

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**Financial Statements as of
June 30, 2020
Together with
Independent Auditor's Reports**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 15, 2020

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, 2020, 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.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

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, 2020, 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 schedule of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements as a whole. The other information described in the table of contents, as required by 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 other 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, 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 FISCAL YEAR ENDED JUNE 30, 2020

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2020. 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 2019-2020 budget was approved by the voters for \$22,481,913 and actual expenditures for the fiscal year were \$21,503,117, equating to a favorable difference of \$986,004 net of encumbrances. On March 16, 2020, the School District closed in-person instruction due to a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). As a result, there was a reduction in cost associated with instruction, related programs and operations of facilities. In addition, there was a reduction of cost associated with employee benefits. The favorable difference approximates 4% of the total budget.
- In June 2020, the 2020-2021 budget proposal of \$22,803,143 was voter approved.
- The School District applied \$462,435 of its fund balance to balance the 2020-2021 budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

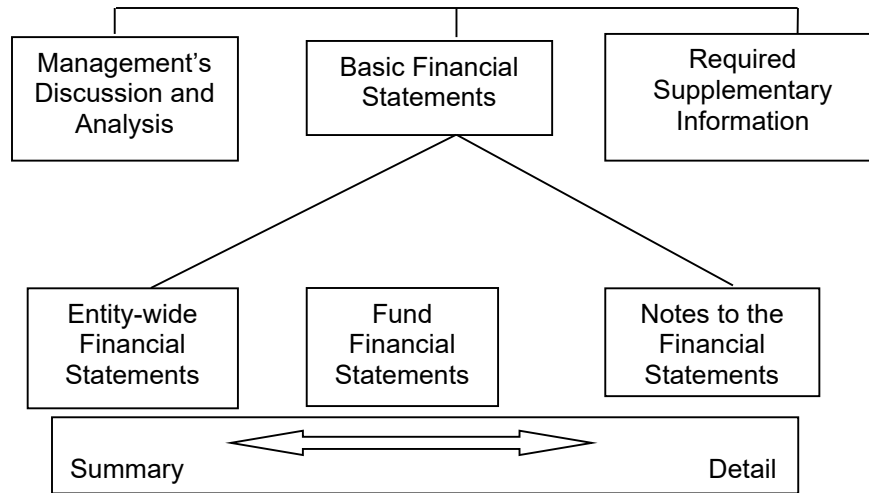
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are School 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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.

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

	School District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances. 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/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 included.	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.

School 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.

The two School 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

School District-Wide Statements (Continued)

- 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.

School 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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

- *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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's net position as of June 30, 2020 is detailed in Tables A-3 and A-4

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

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Assets:			
Current and other assets	\$ 8.5	\$ 6.6	29%
Net pension asset	1.1	0.8	34%
Capital assets	<u>15.2</u>	<u>14.8</u>	3%
Deferred outflows of resources	<u>55.5</u>	<u>7.4</u>	650%
Total assets	<u>\$ 80.3</u>	<u>\$ 29.6</u>	171%
Liabilities:			
Current liabilities	\$ 5.5	\$ 3.4	63%
Long-term liabilities	<u>116.5</u>	<u>55.5</u>	110%
Deferred inflows of resources	<u>2.8</u>	<u>2.9</u>	-5%
Total liabilities	<u>\$ 125.0</u>	<u>61.8</u>	102%
Net position:			
Invested in capital assets	10.9	9.8	11%
Restricted	1.6	1.4	14%
Unrestricted	<u>(57.0)</u>	<u>(43.5)</u>	31%
Total net position	<u>\$ (44.6)</u>	<u>\$ (32.3)</u>	38%

Deferred outflows of resources and long-term liabilities both increased significantly due to assumption changes made by the actuary in determining other post-employment benefits.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Changes in Net Position (Continued)

The School District's 2019-2020 revenue was \$23,031,388 (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 \$35,337,077 for 2019-2020. These expenses (87%) are predominately for the education, supervision, and transportation of students (see Table A-6). The School District's administrative and business activities accounted for 13% of total costs.

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

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Revenue:			
Program revenue:			
Charges for services	\$ 0.2	\$ 0.2	-8%
Operating grants	1.0	0.9	7%
General revenue:			
Property and other tax items	10.0	9.9	1%
Use of money and property	0.1	0.1	0%
State formula aid	11.2	11.1	1%
Federal sources	0.5	0.5	3%
Miscellaneous	<u>0.1</u>	<u>0.1</u>	44%
Total revenue	<u>23.0</u>	<u>22.8</u>	1%
Expenses:			
General support	4.4	3.8	15%
Instruction	27.5	14.4	91%
Pupil transportation	2.9	1.6	84%
Debt service - Interest	0.3	0.2	29%
School lunch program	<u>0.3</u>	<u>0.3</u>	-9%
Total expenses	<u>35.3</u>	<u>20.4</u>	73%
Change in net position	<u>\$ (12.3)</u>	<u>\$ 2.4</u>	-613%

The significant decrease in net position for 2020 was largely the result of recognizing approximately \$13 million in other post-employment benefits. This large increase was a result of assumption changes made by the actuary in determining the School District's future liability.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-5 Sources of Revenue for 2020

