20,401,933.
- The users of the School District's programs financed \$232,513 of the cost.
- The Federal and State government financed \$896,640 of the cost.
- The majority of costs, \$19,272,780, were financed by the School District's taxpayers and unallocated NYS aid.

#### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the School District-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

## **MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

**For the year ended June 30, 2019**

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#### **Governmental Fund Highlights**

The following is a brief description of the activity in the governmental funds for 2019:

*General Fund: Expenditures exceeded revenues by \$354,780 in the 2018-2019 year. The approximate \$200,000 decrease in the general fund was primarily due to savings in projected costs related to special education and employee benefits.*

*Special Aid Fund: By the nature of the fund, special aid does not generate a fund balance. Revenue is recognized as expenditures are made. \$683,957 was received for state and federal grants in this fund.*

*School Lunch Fund: The school lunch fund ended 2018-2019 fiscal year with an operating loss of \$1,699 compared to an operating loss of \$84,863 for the previous year. Beginning with the 2018-2019 school year the school district outsourced the school lunch program with a food service management company. Due to this change the school district was able to reduce the operating loss of the program. In prior years the loss was subsidized by transfer from general funds. The transfer of \$55,095 in 2018-2019 was to subsidize the historical loss in the school district lunch program.*

*Capital Projects Fund: \$681,035 was expended for capital projects for the year ended June 30, 2019. The capital projects fund ended 2018-2019 fiscal year with a positive fund balance of \$459,434. In December of 2018 the voters approved a \$15,000,000 capital project.*

*Debt Service Fund: The debt service fund ended the year with a \$41,767 fund balance.*

#### **General Fund Budgetary Highlights**

For the 2018-2019 school year, the voters of the School District approved a budget of \$22,169,187. That budget was subsequently increased by \$200,500 due to encumbrances carried over from 2017-18.

Through the careful monitoring and control of general fund expenditures for 2018-2019, the School District had a favorable variance of \$699,044 from budget to actual as of June 30, 2019.

The School District considers the results achieved regarding the 2018-2019 finances to be very satisfactory. The School District also met its target to have \$403,204 in fund balance available on June 30, 2019 to support the 2019-2020 budget. Further, the School District was able to appropriately fund the mandated contribution levels for the Teachers' Retirement System and the Employees' Retirement System.

#### **Results vs. Budget**

The general fund is the only fund which a budget is submitted for the approval of the resident voters and legally adopted.



# MIDDLEBURGH CENTRAL SCHOOL DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the year ended June 30, 2019

**Table A-8** General Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenue:					
Real property taxes	\$ 9,855,827	\$ 9,855,827	\$ 8,616,475	\$ -	\$ (1,239,352)
Other tax items	33,000	33,000	1,292,491	-	1,259,491
Charges for services	165,000	165,000	134,422	-	(30,578)
Use of money and property	11,000	11,000	78,915	-	67,915
Sale of property and compensation for loss	-	-	4,032	-	4,032
State sources	11,306,845	11,306,845	11,478,229	-	171,384
Federal sources	30,000	30,000	90,044	-	60,044
Miscellaneous	200,000	200,000	130,315	-	(69,685)
Total revenue	<u>21,601,672</u>	<u>21,601,672</u>	<u>21,824,923</u>	<u>-</u>	<u>223,251</u>
Expenditures:					
Board of education	28,300	28,364	24,033	-	4,331
Central administration	239,867	221,567	198,903	-	22,664
Finance	294,953	294,953	288,272	1,472	5,209
Staff	95,753	95,753	79,849	-	15,904
Central services	1,114,055	1,253,535	1,160,910	10,333	82,292
Special items	178,321	178,321	161,973	-	16,348
Instruction, administration, and improvement	669,206	736,066	725,903	2,326	7,837
Teaching - Regular school	5,094,912	5,158,643	4,918,140	104,340	136,163
Programs for children with handicapping conditions	2,329,322	2,329,362	2,217,504	-	111,858
Occupational education	389,508	389,508	348,134	-	41,374
Teaching - Special school	-	-	11,537	-	(11,537)
Instructional media	545,897	671,897	594,892	205,287	(128,282)
Pupil services	737,096	759,596	707,410	53,181	(995)
Pupil transportation	1,105,881	1,106,006	968,091	-	137,915
Employee benefits	7,319,905	7,119,905	6,815,310	-	304,595
Debt service	1,926,211	1,926,211	1,936,211	-	(10,000)
Transfers to other funds	100,000	300,000	313,071	-	(13,071)
Total expenses	<u>22,169,187</u>	<u>22,569,687</u>	<u>21,470,143</u>	<u>376,939</u>	<u>722,605</u>
Net change in fund balance	(567,515)	(968,015)	354,780	(376,939)	945,856
Fund balance - beginning of year	<u>4,153,601</u>	<u>4,153,601</u>	<u>4,153,601</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,586,086</u>	<u>\$ 3,185,586</u>	<u>\$ 4,508,381</u>	<u>\$ (376,939)</u>	<u>\$ 945,856</u>

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the year ended June 30, 2019

As noted above in the results vs. budget table, the School District has an overall favorable budgetary surplus of \$945,856 over expenditures. This was a result of additional charges for services increases in supplemental state aid from prior years, decrease in cost of general support related expenses and careful monitoring of expenditures.

#### Capital Assets

As of June 30, 2019, the School District had approximately \$14,843 million invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers, and other educational equipment.

**Table A-9** Capital Assets (Net of Depreciation, in Thousands of Dollars)

<u>Category</u>	Fiscal Year 2019	Fiscal Year 2018	Percent Change
Land	\$ 120	\$ 120	0%
Buildings and improvements	13,802	14,727	-6%
Equipment, furniture and vehicles	<u>921</u>	<u>1,424</u>	-35%
Total	<u>\$ 14,843</u>	<u>\$ 16,271</u>	-9%

#### Long-Term Liabilities

As of June 30, 2019, the School District had approximately \$57,075 million in general obligation bonds and other long-term liabilities outstanding. More detailed information about the School District's long-term liabilities is included in the notes to the financial statements.

**Table A-10** Outstanding Long-Term Liabilities (In Thousands of Dollars)

<u>Category</u>	Fiscal Year 2019	Fiscal Year 2018
General obligation bonds	\$ 5,076	\$ 6,474
Net pension liability	513	242
OPEB and other	<u>51,486</u>	<u>50,657</u>
Total	<u>\$ 57,075</u>	<u>\$ 57,373</u>

During 2019, the School District paid down its debt by retiring \$1,701,200 of outstanding bonds and capital lease obligations.

## **MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

### **Management's Discussion and Analysis (Unaudited) For the year ended June 30, 2019**

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#### **FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE**

Health insurance and other post-retirement costs continue to increase and could potentially affect the School District's financial health. The School District continues to pursue opportunities for efficiencies in health insurance and other post-retirement costs.