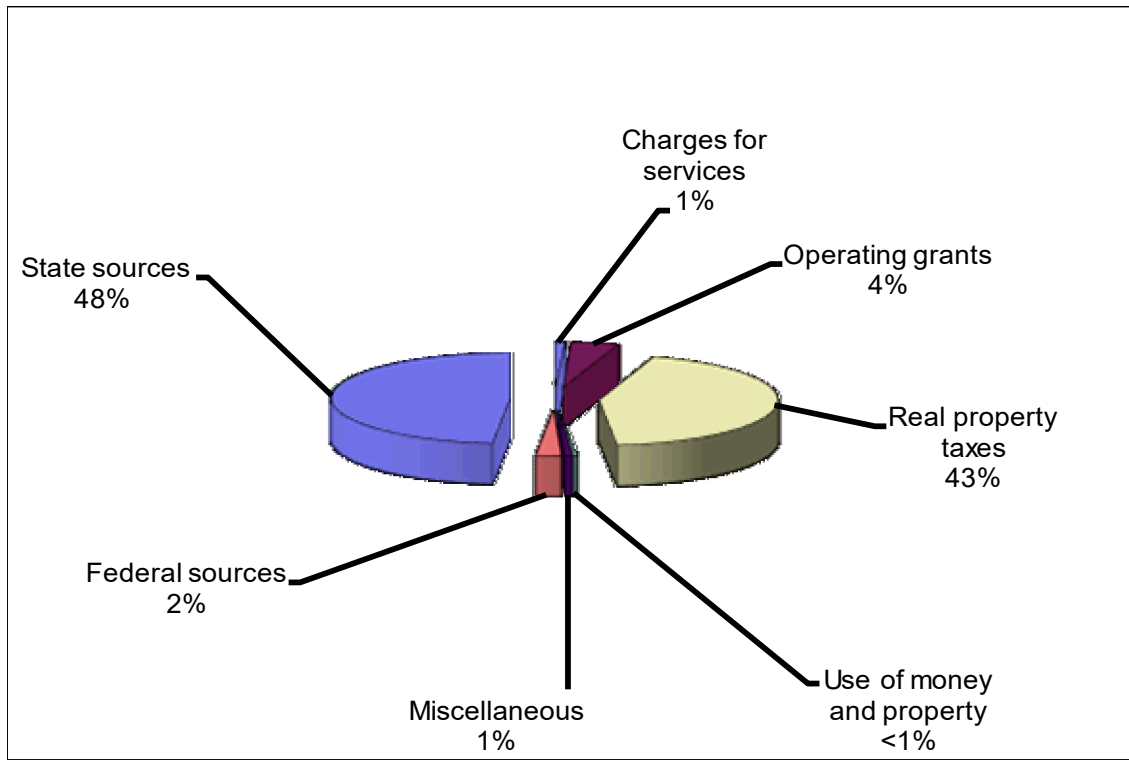
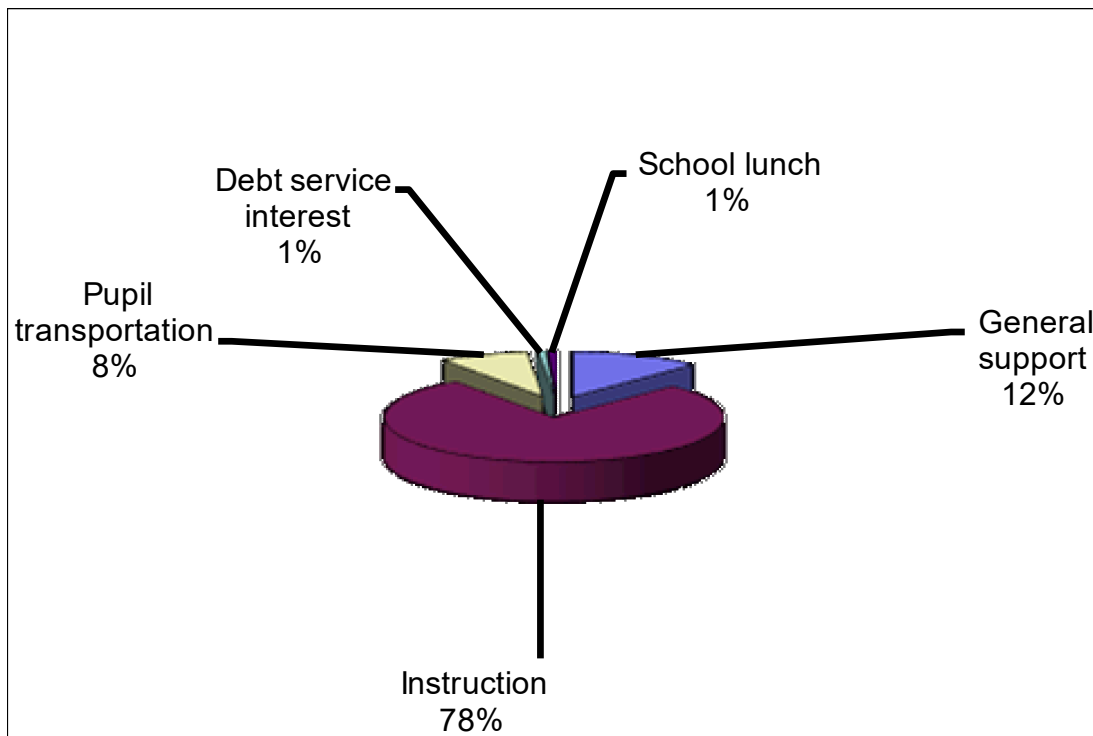


Table A-6 Sources of Expenses for 2020



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Revenue for the School District's governmental activities totaled \$23,031,388, while total expenses were \$35,377,077, accordingly, net position decreased \$12,305,689. The net result of the change in the School District's financial condition can be credited to:

- Recognition of \$13 million other post-employment 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 2020	Total Cost Of Services 2019	Percent Change	(Net) Cost Of Services 2020	(Net) Cost Of Services 2019	Percent Change
Functions:						
General support	\$ 4.5	\$ 3.8	17.2%	\$ (4.4)	\$ (3.8)	14.6%
Instruction	27.5	14.4	91.0%	(26.6)	(13.6)	95.8%
Pupil transportation	2.9	1.6	84.0%	(2.9)	(1.6)	84.0%
Debt service - Interest	0.3	0.2	28.9%	(0.3)	(0.2)	28.9%
Cost of sales - Food	<u>0.3</u>	<u>0.3</u>	-8.6%	<u>0.0</u>	<u>-</u>	-
Total	<u>\$ 35.3</u>	<u>\$ 20.3</u>	74.1%	<u>\$ (34.2)</u>	<u>\$ (19.3)</u>	77.0%

- The cost of all governmental activities for the year was \$35,337,077.
- The users of the School District's programs financed \$183,583 of the cost.
- The federal and state government financed \$962,495 of the cost.
- The majority of costs, \$34,190,999, were financed by the School District's taxpayers and unallocated NYS aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variations between years for the governmental fund financial statements are not the same as variations 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.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Governmental Fund Highlights

The following is a brief description of the activity in the governmental funds for 2020:

General Fund: Revenue exceeded expenditures by \$369,813 in the 2019-2020 year. The favorable result was caused by savings in projected costs related to 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. Approximately \$781,000 was received for state and federal grants in this fund.

School Lunch Fund: The school lunch fund ended 2019-2020 fiscal year with an operating income of \$2,769 compared to an operating income of \$53,396 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 decrease in operating income is due to a transfer of \$55,095 in 2018-2019 to subsidize the historical loss in the school district lunch program. A transfer was not necessary in the current year since the school lunch program was self-supporting.

Capital Projects Fund: \$995,810 was expended for capital projects for the year ended June 30, 2020. The capital projects fund ended 2019-2020 fiscal year with a deficit fund balance of \$77,480. This deficit will be eliminated in future years as bond anticipation notes are either redeemed or replaced by long term debt.

Debt Service Fund: The debt service fund ended the year with a \$66,618 fund balance.

General Fund Budgetary Highlights

For the 2019-2020 school year, the voters of the School District approved a budget of \$22,481,913. That budget was subsequently increased by \$376,942 due to encumbrances carried over from 2018-2019.

Through the careful monitoring and control of general fund expenditures for 2019-2020, the School District had a favorable variance of \$986,004 budget vs. actual for fiscal 2020.

The School District considers the results achieved regarding the 2019-2020 finances to be very satisfactory. The School District also met its target to have \$462,435 in fund balance available on June 30, 2020 to support the 2020-21 budget. Further, the School District was able to appropriately fund the mandated contribution levels for the Teachers' Retirement System and the Employees' Retirement System.