A property tax cap will affect how future budgets are developed. The 2018-19 budget process and future budget processes will incorporate analysis of this property tax cap on future budgets.

The current economic climate of New York State and the nation as a whole will continue to diminish the state's ability to adequately fund the public education system.

#### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

In December 2018 the school district voters passed a \$15,000,000 capital project to make improvement and upgrades to the buildings infrastructures.

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

Middleburgh Central School District Business Office  
291 Main Street  
PO Box 606  
Middleburgh, NY 12122

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT****Statement of Net Position****June 30, 2019****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES****CURRENT ASSETS:**

Cash - unrestricted	\$ 4,808,644
Cash - restricted	146,288
Due from other funds	188,415
State and federal aid receivable	1,392,277
Prepaid expenditures	2,180
Other receivables	15,049
Total current assets	<u>6,552,853</u>

**NON-CURRENT ASSETS:**

Net pension asset - TRS	807,669
Capital assets, net	14,842,933
Total non-current assets	<u>15,650,602</u>

**DEFERRED OUTFLOWS OF RESOURCES:**

Deferred outflows of resources - pensions OPEB	2,744,419
Deferred outflows of resources - pensions ERS	321,999
Deferred outflows of resources - pensions TRS	4,284,279
Total deferred outflows of resources	<u>7,350,697</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>29,554,152</u>
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**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES****CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	709,047
Due to other governments	175
Due to Teachers' Retirement System	756,785
Due to Employees' Retirement System	73,201
Unearned revenue	4,064
Bonds payable due within one year	1,766,200
Bond interest accrued	63,947
Total current liabilities	<u>3,373,419</u>

**LONG-TERM LIABILITIES:**

Bonds payable	3,309,500
Compensated absences payable	236,723
Net pension liability - ERS	513,429
Other postemployment benefits	51,486,361
Total long-term liabilities	<u>55,546,013</u>

**DEFERRED INFLOWS OF RESOURCES:**

Deferred inflow of resources - OPEB	1,701,092
Deferred inflows of resources - pensions ERS	186,315
Deferred inflows of resources - pensions TRS	1,005,903
Total deferred inflows of resources	<u>2,893,310</u>

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>61,812,742</u>
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**NET POSITION**

Net investment in capital assets	9,793,440
Restricted	1,420,835
Unrestricted	<u>(43,472,865)</u>

TOTAL NET POSITION	<u>\$ (32,258,590)</u>
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The accompanying notes are an integral part of these statements.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Statement of Activities**

**For the year ended June 30, 2019**

		Program Revenue		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS:				
General support	\$ 3,824,595	\$ -	\$ -	\$ (3,824,595)
Instruction	14,383,492	134,422	683,957	(13,565,113)
Pupil transportation	1,630,034	-	-	(1,630,034)
School lunch	334,903	98,091	212,683	(24,129)
Debt service interest	228,909	-	-	(228,909)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$ 20,401,933</u>	<u>\$ 232,513</u>	<u>\$ 896,640</u>	<u>(19,272,780)</u>
GENERAL REVENUE:				
Real property taxes				8,616,475
Other tax items				1,292,491
Use of money and property				78,959
Sale of property and compensation for loss				4,032
Miscellaneous				142,319
State sources				11,057,986
Federal sources				510,287
<b>TOTAL GENERAL REVENUE</b>				<u>21,702,549</u>
<b>CHANGE IN NET POSITION</b>				<u>2,429,769</u>
<b>TOTAL NET POSITION - beginning of year</b>				<u>(34,688,359)</u>
<b>TOTAL NET POSITION - end of year</b>				<u>\$ (32,258,590)</u>

The accompanying notes are an integral part of these statements.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**
**Balance Sheet - Governmental Funds  
June 30, 2019**

	<b>Governmental Fund Types</b>					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
<b>ASSETS</b>						
Cash and equivalents - unrestricted	\$ 4,769,779	\$ 3,947	\$ 8,711	\$ 26,207	\$ -	\$ 4,808,644
Cash - restricted	146,288	-	-	-	-	146,288
Due from other funds	389,740	-	-	75,466	41,767	506,973
State and federal aid receivable	664,475	315,383	16,883	395,536	-	1,392,277
Prepaid expenditures	2,180	-	-	-	-	2,180
Other receivable	12,300	-	2,749	-	-	15,049
<b>TOTAL ASSETS</b>	<b>\$ 5,984,762</b>	<b>\$ 319,330</b>	<b>\$ 28,343</b>	<b>\$ 497,209</b>	<b>\$ 41,767</b>	<b>\$ 6,871,411</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 646,395	\$ 274	\$ 24,603	\$ 37,775	\$ -	\$ 709,047
Due to other funds	-	317,596	962	-	-	318,558
Due to other governments	-	-	175	-	-	175
Due to Teachers' Retirement System	756,785	-	-	-	-	756,785
Due to Employees' Retirement System	73,201	-	-	-	-	73,201
Unearned revenue	-	1,460	2,604	-	-	4,064
<b>TOTAL LIABILITIES</b>	<b>1,476,381</b>	<b>319,330</b>	<b>28,344</b>	<b>37,775</b>	<b>-</b>	<b>1,861,830</b>
<b>FUND BALANCE</b>						
Non-spendable	-	-	-	395,536	-	395,536
Restricted:						
Debt Service	-	-	-	-	41,767	41,767
Unemployment	145,613	-	-	-	-	145,613
Liability claims and property loss	16	-	-	-	-	16
Retirement contributions	582,107	-	-	-	-	582,107
Employee benefits and accrued liabilities	525,984	-	-	-	-	525,984
Insurance	125,348	-	-	-	-	125,348
<b>Total restricted fund balance</b>	<b>1,379,068</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,767</b>	<b>1,420,835</b>
Assigned:						
Other	376,939	-	-	63,898	-	440,837
Appropriated for subsequent year	403,204	-	-	-	-	403,204
<b>Total assigned fund balance</b>	<b>780,143</b>	<b>-</b>	<b>-</b>	<b>63,898</b>	<b>-</b>	<b>844,041</b>
Unassigned	2,349,170	-	(1)	-	-	2,349,169
<b>TOTAL FUND BALANCE</b>	<b>4,508,381</b>	<b>-</b>	<b>(1)</b>	<b>459,434</b>	<b>41,767</b>	<b>5,009,581</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 5,984,762</b>	<b>\$ 319,330</b>	<b>\$ 28,343</b>	<b>\$ 497,209</b>	<b>\$ 41,767</b>	<b>\$ 6,871,411</b>

The accompanying notes are an integral part of these statements.

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Reconciliation of Total Governmental Fund Balance To Government-Wide Net Position June 30, 2019

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A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balance	\$ 5,009,581
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	14,842,933
Pension related government - wide activity	
Deferred outflows of resources	4,606,278
Net pension asset - TRS	807,669
Net pension liability - ERS	(513,429)
Deferred inflows of resources	(1,192,218)
OPEB related government - wide activity	
Deferred outflows of resources	2,744,419
Deferred inflows of resources	(1,701,092)
Bonds payable and capital lease obligations are not due and payable in the current period and, therefore, are not reported in the funds	(5,075,700)
Compensated absences at year end in District-wide statements under full accrual accounting	(236,723)
Other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in the funds	(51,486,361)
Interest payable at year end in the District-wide statements under full accrual accounting	<u>(63,947)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (32,258,590)</u>

The accompanying notes are an integral part of these statements.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Statement of Revenue, Expenditures, And Change in Fund Balance - Governmental Funds**  
**For the year ended June 30, 2019**

	Governmental Fund Types					Total
	General	Special Aid	School Lunch	Capital Projects	Debt Service	Governmental Funds
REVENUE:						
Real property taxes	\$ 8,616,475	\$ -	\$ -	\$ -	\$ -	\$ 8,616,475
Other tax items	1,292,491	-	-	-	-	1,292,491
Charges for services	134,422	-	-	-	-	134,422
Use of money and property	78,915	-	2	42	-	78,959
Sale of property and compensation for loss	4,032	-	-	-	-	4,032
Miscellaneous	130,315	2	12,003	-	-	142,320
State sources	11,478,229	257,058	6,656	-	-	11,741,943
Federal sources	90,044	426,899	206,027	-	-	722,970
Sales - School Lunch	-	-	98,091	-	-	98,091
Total revenue	<u>21,824,923</u>	<u>683,959</u>	<u>322,779</u>	<u>42</u>	<u>-</u>	<u>22,831,703</u>
EXPENDITURES:						
General support	1,913,940	-	-	-	-	1,913,940
Instruction	9,523,520	653,721	-	-	-	10,177,241
Pupil transportation	968,091	30,238	-	-	-	998,329
Employee benefits	6,815,310	-	-	-	-	6,815,310
Debt service - Principal	1,701,200	-	-	-	-	1,701,200
Debt service - Interest	235,011	-	-	-	-	235,011
Capital outlays	-	-	-	681,036	-	681,036
Cost of sales	-	-	324,478	-	-	324,478
Total expenditures	<u>21,157,072</u>	<u>683,959</u>	<u>324,478</u>	<u>681,036</u>	<u>-</u>	<u>22,846,545</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>667,851</u>	<u>-</u>	<u>(1,699)</u>	<u>(680,994)</u>	<u>-</u>	<u>(14,842)</u>
OTHER SOURCES AND (USES):						
Proceeds from issuance of debt	-	-	-	303,000	-	303,000
Operating transfers in	-	-	55,095	257,976	-	313,071
Operating transfers (out)	(313,071)	-	-	-	-	(313,071)
Total other sources (uses)	<u>(313,071)</u>	<u>-</u>	<u>55,095</u>	<u>560,976</u>	<u>-</u>	<u>303,000</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>354,780</u>	<u>-</u>	<u>53,396</u>	<u>(120,018)</u>	<u>-</u>	<u>288,158</u>
FUND BALANCE - beginning of year	<u>4,153,601</u>	<u>-</u>	<u>(53,397)</u>	<u>579,452</u>	<u>41,767</u>	<u>4,721,423</u>
FUND BALANCE - end of year	<u>\$ 4,508,381</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 459,434</u>	<u>\$ 41,767</u>	<u>\$ 5,009,581</u>

The accompanying notes are an integral part of these statements.



## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balance To the Statement of Activities For the year ended June 30, 2019

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Net changes in fund balance - Total governmental funds	\$ 288,158
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	625,242
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(1,042,549)
Loss on disposal of assets	(1,010,653)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	48,922
Proceeds from issuance of debt is not recognized as revenue in the statement of activities	(303,000)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets	1,701,200
Other postemployment benefits liability are not due and payable in the current period and are, therefore not reported in the funds	2,053,777
Accrued compensated absences do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental	62,570
Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as an expenditure in the governmental funds	<u>6,102</u>
Change in net position - Governmental activities	<u>\$ 2,429,769</u>

The accompanying notes are an integral part of these statements.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT****Statement of Net Position - Fiduciary Funds  
June 30, 2019**

	Agency	Private Purpose Trust
<b>ASSETS:</b>		
Cash	\$ 283,384	\$ 156,675
Accounts receivable	43	-
Due from other funds	41,788	983
Total assets	<u>\$ 325,215</u>	<u>\$ 157,658</u>
<b>LIABILITIES:</b>		
Extraclassroom activity balances	\$ 91,883	\$ -
Due to other funds	230,186	1,000
Other liabilities	3,146	-
Total liabilities	<u>\$ 325,215</u>	<u>\$ 1,000</u>
<b>NET POSITION:</b>		
Reserved for scholarships		<u>\$ 156,658</u>

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT****Statement of Change in Net Position - Fiduciary Funds  
For the year ended June 30, 2019**

	Private Purpose Trust
<b>ADDITIONS:</b>	
Gifts and donations	\$ 31
Investment earnings	-
Total additions	<u>31</u>
<b>DEDUCTIONS:</b>	
Scholarships and awards	-
NET INCREASE	31
NET POSITION - beginning of year	<u>156,627</u>
NET POSITION - end of year	<u>\$ 156,658</u>

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### 1. NATURE OF OPERATIONS

Middleburgh Central School District (the School District) provides free K-12 public education to students living within its geographic borders.

##### **Reporting Entity**

The School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within The School District. The BOE has the authority to make decisions, power to appoint management and primary accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity as amended by GASB 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net position of the school district is restricted as a result of externally imposed conditions and include amounts restricted for debt service.

##### **Extraclassroom Activity Funds**

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

##### **Joint Venture**

The School District is a component school district in the Capital Region Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

During the year, the School District was billed \$1,328,023 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$571,875.

Financial statements for the BOCES are available from the BOCES administrative office.

**2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the School District are described below:

**Basis of Presentation**

The School District's financial statements consist of school district-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

**District-Wide Statements**

The statement of net position and the statement of activities present financial information about the School District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

**Fund Financial Statements**

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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

The School District reports the following major governmental funds:

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

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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**Special Revenue Funds** - These fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

- Special Aid Fund: Used to account for proceeds from State and Federal grants that are restricted for specific educational programs.
- School Lunch Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

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

**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.

#### **Fiduciary Funds**

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

There are two classes of fiduciary funds:

- Private purpose trust funds - These funds are used to account for trust arrangements in which principal and income are used to fund annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of The School District or representatives of the donors may serve on committees to determine who benefits.
- Agency funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District solely as an agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### **Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The School District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

Non-exchange transactions in which the School District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

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

#### **Cash and Cash Equivalents**

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

#### **Restricted Cash**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets include amounts required by statute to be reserved for various purposes.