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Table A-8 General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual	Encumbrances	Variance
Revenue:					
Real property taxes	\$ 9,954,385	\$ 9,954,385	\$ 8,764,786	\$ -	\$ (1,189,599)
Other tax items	40,917	40,917	1,238,259	-	1,197,342
Charges for services	175,000	175,000	123,906	-	(51,094)
Use of money and property	46,000	46,000	47,479	-	1,479
Sale of property and compensation for loss	-	-	12,774	-	12,774
State sources	11,632,407	11,632,407	11,465,523	-	(166,884)
Federal sources	60,000	60,000	89,125	-	29,125
Miscellaneous	170,000	170,000	131,078	-	(38,922)
Total revenue	22,078,709	22,078,709	21,872,930	-	(205,779)
Expenditures:					
Board of education	28,100	28,100	22,981	-	5,119
Central administration	253,548	253,548	212,080	-	41,468
Finance	316,570	318,042	309,615	-	8,427
Staff	99,847	99,847	90,945	-	8,902
Central services	1,112,287	1,222,620	1,140,886	23,577	58,157
Special items	181,174	181,174	164,233	-	16,941
Instruction, administration, and improvement	761,409	749,310	667,821	850	80,639
Teaching - Regular school	5,167,354	5,317,619	5,085,268	100,332	132,019
Programs for children with handicapping conditions	2,417,730	2,417,730	2,400,716	131	16,883
Occupational education	395,446	395,446	416,941	-	(21,495)
Instructional media	632,039	862,329	776,818	233,032	(147,521)
Pupil services	730,140	783,321	720,355	6,260	56,706
Pupil transportation	1,101,221	1,101,221	1,009,626	5,552	86,043
Employee benefits	7,121,170	6,964,670	6,369,241	-	595,429
Debt service	2,003,878	2,003,878	1,993,481	-	10,397
Transfers to other funds	160,000	160,000	122,110	-	37,890
Total expenses	22,481,913	22,858,855	21,503,117	369,734	986,004
Net change in fund balance	(403,204)	(780,146)	369,813	(369,734)	780,225
Fund balance - beginning of year	4,508,381	4,508,381	4,508,381	-	-
Fund balance - end of year	\$ 4,105,177	\$ 3,728,235	\$ 4,878,194	\$ (369,734)	\$ 780,225

As noted above in the results vs. budget table, the School District has an overall favorable budgetary surplus of \$780,225. This was a result of decrease in cost of instruction related expenses, employee benefits and careful monitoring of expenditures.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

Capital Assets

As of June 30, 2020, the School District had \$15,180,518 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 <u>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Land	\$ 120	\$ 120	0%
Construction in progress	539	-	
Buildings and improvements	12,860	13,288	-3%
Equipment, furniture and vehicles	<u>1,661</u>	<u>1,434</u>	16%
Total	<u>\$ 15,181</u>	<u>\$ 14,843</u>	2%

Long-Term Liabilities

As of June 30, 2020, the School District had \$118 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 <u>2020</u>	Fiscal Year <u>2019</u>
General obligation bonds	\$ 3,700	\$ 5,076
Net pension liability	1,803	513
Compensated absences	251	237
Other post employment benefits	<u>112,707</u>	<u>51,486</u>
Total	<u>\$ 118,461</u>	<u>\$ 57,312</u>

During 2020, the School District paid down its debt by retiring \$3,146,800 of outstanding bonds.

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 2020-2021 budget process and future budget processes will incorporate analysis of this property tax cap on future budgets.
- Due to the Public Health Emergency related to COVID-19 it is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be on the School District.
- 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

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, New York 12122

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:	
Cash - unrestricted	\$ 3,853,211
Cash - restricted	3,092,825
Due from other funds	187,246
State and federal aid receivable	1,404,943
Prepaid expenditures	1,798
Other receivables	<u>1,696</u>
Total current assets	<u>8,541,719</u>
NON-CURRENT ASSETS:	
Net pension asset - TRS	1,075,406
Capital assets, net	<u>15,180,518</u>
Total non-current assets	<u>16,255,924</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - OPEB	50,647,201
Deferred outflows of resources - pensions ERS	1,154,398
Deferred outflows of resources - pensions TRS	<u>3,694,132</u>
Total deferred outflows of resources - pensions	<u>55,495,731</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>80,293,374</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	427,747
Due to other governments	2,676
Due to Teachers' Retirement System	649,181
Due to Employees' Retirement System	68,734
Unearned revenue	5,040
Bond anticipation notes	2,400,000
Bonds payable due within one year	1,912,600
Bond interest accrued	<u>77,780</u>
Total current liabilities	<u>5,543,758</u>
LONG-TERM LIABILITIES:	
Bond premium, net	126,665
Bonds payable, net of current portion	1,660,300
Compensated absences	251,436
Net pension liability - ERS	1,802,899
Total other postemployment benefits	<u>112,707,272</u>
Total long-term liabilities	<u>116,548,572</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflow-OPEB	1,263,136
Deferred inflows of resources - pensions ERS	64,439
Deferred inflows of resources - pensions TRS	<u>1,437,748</u>
Total deferred inflows of resources - pensions	<u>2,765,323</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>124,857,653</u>

NET POSITION

Net investment in capital assets	10,874,024
Restricted	1,590,356
Unrestricted	<u>(57,028,659)</u>
TOTAL NET POSITION	<u>\$ (44,564,279)</u>

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 4,354,876	\$ -	\$ -	\$ (4,354,876)
Instruction	27,506,866	123,906	759,346	(26,623,614)
Pupil transportation	2,943,217	-	-	(2,943,217)
School lunch	274,304	59,677	203,149	(11,478)
Debt service interest	<u>257,814</u>	<u>-</u>	<u>-</u>	<u>(257,814)</u>
TOTAL FUNCTIONS AND PROGRAMS	\$ <u>35,337,077</u>	\$ <u>183,583</u>	\$ <u>962,495</u>	<u>(34,190,999)</u>
GENERAL REVENUE:				
Real property taxes				8,764,786
Other tax items				1,238,259
Use of money and property				52,378
Sale of property and compensation for loss				12,774
Miscellaneous				144,224
State sources				11,155,631
Federal sources				<u>517,258</u>
TOTAL GENERAL REVENUE				<u>21,885,310</u>
CHANGE IN NET POSITION				<u>(12,305,689)</u>
NET POSITION - beginning of year				<u>(32,258,590)</u>
NET POSITION - end of year				<u>\$ (44,564,279)</u>