#### **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.

#### **Property Taxes**

Real property taxes are levied annually by the BOE no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to October 31. Taxes not collected by October 31 are turned over to the County who assumes all responsibility for collection. Uncollected real property taxes are subsequently enforced by the County(ies) in which the School District is located. The County(ies) pay an amount representing uncollected real property taxes transmitted to the County(ies) for enforcement to the School District no later than the following April 1.

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### Inventory and Prepaid Items

Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the School District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the School District-wide and 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.

#### Interfund Transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School 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 the transfer of expenditures and revenues to provide financing or other services.

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the School District's practice to settle these amounts at a net balance based upon the right of legal offset.

#### Capital Assets

In The School District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold is used to report capital assets and the range of estimated useful lives by type of assets is as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 1,000	N/A	N/A
Buildings and improvements	\$ 1,000	SL	30-50
Furniture and equipment	\$ 1,000	SL	5
Vehicles	\$ 1,000	SL	8

#### Vested Employee Benefits

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

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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

The liability has been calculated using the vesting/termination method and an accrual for that liability is included in the School District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

#### **Other Benefits**

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

School District employees may choose to participate in The School District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year (If applicable "The cost of providing post-retirement benefits is shared between the School District and the retired employee"). The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

#### **Deferred Outflows and Inflows of Resources**

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

#### **Unearned Revenue**

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

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.



## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### **Short Term Debt**

The School District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resource sof the fund.

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

The School District may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

#### **Accrued Liabilities and Long-Term Obligations**

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

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

#### **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the School 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.

#### **District-wide Statements - Equity Classifications**

In the School District-wide statements there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the School District.

**Governmental Fund Financial Statements - Equity classifications**

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

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted fund balance - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balances:

Capital Reserve

According to Education Law §3651, this reserve must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for 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. The Reserve is accounted for in the General Fund under restricted fund balance.

Reserve for Debt Service

According to General Municipal Law §6-l, the Reserve for Debt Service must be established for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations that remain outstanding at the time of the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, that are of a type not recurring annually. The BOE, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, this reserve must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the BOE, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

Insurance Reserve

According to General Municipal Law §6-n, this reserve must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriation, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### Liability Reserve

According to General Municipal Law § 1709(8)(c), this reserve must be used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater.

#### Tax Certiorari

According to Education Law §3651.1-a, must be used to establish a reserve fund for tax certiorari and to expend from the funds without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgements and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

#### Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the BOE. This reserve is accounted for in the general fund.

#### Workers' Compensation

According to General Municipal Law §6-j, must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The Reserve may be established by BOE 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. This Reserve is accounted for in the General Fund.

#### Unemployment Insurance Reserve

This 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 School District 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 School District elects to convert to the tax (contribution) basis, excess resources in the fund may be transferred to any other reserve fund. The Reserve is accounted for in the General fund under restricted fund balance.

#### Reserve for Tax Reduction

This reserve (EL §1604, §1709) is used for the gradual use of the proceeds of the sale of District real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the School District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. This reserve is accounted for in the general fund.

#### Reserve for Insurance Recoveries

Reserve for Insurance Recoveries (Education Law §1718(2)) is used at the end of the fiscal year to account for unexpended proceeds of insurance recoveries. They will be held there pending action by the BOE on their disposition. This reserve will not be used if the insurance recovery is expended in the same fiscal year in which it was received. The reserve is accounted for in the general fund.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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Restricted fund balance includes the following:

<u>General Fund:</u>	
Unemployment insurance	\$ 145,613
Retirement contribution	525,984
Liability Claims and Property Loss	16
Insurance	125,348
Employee benefit accrued liability	582,107
Capital	-
Total restricted fund balance	<u>\$ 1,379,068</u>

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of The School District's highest level of decision making authority, the BOE. the School District has no committed fund balances as of June 30, 2019.

Assigned fund balance - Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as assigned fund balance in the General fund. Encumbrances represent purchase commitments made by the School District's purchasing agent through their authorization of a purchase order prior to year-end. The School District assignment is based on the functional level of expenditures.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year's budget and encumbrances are also excluded from the 4% limitation.

Notes to Basic Financial Statements

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**Order of Fund Balance Spending Policy**

The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**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 dates of the financial statements and the reported revenue 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.

**3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the School District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities compared with the current financial resources focus of the governmental funds.

**Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the School District's governmental funds differ from net position of governmental activities reported in the statement of net position. This difference results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

**Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

- Long Term Revenue and Expense Differences  
Long-term revenue differences arise because governmental funds report revenue only when it is considered "available," whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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- **Capital Related Differences**  
Capital related differences include the difference between proceeds from the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.
- **Long Term Debt Transaction Differences**  
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.
- **Pension Differences**  
Pension differences occur as a result of changes in the School District's proportion of the collective net pension asset/liability and differences between the School District's contributions and its proportionate share of the total contributions to the pension systems.
- **OPEB Differences**  
OPEB differences occur as a result of changes in The School District's total OPEB liability and differences between the School District's contributions and OPEB expense.

#### 4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the School District is subject to various federal, state and local laws and contractual regulations. An analysis of the School District's compliance with significant laws and regulations and demonstration of its stewardship over School District resources follows.

##### **Budgets**

The School District administration prepares a proposed budget for approval by the Board Of Education for the General Fund.

The voters of The School District approved the proposed appropriation budget.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that 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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the BOE as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the year.

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 General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2019.

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

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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#### **Encumbrances**

Encumbrance accounting is used for budgetary control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

#### **Fund Balance**

The School District's unrestricted fund balance in its General fund was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of The School District's budget for the upcoming school year. The School District plans to address this issue by monitoring its allowed reserves and designated fund balance.

Portions of the fund balances are restricted and are not available for current expenditures or expenses, as reported in the governmental funds balance sheet.

#### **5. CASH**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these Notes.

As of June 30, 2019, the School District's aggregate cash balances were \$4,450,881 of which \$506,974 was insured by FDIC, \$3,943,907 was collateralized with securities held by the pledging banks trust department in the School District's name.