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2020

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
ASSETS						
Cash and cash equivalents - unrestricted	\$ 3,749,262	\$ 3,676	\$ 2,954	\$ 97,319	\$ -	\$ 3,853,211
Cash and cash equivalents - restricted	1,523,738	-	-	1,569,087	-	3,092,825
Due from other funds	654,869	114,932	20,549	409,252	66,618	1,266,220
State and federal aid receivable	591,204	382,824	35,379	395,536	-	1,404,943
Prepaid expenditures	1,798	-	-	-	-	1,798
Other receivable	1,696	-	-	-	-	1,696
TOTAL ASSETS	\$ 6,522,567	\$ 501,432	\$ 58,882	\$ 2,471,194	\$ 66,618	\$ 9,620,693
LIABILITIES						
Accounts payable and accrued liabilities	\$ 327,946	\$ 1,074	\$ 442	\$ 98,285	\$ -	\$ 427,747
Bond anticipated notes	-	-	-	2,400,000	-	2,400,000
Due to other funds	477,770	497,406	53,409	50,389	-	1,078,974
Due to other governments	2,501	-	175	-	-	2,676
Due to Teachers' Retirement System	649,181	-	-	-	-	649,181
Due to Employees' Retirement System	68,734	-	-	-	-	68,734
Unearned revenue	-	2,952	2,088	-	-	5,040
TOTAL LIABILITIES	1,526,132	501,432	56,114	2,548,674	-	4,632,352
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - unearned revenue	118,241	-	-	-	-	118,241
FUND BALANCE						
Restricted:						
Debt Service	-	-	-	-	66,618	66,618
Unemployment	145,613	-	-	-	-	145,613
Liability claims and property loss	16	-	-	-	-	16
Retirement contributions - ERS	451,107	-	-	-	-	451,107
Retirement contributions - TRS	275,670	-	-	-	-	275,670
Employee benefits and accrued liabilities	525,984	-	-	-	-	525,984
Insurance	125,348	-	-	-	-	125,348
Total restricted fund balance	1,523,738	-	-	-	66,618	1,590,356
Assigned:						
Other	369,734	-	2,768	-	-	372,502
Appropriated for subsequent year expenditures	462,435	-	-	-	-	462,435
Total assigned fund balance	832,169	-	2,768	-	-	834,937
Unassigned	2,522,287	-	-	(77,480)	-	2,444,807
TOTAL FUND BALANCE	4,878,194	-	2,768	(77,480)	66,618	4,870,100
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,522,567	\$ 501,432	\$ 58,882	\$ 2,471,194	\$ 66,618	\$ 9,620,693

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION JUNE 30, 2020

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

Total governmental fund balance	\$ 4,870,100
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,180,518
State aid revenue in the statement of activities is recognized as revenue in the governmental-wide statements but is not recognized as revenue under the modified accrual basis of accounting fund financial statement	118,241
GASB 68 related government wide activity	
Deferred outflows of resources	4,848,530
Net pension asset - TRS	1,075,406
Net pension liability - ERS	(1,802,899)
Deferred inflows of resources	(1,502,187)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds	(3,699,565)
Compensated absences at year end in District-wide statements under full accrual accounting	(251,436)
OPEB related government wide activity	
Deferred outflows of resources	50,647,201
Deferred inflows of resources	(1,263,136)
Total OPEB liability	(112,707,272)
Interest payable at year end in the District-wide statements under full accrual accounting	<u>(77,780)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (44,564,279)</u>

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
REVENUE:						
Real property taxes	\$ 8,764,786	\$ -	\$ -	\$ -	\$ -	\$ 8,764,786
Other tax items	1,238,259	-	-	-	-	1,238,259
Charges for services	123,906	-	-	-	-	123,906
Use of money and property	47,479	-	3	4,896	-	52,378
Sale of property and compensation for loss	12,774	-	-	-	-	12,774
Miscellaneous	131,078	-	7,660	-	-	138,738
State sources	11,465,523	324,476	6,737	-	-	11,796,736
Federal sources	89,125	434,870	196,412	-	-	720,407
Sales - School Lunch	-	-	59,677	-	-	59,677
Total revenue	<u>21,872,930</u>	<u>759,346</u>	<u>270,489</u>	<u>4,896</u>	<u>-</u>	<u>22,907,661</u>
EXPENDITURES:						
General support	1,940,740	-	-	-	-	1,940,740
Instruction	10,067,919	759,728	-	-	-	10,827,647
Pupil transportation	1,009,626	21,728	-	-	-	1,031,354
Employee benefits	6,369,241	-	-	-	-	6,369,241
Debt service - Principal	1,826,800	-	-	-	-	1,826,800
Debt service - Interest	166,681	-	-	-	-	166,681
Capital outlays	-	-	-	995,810	-	995,810
Cost of sales	-	-	267,720	-	-	267,720
Total expenditures	<u>21,381,007</u>	<u>781,456</u>	<u>267,720</u>	<u>995,810</u>	<u>-</u>	<u>23,425,993</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>491,923</u>	<u>(22,110)</u>	<u>2,769</u>	<u>(990,914)</u>	<u>-</u>	<u>(518,332)</u>
OTHER SOURCES AND (USES):						
Proceeds from issuance of bonds/premium	-	-	-	354,000	1,290,000	1,644,000
Premium on issuance of debt	-	-	-	-	132,151	132,151
Payment to escrow agent	-	-	-	-	(1,397,300)	(1,397,300)
Operating transfers in	-	22,110	-	100,000	-	122,110
Operating transfers (out)	(122,110)	-	-	-	-	(122,110)
Total other sources (uses)	<u>(122,110)</u>	<u>22,110</u>	<u>-</u>	<u>454,000</u>	<u>24,851</u>	<u>378,851</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>369,813</u>	<u>-</u>	<u>2,769</u>	<u>(536,914)</u>	<u>24,851</u>	<u>(139,481)</u>
FUND BALANCE - beginning 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>
FUND BALANCE - end of year	<u>\$ 4,878,194</u>	<u>\$ -</u>	<u>\$ 2,768</u>	<u>\$ (77,480)</u>	<u>\$ 66,618</u>	<u>\$ 4,870,100</u>

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balance - Total governmental funds	\$ (139,481)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	1,175,793
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(838,208)
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	(1,089,450)
Proceeds from issuance of debt is not recognized as revenue in the statement of activities	(1,644,000)
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	3,146,800
Proceeds of bonds premium are recorded as other sources in the governmental funds, but are recorded as additions of liabilities in the statement of net position	(126,665)
State aid revenue in the statement of activities is recognized as revenue in the government-wide statements, but is not recognized as revenue under the modified accrual basis of accounting in the fund financial statements	118,241
Other postemployment benefits liability are not due and payable in the current period and are, therefore not reported in the funds	(12,880,173)
Accrued compensated absences do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds	(14,713)
Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as an expenditure in the governmental funds	<u>(13,833)</u>
Change in net position - Governmental activities	<u>\$ (12,305,689)</u>

The accompanying notes are an integral part of these statements.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020**

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS:		
Cash - unrestricted	\$ 188,013	\$ -
Cash - restricted	73,185	151,826
Accounts receivable	44	-
Due from other funds	<u>16,951</u>	<u>983</u>
Total assets	<u>\$ 278,193</u>	<u>\$ 152,809</u>
LIABILITIES:		
Extraclassroom activity balances	\$ 73,185	\$ -
Due to other funds	204,180	1,000
Other liabilities	<u>828</u>	<u>-</u>
Total liabilities	<u>\$ 278,193</u>	<u>1,000</u>
NET POSITION:		
Reserved for scholarships		<u>\$ 151,809</u>

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and donations	\$ 2,996
Investment earnings	<u>-</u>
Total additions	<u>2,996</u>
DEDUCTIONS:	
Scholarships and awards	<u>7,845</u>
NET INCREASE	(4,849)
NET POSITION - beginning of year	<u>156,658</u>
NET POSITION - end of year	<u>\$ 151,809</u>

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

1. NATURE OF OPERATIONS

Middleburgh Central School District provides K-12 public education to students living within its geographic boundaries.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Middleburgh Central School District (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.

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

Reporting Entity

The Middleburgh Central 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 of Education has authority to make decisions, power to appoint management and accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles as prescribed by the Government Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the 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 included in the School District's reporting entity:

Extraclassroom Activity Funds

The extra-classroom activity funds of the School District represent funds of the students of the School District. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extra-classroom 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

The School District is a component School District in 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 costs 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.

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.

Government-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 program expenses and 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

The following are the School District's governmental fund types:

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.

Special Aid Fund: These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations, 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. The School District uses two special revenue type funds – special aid and school lunch.

- *Special Aid Fund:* This fund accounts for the proceeds of specific federal and state grants revenue sources that are legally restricted to expenditures for specified purposes (e.g. special education) and other activities whose funds are restricted as to use.
- *School Lunch Fund:* This fund accounts for the proceeds of specific federal and state grants revenue sources that are legally restricted to expenditures for school lunch operations.

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 payment of principal and interest on long-term general obligation debt of the governmental activities.

Fiduciary Fund Types

Fiduciary funds: These funds are used to account for assets held by the School District as an agent for individuals, private organizations, other governmental units, and/or other funds.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types (Continued)

Fiduciary Fund: 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 benefits 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 as an agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures 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.

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 Government-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 governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash and investments consists of funds deposited in demand deposit accounts, and amounts with the New York Cooperative Liquid Assets Securities System (NYCLASS). The School District's deposit and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include NYCLASS, obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions and accordingly, the School District's policy provides for no credit risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by FDIC insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

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. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but no in the School District's name.

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, 2020, the School District held \$2,395,024 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 amortized cost of the investment pool shares, which are considered to approximate fair value. Due to the highly liquid nature of these investments, they are classified as cash equivalents in the financial statements. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

Restricted Cash

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$3,317,836 within the governmental funds.

Property Taxes

Real property taxes are levied annually by the board of education no later than September 1, and become a lien on September 1. Taxes are collected during the period September 1 to November 31.

Uncollected real property taxes are subsequently enforced by the County of Schoharie in which the School District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amount 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

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 expenditure 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 significant 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

Capital assets are reported at actual cost for acquisitions, if actual cost information is available. If actual cost information is not available, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the School District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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

Deferred Outflows and Inflows of Resources

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

The government has the following items that qualify for reporting in this category;

Deferred charges resulting from pension and OPEB contributions made subsequent to the measurement date of the plan. The amortization is expensed against pension expense in the future.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (Continued)

Deferred charges resulting from difference between projected and actual earnings on pension plan investments of the plan. The amortization is expensed against pension expense in future periods.

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

The net amount of the School District's balances of deferred inflows of resources related to pensions is reported in the government-wide statement of net position as deferred inflows of resources. This represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and the difference during the measurement period between the School District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Vested Employee Benefits

Compensated absences:

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

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

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

The liability for compensated absences 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 funds statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Other benefits:

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

Other Postemployment Benefits

In addition to providing pension benefits, the School District provides post-employment health insurance coverage and survivor benefits to its retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The School District recognizes the costs of providing health insurance by recording its share of insurance premiums as an expenditure.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Debt

The School District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenue. 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 of 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 sales 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.

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 reservations 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.

All encumbrances are classified as either restricted or assigned fund balance in the general fund, or as restricted fund balance in the non-general funds

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, other postemployment benefits payable 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.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Unearned revenue is reported when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

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.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are 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.

Equity Classifications

School District-Wide Statements

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) plus unspent bond proceeds 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 are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Restricted net position consist of the following:

Debt Service	\$ 66,618
Unemployment	145,613
Liability claims and property loss	16
Retirement contributions - ERS	451,107
Retirement contributions - TRS	275,670
Employee benefits and accrued liabilities	525,984
Insurance	<u>125,348</u>
Total restricted net position	<u>\$ 1,590,356</u>

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

Governmental Fund Statements

In the fund level 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 legally or contractually are required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

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

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The reserve is accounted for in the general fund under restricted fund balance.

Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The board of education 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. The reserve is accounted for in the general fund under restricted fund balance.

Workers' Compensation

Workers' compensation reserve (GML §6-j) is 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 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. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Reserve for retirement contribution (GMU §6-r) is used for the purpose of financing retirement contributions. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

Unemployment Insurance

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund under restricted fund balance.

Tax Reduction

Reserve for tax reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of School 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. The reserve is accounted for in the general fund under restricted fund balance.

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the debt service fund under restricted fund balance.

Insurance

Insurance reserve is 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 appropriations, 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. The reserve is accounted for in the general fund under restricted fund balance.

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by School Districts, except city School Districts with a population greater than 125,000. These reserves are accounted for in the general fund.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

Tax Certiorari

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

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 board 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 under restricted fund balance.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

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.

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, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2020.

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. As of June 30, 2020, the School District's encumbrances were classified as follows:

General support	\$ 23,577
Pupil transportation	5,552
Instruction	<u>340,605</u>
	<u>\$ 369,734</u>

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

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 and encumbrances are also excluded from the 4% limitation.

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.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL 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 differs from net position of governmental activities reported in the statement of net position. This difference primarily 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 Equity 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. The amounts shown below represent:

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.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND SCHOOL DISTRICT-WIDE STATEMENTS (Continued)

Statement of Revenue, Expenditures, and Changes in Fund Equity vs. Statement of Activities (Continued)

Capital Related Differences

Capital related differences include the difference between proceeds for 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

Budgets

The School District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

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

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 Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets (Continued)

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.

Fund Balance

The School District's unassigned fund balance 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 reducing future tax levies and financing capital project debt service payments.

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

Fund Deficit

The Capital Projects Fund has a deficit of (\$77,480) which will be eliminated in future years as bond anticipation notes are either redeemed by appropriations or replaced with long term debt.

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 risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes.

The School District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including trust funds	\$ 5,070,553	\$ 4,964,036
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 4,320,332	
Covered by FDIC insurance	<u>750,221</u>	
Total	<u>\$ 5,070,553</u>	

5. CASH (Continued)

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

General fund:

Cash on deposit for reserves	
Unemployment	\$ 145,613
Liability claims and property loss	16
Retirement contributions - ERS	451,107
Retirement contributions - TRS	275,670
Employee benefits and accrued liabilities	525,984
Insurance	<u>125,348</u>
 Total general fund restricted cash	 <u>\$ 1,523,738</u>
 Total capital project fund restricted cash	 <u>\$ 1,569,087</u>

Fiduciary funds:

Cash on deposit for scholarships, private purpose trust funds and extraclassroom activity funds	<u>\$ 225,011</u>
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6. PARTICIPATION IN BOCES

During the year, the School District was billed \$1,491,554 for BOCES administrative and program costs.