#### **6. INVESTMENTS**

The School District participates in the New York Cooperative Liquid Assets Securities System (NYCLASS), a multi municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2019, the School District held \$1,374,063 in investments consisting of various investments in securities issued by the United States and its agencies. NYCLASS is rated 'AAAm' by S&P Global Ratings. The investments are highly liquid and the amount held represents the cost of the investment pool shares, which are considered to approximate fair value. Additional information concerning NYCLASS, including the annual"

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

**7. CAPITAL ASSETS**

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

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 120,400	\$ -	\$ -	\$ 120,400
Total nondepreciable cost	<u>120,400</u>	<u>-</u>	<u>-</u>	<u>120,400</u>
Capital assets that are depreciated:				
Buildings and improvements	24,351,713	-	1,039,576	23,312,137
Furniture and equipment	2,639,888	28,307	542,597	2,125,598
Vehicles	2,901,731	596,935	529,960	2,968,706
Total depreciable historical cost	<u>29,893,332</u>	<u>625,242</u>	<u>2,112,133</u>	<u>28,406,441</u>
Less accumulated depreciation:				
Buildings and improvements	9,624,935	427,985	542,597	9,510,323
Furniture and equipment	2,074,023	201,420	28,923	2,246,520
Vehicles	2,043,881	413,144	529,960	1,927,065
Total accumulated depreciation	<u>13,742,839</u>	<u>1,042,549</u>	<u>1,101,480</u>	<u>13,683,908</u>
Total depreciable cost - net	<u>\$ 16,270,893</u>	<u>\$ (417,307)</u>	<u>\$ 1,010,653</u>	<u>\$ 14,842,933</u>

Depreciation expense for the year ended June 30, 2019, was allocated to specific functions as follows:

General support	\$ 573,402
Instruction	145,957
Pupil transportation	312,765
School lunch	10,425
Total depreciation	<u>\$ 1,042,549</u>

**8. INTERFUND BALANCES AND ACTIVITY**

	Interfund		Transfers	
	Receivable	Payable	In	Out
General	\$ 12,950,733	\$ 12,560,993	\$ -	\$ 313,070
Special Aid	5,883,194	6,200,790	-	-
School Lunch	1,442,372	1,443,334	55,095	-
Capital Projects	5,270,865	5,195,399	257,975	-
Debt	41,767			
Fiduciary	<u>42,771</u>	<u>231,186</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 25,631,702</u>	<u>\$ 25,631,702</u>	<u>\$ 313,070</u>	<u>\$ 313,070</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position. The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.



MIDDLEBURGH CENTRAL SCHOOL DISTRICT

Notes to Basic Financial Statements

9. LONG-TERM OBLIGATIONS

Long-term liability balances and activity for the year are summarized as follows:

	Balance 6/30/2018	Additions	Deletions {a}	Balance 6/30/2019	Due Within One Year
Bonds:					
Serial bonds payable	\$ 6,473,900	\$ 303,000	\$ 1,701,200	\$ 5,075,700	\$ 1,821,800
Other liabilities:					
Compensated absences	\$ 299,293	\$ -	\$ 62,570	\$ 236,723	\$ -

{a} Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately

Interest on all debt for the year was composed of:

Interest paid	\$ 235,011
Less: Interest accrued in the prior year	(70,049)
Plus: Interest accrued in the current year	63,947
Total interest expense	\$ 228,909

Issue dates, maturities, and interest rates on outstanding debt are as follows:

Bond Issue	Issued	Maturity	Interest Rate	6/30/19 Balance
Serial Bond	2001	2021	4.135-4.75%	\$ 2,645,000
Serial Bond	2010	2025	3.44%	1,555,000
Serial Bond	2015	2020	0.87%	875,700
Total bond issue				\$ 5,075,700

The following is a summary of the maturity of long-term indebtedness as of June 30, 2019:

	Principal	Interest	Total
2020	\$ 1,821,800	\$ 182,078	\$ 2,003,878
2021	1,841,800	99,816	1,941,616
2022	426,800	50,652	477,452
2023	364,700	36,552	401,252
2024	335,600	23,776	359,376
2025	285,000	11,400	296,400
Totals	\$ 5,075,700	\$ 404,274	\$ 5,479,974

Notes to Basic Financial Statements

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**10. PENSION PLANS*****New York State Employees' Retirement System***

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

The system is noncontributory except for employees who joined the System after July 27th, 1976, who contribute 3.0% 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 6 vary based on a sliding salary scale. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	ERS
2019	\$ 293,354
2018	\$ 304,959
2017	\$ 294,147

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008. The School District had no amortizing unpaid amounts at the end of the fiscal year.

- Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:
- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The School District had no unpaid liability at the end of the fiscal year.

- Chapter 105 of the Laws of 2010 of the State of New York authorizes local governments to make available a retirement benefit incentive program. The costs of the program will be billed and paid over five years beginning February 1, 2012. The School District had no retirement incentive liability at year end.

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

At June 30, 2019, the School District reported a net pension liability of \$513,428 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019, the School District's proportionate share was 0.72464 percent, which was an increase of 0.74866 percent from its proportionate share measured at June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$332,073. At June 30, 2019, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 101,105	\$ 34,465
Changes of assumptions	129,055	-
Net difference between projected and actual earnings on pension plan investments	-	131,774
Changes in proportion and differences between the district's contributions and proportionate share of contributions	18,638	20,076
Contributions subsequent to the measurement date	73,201	-
<b>Total</b>	<b>\$ 321,999</b>	<b>\$ 186,315</b>

# MIDDLEBURGH CENTRAL SCHOOL DISTRICT

## Notes to Basic Financial Statements

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

Plan's Year Ended June 30:

2019	\$ 103,432
2020	(99,816)
2021	(9,617)
2022	<u>68,483</u>
	<u>\$ 62,482</u>

The District recognized \$73,201 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2018 which will be recognized on a reduction of the net pension liability in the year ended June 30, 2019.

### Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses 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 are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	36.0	4.55
International Equity	14.0	6.35
Private Equity	10.0	7.50
Real Estate	10.0	5.55
Absolute Return	2.0	3.75
Opportunistic Portfolio	3.0	5.68
Real Asset	3.0	5.29
Bonds, Cash & Mortgages	17.0	1.31
Cash	1.0	-0.25
Inflation Indexed Bonds	<u>4.0</u>	<u>1.25</u>
	<u>100%</u>	

## Notes to Basic Financial Statements

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Lower <u>6.00%</u>	Current Discount <u>7.00%</u>	1% Higher <u>8.00%</u>
Proportionate Share of Net Pension liability (asset)	\$ 2,244,791	\$ 513,429	\$ (941,039)

**Pension Plan Fiduciary Net Position (000's)**

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	DISTRICT S Proportionate Pension Plan's Fiduciary Net Position	DISTRICT S Allocation Share of Plan's Fiduciary Net Position	DISTRICT S Percentage as Determined by the Plan
Total pension liability	\$ 189,803,429	\$ 13,754	0.0072464%
Net position	(182,718,124)	(13,240)	0.0072464%
Net pension liability (asset)	\$ 7,085,305	\$ 513	0.0072464%
ERS net position as a percentage of total pension liability	96.27%	96.27%	