The School District's share of BOCES aid amounted to \$526,608.

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

7. CAPITAL ASSETS

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

	July 1, 2019 <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	June 30, 2020 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 120,400	\$ -	\$ -	\$ 120,400
Construction in progress	<u>-</u>	<u>538,968</u>	<u>-</u>	<u>538,968</u>
Total non-depreciable	<u>120,400</u>	<u>538,968</u>	<u>-</u>	<u>659,368</u>
Capital assets that are depreciated:				
Buildings and improvements	23,312,137	100,000	-	23,412,137
Furniture and equipment	2,125,598	183,132	-	2,308,730
Vehicles	<u>2,968,706</u>	<u>353,693</u>	<u>241,685</u>	<u>3,080,714</u>
Total depreciable historical cost	<u>28,406,441</u>	<u>636,825</u>	<u>241,685</u>	<u>28,801,581</u>
Total costs	<u>28,526,841</u>	<u>1,175,793</u>	<u>241,685</u>	<u>29,460,949</u>
Less accumulated depreciation:				
Buildings	10,023,996	527,668	-	10,551,664
Furniture and equipment	1,732,847	100,061	-	1,832,908
Vehicles	<u>1,927,065</u>	<u>210,479</u>	<u>241,685</u>	<u>1,895,859</u>
Total accumulated depreciation	<u>13,683,908</u>	<u>838,208</u>	<u>241,685</u>	<u>14,280,431</u>
Total depreciable cost, net	<u>\$ 14,842,933</u>	<u>\$ 337,585</u>	<u>\$ -</u>	<u>\$ 15,180,518</u>

Depreciation expense of \$838,208, for the year ended June 30, 2020, was allocated to specific functions as follows:

General support	\$ 461,014
Instruction	117,349
Cost of goods sold	8,383
Pupil transportation	<u>251,462</u>
Total depreciation	<u>\$ 838,208</u>

8. SHORT-TERM DEBT

Transactions in short-term debt for the year-ended June 30, 2020 are summarized below:

Issued	Maturity	Interest Rate	Beginning Balance	Issued	Principal Paid	Redeemed with Different BAN	Ending Balance
7/18/2019	7/18/2021	2.25%	\$ -	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
6/29/2020	6/29/2021	0.94%	-	1,200,000	-	-	1,200,000
			<u>\$ -</u>	<u>\$ 2,400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,400,000</u>

9. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid	\$ 166,681
Less: Interest accrued in the prior year	(63,947)
Plus: Interest accrued in the current year	77,780
Plus: Borrowing costs	<u>77,300</u>
Total expense	<u>\$ 257,814</u>

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

	Beginning Balance 7/1/2019	Issued	Redeemed	Ending Balance 6/30/2020	Amounts Due Within One Year	Long-term Portion
Government activities:						
Bonds and notes payable:						
General obligation debt:						
Serial bonds	\$ 5,075,700	\$ 1,644,000	\$ 3,146,800	\$ 3,572,900	\$ 1,912,600	\$ 1,660,300
Bond premium, net amortization	-	126,665	-	126,665	-	126,665
Total bonds and notes payable	<u>5,075,700</u>	<u>1,770,665</u>	<u>3,146,800</u>	<u>3,699,565</u>	<u>1,912,600</u>	<u>1,786,965</u>
Other liabilities:						
Compensated absences	236,723	14,713 (A)	-	251,436	-	251,436
Net pension liability	513,429	1,289,470	-	1,802,899	-	1,802,899
Total other postemployment benefits	<u>51,486,361</u>	<u>63,878,092</u>	<u>2,657,181</u>	<u>112,707,272</u>	<u>-</u>	<u>112,707,272</u>
Total other liabilities	<u>52,236,513</u>	<u>65,182,275</u>	<u>2,657,181</u>	<u>114,761,607</u>	<u>-</u>	<u>114,761,607</u>
Total long-term liabilities	<u>\$ 57,312,213</u>	<u>\$ 66,952,940</u>	<u>\$ 5,803,981</u>	<u>\$118,461,172</u>	<u>\$ 1,912,600</u>	<u>\$116,548,572</u>

(A) Additions and deletions to compensated absences are shown net because it is impractical to determine these amounts separately.

9. LONG-TERM DEBT (Continued)

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

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Serial bond 2001	2001	2021	4.135-4.75%	\$ 1,355,000
Serial bond 2020	2020	2025	2%-4%	1,285,000
Bus Bond 2014	2014	2020	2.27%	70,000
Bus Bond 2015	2015	2021	2.27%	134,200
Bus Bond 2016	2016	2022	2.27%	132,300
Bus Bond 2017	2017	2023	2.27%	242,400
Bus Bond 2018	2018	2024	2.27%	354,000
Total				<u>\$ 3,572,900</u>

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June 30. :</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,912,600	\$ 101,450	\$ 2,014,050
2022	492,600	55,681	548,281
2023	425,500	40,174	465,674
2024	396,400	26,190	422,590
2025-2026	<u>345,800</u>	<u>12,607</u>	<u>358,407</u>
Total	<u>\$ 3,572,900</u>	<u>\$ 236,102</u>	<u>\$ 3,809,002</u>

10. INTERFUND BALANCES AND ACTIVITY

The following is a summary of interfund activity:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 654,869	\$ 477,770	\$ -	\$ 122,110
Special aid fund	114,932	497,406	22,110	-
School lunch fund	20,549	53,409	-	-
Capital projects funds	409,252	50,389	100,000	-
Debt service	66,618	-	-	-
Fiduciary funds	<u>17,934</u>	<u>205,180</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,284,154</u>	<u>\$ 1,284,154</u>	<u>\$ 122,110</u>	<u>\$ 122,110</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.

11. PENSION PLANS

New York State Employee Retirement System

The School District participates in the New York State and Local Employee’s Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (NYSRSSL). Once an employer elects to participate in the System, the election is irrevocable.

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

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27th, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. 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 Systems’ 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:

2020	\$274,581
2019	\$293,354
2018	\$304,959

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.

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

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.

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

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

At June 30, 2020, the School District reported a liability of \$1,802,899 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2019. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the School District's proportion was 0.0068084 percent, which was a decrease of 0.000438 percent from its proportion measured June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$605,309. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 106,108	\$ -
Changes of Assumptions	36,302	31,346
Net difference between projected and actual earnings on pension plan investments	924,254	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	19,000	33,093
Contributions subsequent to the measurement date	<u>68,734</u>	<u>-</u>
	<u>\$ 1,154,398</u>	<u>\$ 64,439</u>

\$68,734 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date of March 31, 2020 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:	
2021	\$ 171,210
2022	255,884
2023	329,228
2024	<u>264,903</u>
	<u>\$ 1,021,225</u>

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	4.2 percent indexed by service
Cost of living adjustments	1.30%
Decrements	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-2018
Investment Rate of Return	6.80% 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 return, 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 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 Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic Equity	36.0%	4.05%
International Equity	14.0%	6.15%
Private Equity	10.0%	6.75%
Real Estate	10.0%	4.95%
Absolute Return Strategies	2.0%	3.25%
Opportunistic Portfolio	3.0%	4.65%
Real Asset	3.0%	5.95%
Bonds & Mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation-Indexed Bonds	4.0%	0.50%
	<u>100.0%</u>	

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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 6.8 percent, 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 percent lower (5.8%) or 1 percent higher (7.8%) than the current rate:

	1 % Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Proportionate Share of Net Pension liability (asset)	\$ 3,308,829	\$ 1,802,899	\$ 415,931

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2020, were as follows:

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$ 194,596,261	\$ 13,249	0.0068084%
Net position	(168,115,682)	(11,446)	0.0068084%
Net pension liability (asset)	<u>\$ 26,480,579</u>	<u>\$ 1,803</u>	0.0068084%
Fiduciary net position as a percentage of total pension liability	86.39%	86.39%	

New York State Teachers Retirement System

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

The New York State Teachers' Retirement Board administers NYSTRS. The system 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.

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System 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 the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

2020	\$733,762
2019	712,999
2018	712,739

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

At June 30, 2020, the School District reported an asset of \$1,075,406 for its proportionate share of the plan's net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of that date. The School District's proportion of the net pension asset was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020 the School District's proportion was 0.041394 percent, which was a decrease of 0.003597 from its proportion measured at June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$1,381,239. At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 728,775	\$ 79,969
Changes of Assumptions	2,031,586	495,358
Net difference between projected and actual earnings on pension plan investments	-	862,421
Changes in proportion and differences between the District's contributions and proportionate share of contributions	284,590	-
Contributions subsequent to the measurement date	649,181	-
	<u>\$ 3,694,132</u>	<u>\$ 1,437,748</u>

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

\$649,181 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date of June 30, 2019 will be recognized as a reduction of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:	
2020	\$ 537,843
2021	82,186
2022	536,080
2023	371,133
2024	78,359
Thereafter	1,602
	<u>\$ 1,607,203</u>

Actuarial Assumptions

The total pension asset at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

Inflation	2.20%
Projected Salary Increases	Rates of increase differ based on service They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.3% compounded annually
Investment Rate of Return	7.10% 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 MP-2018, applied on a generational basis. Active member mortality rates are based on plan member experience.

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

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of 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, 2019 are summarized in the following table:

Asset Type	Target Allocation	Long-term expected real rate of return
Domestic Equity	33.0%	6.3%
International Equity	16.0%	7.8%
Global Equity	4.0%	7.2%
Real Estate Equity	11.0%	4.6%
Private Equity	8.0%	9.9%
Domestic Fixed Income	16.0%	1.3%
Global Bonds	2.0%	0.9%
High-yield Bonds	1.0%	3.6%
Private Debt	1.0%	6.5%
Real Estate Debt	7.0%	2.9%
Cash Equivalents	1.0%	0.3%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2019 was 7.10 percent. 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 System'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 net pension liability (asset) of the School Districts calculated using the discount rate of 7.10 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-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1 % Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Proportionate Share of Net Pension liability (asset)	\$ 4,854,270	\$ (1,075,406)	\$ (6,049,735)

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Pension Plan Fiduciary Net Position

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

	Pension Plan's Fiduciary Net Position	District's proportionate share of Plan's Fiduciary Net Position	District's allocation percentage as determined by the Plan
Total pension liability	\$119,879,473,882	\$ 49,622,909	0.0413940%
Net position	<u>(122,477,480,654)</u>	<u>(50,698,328)</u>	0.0413940%
Net pension liability (asset)	<u>\$ (2,598,006,772)</u>	<u>\$ (1,075,419)</u>	0.0413940%
Fiduciary net position as a percentage of total pension liability	102.2%	102.2%	

12. 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 NYSERS. Members after January 1, 2010 must be 55 years old with 10 years of service to qualify for NYSERS health care benefits.

The plan is a single-employer defined benefit OPEB plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of 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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	144
Active employees	<u>148</u>
Total participants	<u><u>292</u></u>

Total OPEB Liability

The School District's total OPEB liability of \$112,707,272 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

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

Inflation	2.40%
Real wage growth	1.50%
Salary Increases	Vary by pension retirement system (ERS and TRS)
Discount Rate	2.21% as of June 30, 2020
Healthcare Cost Trend Rates	5.4% for 2020 decreasing to an ultimate rate of 3.94% for 2075
Mortality table	Tables were updated to Pub-2010 Teachers, General Employees, and Retirees Headcount-Weighted table projected fully generationally using MP-2019.

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 updated to Pub-2010 Teachers, General Employees, and Retirees Headcount-Weighted table projected fully generationally using MP-2019.

The actuarial assumptions used in the June 30, 2019 were based on liabilities projected to June 30, 2020 on a "no gain/loss basis". Liabilities as of June 30, 2019 are based on July 1, 2017 valuation projected to June 30, 2019 on a "no gain/loss basis".

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 51,486,361
Charges for the Year	
Service cost	1,355,014
Interest	1,808,501
Changes of benefit terms	133,723
Differences between expected and actual experience	32,129,703
Changes of assumptions or other inputs	28,451,151
Benefit payments	<u>(2,657,181)</u>
Net Changes	<u>61,220,911</u>
Balance at June 30, 2020	<u>\$ 112,707,272</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2019 to 2.21% in 2020.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease <u>1.21%</u>	Current Discount <u>2.21%</u>	1% Increase <u>3.21%</u>
Total OPEB Liability	<u>\$134,589,370</u>	<u>\$112,707,272</u>	<u>\$ 95,529,024</u>

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

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 healthcare cost trend rates that are 1 percentage point lower (4.40%) or 1 percentage point higher (6.40%) than the current healthcare cost trend rate:

	1% Decrease 4.40%	Healthcare Current Discount <u>5.40%</u>	1% Increase 6.40%
Total OPEB Liability	<u>\$ 93,728,008</u>	<u>\$112,707,272</u>	<u>\$137,329,027</u>

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

For the year ended June 30, 2020, the School District recognized OPEB expense of \$15,537,354. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,703,762	\$ -
Changes of assumptions or other inputs	<u>24,943,439</u>	<u>(1,263,136)</u>
	<u>\$ 50,647,201</u>	<u>\$ (1,263,136)</u>

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

2021	\$ 12,240,116
2022	12,240,116
2023	12,290,848
2024	12,612,985
2025	-
Thereafter	-
	<u>\$ 49,384,065</u>

13. RISK MANAGEMENT

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.

Self-Insured Pharmacy

All of the School District's health pharmacy is self-insured.

All known claims filed and an estimate of all incurred, but not reported claims existing at June 30, 2020, have been recorded as accrued liabilities in the general fund.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

Risks of Losses of Unemployment and Worker's Compensation

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, 2020, is as follows:

	<u>Beginning Balance</u>	<u>Changes in Estimates</u>	<u>Payments Made (transfers)</u>	<u>Ending Balance</u>
Unemployment insurance reserve	\$ <u>145,613</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>145,613</u>

Claims are recognized as expenditures when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. At June 30, 2020, management estimates there are no outstanding claims liabilities.