**New York State Teachers' Retirement System**

The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system (the 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 State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report and/or the Report on the Schedule of Employer Allocations and Schedules of Pension Amounts by Employer, which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

The New York State Teachers' Retirement Board administers NYSTRS. NYSTRS provides 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. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

#### Contributions

NYSTRS is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the NYSTRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

	<u>TRS</u>
2019	\$ 712,999
2018	\$ 712,739
2018	\$ 822,979

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

At June 30, 2019, the District reported net pension asset of \$807,669 for its proportionate share of the NYSTRS net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2017. The District's proportion of the net pension asset was based on a projection of the Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019 the District's proportionate share was 0.044665%, which was a decrease of 0.044991% from its proportionate share measured at June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$645,244. At June 30, 2019 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 109,329
Changes of assumptions	2,823,334	-
Net difference between projected and actual earnings on pension plan investments	603,565	896,574
Changes in proportion and differences between the District's contributions and proportionate share of contributions	100,595	-
Contributions subsequent to the measurement date	756,785	-
Total	<u>\$ 4,284,279</u>	<u>\$ 1,005,903</u>

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Notes to Basic Financial Statements

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The District recognized \$756,785 as a deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2018 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:

2019	\$ 827,969
2020	568,055
2021	76,380
2022	566,152
2023	388,380
Thereafter	94,654
	<u>\$ 2,521,590</u>

#### Actuarial Assumptions

The total pension liability at the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%										
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table><tr><th><u>Service</u></th><th><u>Rate</u></th></tr><tr><td>5</td><td>4.720%</td></tr><tr><td>15</td><td>3.460%</td></tr><tr><td>25</td><td>2.370%</td></tr><tr><td>35</td><td>1.900%</td></tr></table>	<u>Service</u>	<u>Rate</u>	5	4.720%	15	3.460%	25	2.370%	35	1.900%
<u>Service</u>	<u>Rate</u>										
5	4.720%										
15	3.460%										
25	2.370%										
35	1.900%										
Projected COLAs	1.5% compounded annually										
Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.										

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period of July 1, 2009 to June 30, 2014.

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 expect 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.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Type	Target Allocations in %	Long-term expected real rate of return in %
Domestic Equity	33	5.8
International Equity	16	7.3
Global equities	4	6.7
Real Estate	11	4.9
Private equities	8	8.9
Domestic fixed income securities	16	1.3
Global Fixed Income Securities	2	0.9
Private debt	1	6.8
Real estate debt	7	2.8
High-yield fixed income securities	1	3.5
Short-term	1	0.3
	<u>100</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the School Districts calculated using the discount rate of 7.25 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.25 percent) or 1% higher (8.25 percent) than the current rate:

	1% Lower 6.25%	Current Discount 7.25%	1% Higher 8.25%
Proportionate Share of Net Pension Liability (asset)	\$ <u>5,548,820</u>	\$ <u>(807,669)</u>	\$ <u>(6,132,641)</u>



# MIDDLEBURGH CENTRAL SCHOOL DISTRICT

## Notes to Basic Financial Statements

### Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of June 30, 2019, were as follows:

		DISTRICT S Proportionate Share of Plan's Fiduciary Net Position	DISTRICT S Allocation Percentage as Determined by the Plan
Total pension liability	\$ 118,107,253,288	\$ 52,752,605	0.0446650%
Net position	\$ 119,915,517,622	\$ 53,560,266	0.0446650%
Net pension liability (asset)	\$ (1,808,264,334)	\$ 106,312,871	0.0446650%
NYSTRS net position as a percentage of total pension liability	-101.53%	-101.53%	

### 11. OTHER POSTEMPLOYMENT BENEFITS

#### Plan Description

The School District's defined benefit OPEB plan, provides OPEB for all employees who meet the NYSTRS/NYSERS eligibility requirements. Teachers and Administrators age 55 with 5 years of service who are eligible to retire and collect benefits according to the NYSTRS are eligible for retiree health care benefits for life from the School District. Support staff hired before January 1, 2010 age 55 with 5 years of service are eligible to retire and collect benefits for life from the School District according to NYSTRS. Members after January 1, 2010 must be 55 years old with 10 years of service to qualify for NYSTRS health care benefits.

The plan is a single-employer defined benefit OPEB 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 Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

#### Benefits Provided

The School District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

#### Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	130
Active employees	<u>151</u>
Total participants	281

#### Total OPEB Liability

The District's total OPEB liability of \$51,486,361 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3% per year
Salary Increases	Vary by pension retirement system (ERS and TRS)
Discount Rate	3.51 % as of June 30, 2019
Healthcare Cost Trend Rates	5.50% for 2019, decreasing to an ultimate rate of 3.84% by 2075
Mortality Table	Based on the same assumptions used in the NYS TRS actuarial valuation report as of June 30, 2014 and ERS assumptions effective April 1, 2015

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were ROG-2015 Dataset Mortality Table fully generational as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to July 1, 2016. Liabilities were actuarially rolled forward to the July 1, 2018 measurement date on a "no loss/no gain" basis.

**Changes in the Total OPEB Liability**

Balance at June 30, 2018	<u>\$ 50,357,763</u>
Changes for the Year-	
Service cost	1,167,442
Interest	1,893,617
Changes of benefit terms	-
Changes in assumptions or other inputs	-
Differences between expected and actual experience	3,306,320
Benefit payments	<u>(5,238,781)</u>
Net changes	<u>1,128,598</u>
Balance at June 30, 2019	<u>\$ 51,486,361</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019.

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	1% Decrease <u>2.51%</u>	Current Discount <u>3.51%</u>	1% Increase <u>4.51%</u>
Total OPEB Liability	<u>\$ 42,749,644</u>	<u>\$ 51,486,361</u>	<u>\$ 62,525,626</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.50%) or 1 percentage point higher (9.50%) than the current healthcare cost trend rate:

	Healthcare		
	1% Decrease <u>7.50%</u>	Current Discount <u>8.50%</u>	1% Increase <u>9.50%</u>
Total OPEB Liability	<u>\$ 41,513,362</u>	<u>\$ 51,486,361</u>	<u>\$ 64,360,671</u>

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Notes to Basic Financial Statements**

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$3,185,004. At June 30, 2019, 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 expected and actual experience	\$ -	\$ -
Changes of assumptions	2,744,419	(1,701,092)
Benefit payments subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 2,744,419</u>	<u>\$ (1,701,092)</u>

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

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2020	\$ 123,945
2021	123,945
2022	123,945
2023	174,644
2024	163,515
Thereafter	<u>-</u>
	<u>\$ 709,994</u>

The District recognized \$2,744,419 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of June 30, 2019 which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

**12. RISK MANAGEMENT**

**General**

The School 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.

The School District does not purchase insurance for the risk of losses of unemployment and workers' compensation claims. Instead, the School District manages its risk for these losses internally and accounts for these in the School District's general fund, including provisions for unexpected and unusual claims.

The activity for the unemployment insurance reserve for the year ended June 30, 2019, is as follows:

	Beginning Balance	Change in Estimates	Payments Made (Transfers)	Ending Balance
Unemployment insurance reserve	<u>\$ 145,613</u>	<u>\$ 4,140</u>	<u>\$ 4,140</u>	<u>\$ 145,613</u>

**13. CONTINGENCIES AND COMMITMENTS**

**Other Contingencies**

The School District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

The School District does not purchase insurance for the risk of losses for unemployment claims. Instead, the School District manages its risks for these losses internally and accounts for these in the School District's general fund, including provisions for unexpected and unusual claims.

**REQUIRED SUPPLEMENTAL INFORMATION  
(UNAUDITED)**

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)**  
**For the year ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUE</b>					
LOCAL SOURCES:					
Real property taxes	\$ 9,855,827	\$ 9,855,827	\$ 8,616,475	\$ -	\$ (1,239,352)
Other tax items	33,000	33,000	1,292,491	-	1,259,491
Charges for services	165,000	165,000	134,422	-	(30,578)
Use of money and property	11,000	11,000	78,915	-	67,915
Sale of property and compensation for loss	-	-	4,032	-	4,032
Miscellaneous	200,000	200,000	130,315	-	(69,685)
Total local sources	10,264,827	10,264,827	10,256,650	-	(8,177)
State sources	11,306,845	11,306,845	11,478,229	-	171,384
Federal sources	30,000	30,000	90,044	-	60,044
Total revenue	21,601,672	21,601,672	21,824,923	-	223,251

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)**  
**For the year ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>EXPENDITURES</b>					
<b>GENERAL SUPPORT:</b>					
Board of education	28,300	28,364	24,033	-	4,331
Central administration	239,867	221,567	198,903	-	22,664
Finance	294,953	294,953	288,272	1,472	5,209
Staff	95,753	95,753	79,849	-	15,904
Central services	1,114,055	1,253,535	1,160,910	10,333	82,292
Special items	178,321	178,321	161,973	-	16,348
Total general support	<u>1,951,249</u>	<u>2,072,493</u>	<u>1,913,940</u>	<u>11,805</u>	<u>146,748</u>
<b>INSTRUCTION:</b>					
Instruction, administration, and improvement	669,206	736,066	725,903	2,326	7,837
Teaching - regular school	5,094,912	5,158,643	4,918,140	104,340	136,163
Programs for children with handicapping conditions	2,329,322	2,329,362	2,217,504	-	111,858
Occupational education	389,508	389,508	348,134	-	41,374
Teaching - special school	-	-	11,537	-	(11,537)
Instructional media	545,897	671,897	594,892	205,287	(128,282)
Pupil services	<u>737,096</u>	<u>759,596</u>	<u>707,410</u>	<u>53,181</u>	<u>(995)</u>
Total instruction	9,765,941	10,045,072	9,523,520	365,134	156,418
Pupil transportation	1,105,881	1,106,006	968,091	-	137,915
Employee benefits	7,319,905	7,119,905	6,815,310	-	304,595
Debt service	<u>1,926,211</u>	<u>1,926,211</u>	<u>1,936,211</u>	<u>-</u>	<u>(10,000)</u>
Total expenditures	22,069,187	22,269,687	21,157,072	376,939	735,676
<b>OTHER FINANCING SOURCES</b>					
Transfers to other funds	<u>100,000</u>	<u>300,000</u>	<u>313,071</u>	<u>-</u>	<u>(13,071)</u>
Total expenditures and other financing sources	<u>22,169,187</u>	<u>22,569,687</u>	<u>21,470,143</u>	<u>376,939</u>	<u>722,605</u>
NET CHANGE IN FUND BALANCE	(567,515)	(968,015)	354,780	(376,939)	945,856
FUND BALANCE - beginning of year	<u>4,153,601</u>	<u>4,153,601</u>	<u>4,153,601</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 3,586,086</u>	<u>\$ 3,185,586</u>	<u>\$ 4,508,381</u>	<u>\$ (376,939)</u>	<u>\$ 945,856</u>

# MIDDLEBURGH CENTRAL SCHOOL DISTRICT

## Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited) For the year ended June 30, 2019

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Total OPEB Liability</b>										
Service cost	\$ 1,167,442	\$ 1,229,622								
Interest	1,893,617	1,898,289								
Changes of benefit terms	-	-								
Differences between expected and actual experience	-	-								
Changes in assumptions	3,306,320	(2,577,004)								
Benefit payments	(5,238,781)	(3,217,965)								
<b>Total change in total OPEB liability</b>	<u>1,128,598</u>	<u>(2,667,058)</u>								
<b>Total OPEB liability - beginning</b>	<u>50,357,763</u>	<u>53,024,821</u>								
<b>Total OPEB liability - ending</b>	<u>\$ 51,486,361</u>	<u>\$ 50,357,763</u>								
 <b>Covered-employee payroll</b>	 \$ 8,363,249	 \$ 8,507,795								
 <b>Total OPEB liability as a percentage of covered- employee payroll</b>	 615.6%	 591.9%								

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

### Notes to schedule:

**Changes of assumptions.** Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	3.87%	3.58%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year

The actuarial cost method has been updated from Projected Unit Credit to Entry Age Normal, which caused a decrease in liabilities.

The healthcare trend cost rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0% in 2025 and beyond, which caused an increase in liabilities.

**Plan Assets.** No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.



**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)  
For the year ended June 30, 2019**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Proportion of the net pension liability (asset)	0.7246400%	0.0074866%	0.0076456%	0.0075228%	0.0080258%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they				
Proportionate share of the net pension liability (asset)	\$ 513.4	\$ 241.6	\$ 718.4	\$ 1,207.4	\$ 271.1					
Covered-employee payroll	\$ 1,906.5	\$ 1,989.2	\$ 2,018.0	\$ 1,870.5	\$ 1,954.5					
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.9%	12.1%	35.6%	64.6%	13.9%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.3%	98.2%	94.7%	90.7%	97.9%					
	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Proportion of the net pension liability (asset)	0.0446650%	0.0449910%	0.0454070%	0.0479410%	0.0479410%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.				
Proportionate share of the net pension liability (asset)	\$ 807.7	\$ 342.0	\$ 486.3	\$ (4,750.3)	\$ (5,430.4)					
Covered-employee payroll	\$ 6,909.2	\$ 6,301.6	\$ 7,006.7	\$ 6,869.9	\$ 7,081.7					
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.7%	5.4%	6.9%	-69.1%	-76.7%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.5%	100.7%	99.0%	110.5%	111.5%					

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Schedule of Contributions - Pension Plans (Unaudited)**  
**For the year ended June 30, 2019**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 292.0	\$ 293.3	\$ 303.1	\$ 318.8	\$ 386.0	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.				
Contributions in relation to the contractually required contribution	<u>292.0</u>	<u>293.3</u>	<u>303.1</u>	<u>318.8</u>	<u>386.0</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll	\$ 1,906.5	\$ 1,989.2	\$ 1,989.2	\$ 2,018.0	\$ 1,870.5					
Contributions as a percentage of covered-employee payroll	15.32%	14.75%	15.24%	15.80%	20.64%					

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 756.8	\$ 835.6	\$ 929.1	\$ 1,204.3	\$ 1,150.8	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.				
Contributions in relation to the contractually required contribution	<u>756.8</u>	<u>835.6</u>	<u>929.1</u>	<u>1,204.3</u>	<u>1,150.8</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll	\$ 6,909.2	\$ 6,301.6	\$ 6,301.6	\$ 7,006.7	\$ 6,869.9					
Contributions as a percentage of covered-employee payroll	10.95%	13.26%	14.74%	17.19%	16.75%					

## **OTHER INFORMATION (UNAUDITED)**

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT****Schedule of Change from Original Budget to Revised Budget and Section 1318 of Real Property Tax Law Limit Calculation (Unaudited)  
For the year ended June 30, 2019**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 22,169,187
Add: Prior year's encumbrances	<u>400,500</u>
Original budget	22,569,687
Budget revision	<u>-</u>
Final budget	<u>\$ 22,569,687</u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2019-20 voter-approved expenditure budget	<u>\$ 22,481,913</u>
Maximum allowed (4% of 2018-19 budget)	<u>\$ 899,277</u>

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

Total fund balance: \$ 4,508,381

Less:

Appropriated fund balance	403,204
Encumbrances included in assigned fund balance	376,939
Restricted fund balance:	
Unemployment	145,613
Liability claims and property loss	16
Retirement contributions	582,107
Employee benefits and accrued liabilities	525,984
Capital reserve	-
Insurance	<u>125,348</u>
	<u>2,159,211</u>

General Fund Fund Balance Subject to Section 1318  
of Real Property Tax Law \$ 2,349,170

Actual percentage 10.45%

\* 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.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Schedule of Project Expenditures - Capital Projects Fund (Unaudited)  
For the year ended June 30, 2019**

Project Title	Expenditures					Methods of Financing						Fund Balance June 30, 2019
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	Federal Aid	State Aid	Local Sources	Total	
Capital project #1: Misc Prior Year Projects	\$ 215,524	\$ 621,306	\$ 620,106	\$ 376,831	\$ 996,937	\$ (375,631)	\$ 215,524	\$ -	\$ 219,450	\$ 155,550	\$ 590,524	\$ (406,413)
Capital project #2: Reconstruction/Additions Project	4,123,271	4,123,271	4,070,758	-	4,070,758	52,513	3,376,959	-	733,328	125,000	4,235,287	164,529
Capital project #3: Bus Purchase	790,500	790,500	552,052	304,205	856,257	(65,757)	563,452	-	-	-	563,452	(292,805)
Capital project #4: Flood remediation	<u>2,724,931</u>	<u>2,743,391</u>	<u>2,743,391</u>	<u>-</u>	<u>2,743,391</u>	<u>-</u>	<u>-</u>	<u>1,810,371</u>	<u>910,807</u>	<u>455,318</u>	<u>3,176,496</u>	<u>433,105</u>
Totals	<u>\$ 7,854,226</u>	<u>\$ 8,278,468</u>	<u>\$ 7,986,307</u>	<u>\$ 681,036</u>	<u>\$ 8,667,343</u>	<u>\$ (388,875)</u>	<u>\$ 4,155,935</u>	<u>\$ 1,810,371</u>	<u>\$ 1,863,585</u>	<u>\$ 735,868</u>	<u>\$ 8,565,759</u>	<u>\$ (101,584)</u>

## MIDDLEBURGH CENTRAL SCHOOL DISTRICT

### Schedule of Net Investment in Capital Assets, (Unaudited) June 30, 2019

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Capital assets, net		\$ 14,842,933
Deduct:		
Short-term portion of bonds payable	1,766,200	
Long-term portion of bonds payable	<u>3,309,500</u>	<u>5,075,700</u>
Plus: Unspent bond proceeds		<u>26,207</u>
Investment in capital assets, net		<u>\$ 9,793,440</u>

See independent auditor's report.

## **REQUIRED REPORTS**

**INDEPENDENT AUDITOR'S 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**

October 3, 2019

To the Board of Education of  
Middleburgh Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Middleburgh Central School District (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 3, 2019

**Internal Control Over Financial Reporting**

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

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

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**INDEPENDENT AUDITOR'S 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***

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

**District's Response to Finding**

The School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
For the year ended June 30, 2019**

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**Section I—Summary of Auditors' Results**

**Financial Statements**

Type of independent auditor's report issued  
(GAAP)

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>                    </u> Yes	<u>          X          </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u>                    </u> Yes	<u>          X          </u> None reported
Noncompliance material to financial statements noted?	<u>          X          </u> Yes	<u>                    </u> No

## **MIDDLEBURGH CENTRAL SCHOOL DISTRICT**

### **Schedule of Findings and Questioned Costs For the year ended June 30, 2019**

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#### **Section II—Financial Statement Findings**

##### **Finding #2019-001 – Stewardship and Compliance**

###### Criteria

The School District's unrestricted fund balance was outside the New York State Real Property Tax Law 1318 limit, which restricts it to an amount not greater than 4% of the School District's budget for the upcoming year.

###### Condition

General fund unrestricted fund balance exceeded 4% of the subsequent year's budget.

###### Questioned Costs

None

###### Cause and Effect

The current year surplus resulted in the School District's unrestricted fund balance exceeding limitations.

###### Recommendation

We recommend that management take the excess fund balance into consideration when preparing next year's budget.

###### Response/Corrective Action Plan

School District management will ensure the excess fund balance is considered when preparing next year's budget.

#### **Section III – Federal Award Findings and Questioned Costs**

There were no instances of significant deficiencies, material weaknesses, or noncompliance, including questioned costs that are required to be reported under Uniform Guidance.

#### **Section IV – Status of Prior Year Findings**

##### **Finding #2018-001 – Stewardship and Compliance**

###### Condition

General fund unrestricted fund balance exceeded 4% of the subsequent year's budget.

###### Status

This is a repeat comment in the current year.