14. 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.

15. COVID-19 PANDEMIC

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The School District was closed effective March 16, 2020 and did not re-open during the 2020 academic year. The School District has developed a re-opening plan for the 2020-2021 school year and will resume educating students in September. Instruction will be a mix of in-person and virtual education.

Businesses throughout NYS remain closed or are operating significantly below their capacity. New York State has publicly stated that COVID-19 will have a significant negative impact on its revenues and its 2020-21 budget. In August 2020 the New York State Department of Education notified all School Districts that effective immediately certain future payments of state aid will be reduced by a 20% withholding and that this withholding may become a permanent reduction in aid. As a result, at June 30, 2020, the School District has recorded a deferred inflow of resources in the amount of \$118,241 in the General fund.

It is difficult at this time to predict with certainty the full effect this impact may have on future State aid payments to the School District. The School District is current analyzing the effects such a reduction will have on its fiscal 2021 operations.

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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUE					
LOCAL SOURCES:					
Real property taxes	\$ 9,954,385	\$ 9,954,385	\$ 8,764,786	\$ -	\$ (1,189,599)
Other tax items	40,917	40,917	1,238,259	-	1,197,342
Charges for services	175,000	175,000	123,906	-	(51,094)
Use of money and property	46,000	46,000	47,479	-	1,479
Sale of property and compensation for loss	-	-	12,774	-	12,774
Miscellaneous	<u>170,000</u>	<u>170,000</u>	<u>131,078</u>	<u>-</u>	<u>(38,922)</u>
Total local sources	10,386,302	10,386,302	10,318,282	-	(68,020)
State sources	11,632,407	11,632,407	11,465,523	-	(166,884)
Federal sources	<u>60,000</u>	<u>60,000</u>	<u>89,125</u>	<u>-</u>	<u>29,125</u>
Total revenue	<u>22,078,709</u>	<u>22,078,709</u>	<u>21,872,930</u>	<u>-</u>	<u>(205,779)</u>

(Continued)

See independent auditor's report.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

EXPENDITURES	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Budgetary Actual and Encumbrances</u>
GENERAL SUPPORT:					
Board of education	28,100	28,100	22,981	-	5,119
Central administration	253,548	253,548	212,080	-	41,468
Finance	316,570	318,042	309,615	-	8,427
Staff	99,847	99,847	90,945	-	8,902
Central services	1,112,287	1,222,620	1,140,886	23,577	58,157
Special items	<u>181,174</u>	<u>181,174</u>	<u>164,233</u>	<u>-</u>	<u>16,941</u>
Total general support	<u>1,991,526</u>	<u>2,103,331</u>	<u>1,940,740</u>	<u>23,577</u>	<u>139,014</u>
INSTRUCTION:					
Instruction, administration, and improvement	761,409	749,310	667,821	850	80,639
Teaching - Regular school	5,167,354	5,317,619	5,085,268	100,332	132,019
Programs for children with handicapping conditions	2,417,730	2,417,730	2,400,716	131	16,883
Occupational education	395,446	395,446	416,941	-	(21,495)
Instructional media	632,039	862,329	776,818	233,032	(147,521)
Pupil services	<u>730,140</u>	<u>783,321</u>	<u>720,355</u>	<u>6,260</u>	<u>56,706</u>
Total instruction	<u>10,104,118</u>	<u>10,525,755</u>	<u>10,067,919</u>	<u>340,605</u>	<u>117,231</u>
Pupil transportation	1,101,221	1,101,221	1,009,626	5,552	86,043
Employee benefits	7,121,170	6,964,670	6,369,241	-	595,429
Debt service	<u>2,003,878</u>	<u>2,003,878</u>	<u>1,993,481</u>	<u>-</u>	<u>10,397</u>
Total expenditures	<u>22,321,913</u>	<u>22,698,855</u>	<u>21,381,007</u>	<u>369,734</u>	<u>948,114</u>
OTHER FINANCING SOURCES					
Transfers to other funds	<u>160,000</u>	<u>160,000</u>	<u>122,110</u>	<u>-</u>	<u>37,890</u>
Total expenditures and other financing sources	<u>22,481,913</u>	<u>22,858,855</u>	<u>21,503,117</u>	<u>369,734</u>	<u>986,004</u>
NET CHANGE IN FUND BALANCE	(403,204)	(780,146)	369,813	(369,734)	780,225
FUND BALANCE - beginning of year	<u>4,508,381</u>	<u>4,508,381</u>	<u>4,508,381</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 4,105,177</u>	<u>\$ 3,728,235</u>	<u>\$ 4,878,194</u>	<u>\$ (369,734)</u>	<u>\$ 780,225</u>

See independent auditor's report.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	\$ 1,355,014	\$ 1,167,442	\$ 1,229,622							
Interest	1,808,501	1,893,617	1,898,289							
Changes of benefit terms	133,723	-	-							
Differences between expected and actual experience	32,129,703	-	-							
Changes in assumptions	28,451,151	3,306,320	(2,577,004)							
Benefit payments	(2,657,181)	(5,238,781)	(3,217,965)							
Total change in total OPEB liability	61,220,911	1,128,598	(2,667,058)							
Total OPEB liability - beginning	51,486,361	50,357,763	53,024,821							
Total OPEB liability - ending	\$ 112,707,272	\$ 51,486,361	\$ 50,357,763							
Covered-employee payroll	\$ 8,534,798	\$ 8,363,249	\$ 8,507,795							
Total OPEB liability as a percentage of covered-employee payroll	1320.6%	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	2.21%	3.51%	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 going forward as they become available.

The discount rate is based on Bond Buyer 20-Bond GO Index

The healthcare trend cost rates have been reset to an initial rate of 5.4% decreasing to an ultimate rate of 3.94% in 2075 and beyond

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, 2020

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.0068084%	0.0072464%	0.0074866%	0.0076456%	0.0075228%	0.0080258%				
Proportionate share of the net pension liability (asset)	\$ 1,802.9	\$ 513.4	\$ 241.6	\$ 718.4	\$ 1,207.4	\$ 271.1				
Covered-employee payroll	\$ 1,904.6	\$ 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	94.7%	26.9%	12.1%	35.6%	64.6%	13.9%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.4%	96.3%	86.4%	94.7%	90.7%	97.9%				

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.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Proportion of the net pension liability (asset)	0.0413940%	0.0446650%	0.0449910%	0.0454070%	0.0479410%	0.0479410%				
Proportionate share of the net pension liability (asset)	\$ (1,075.4)	\$ (807.7)	\$ (342.0)	\$ 486.3	\$ (4,750.3)	\$ (5,430.4)				
Covered-employee payroll	\$ 7,064.3	\$ 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	-15.2%	-11.7%	-5.4%	6.9%	-69.1%	-76.7%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.2%	101.5%	102.2%	99.0%	110.5%	111.5%				

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.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 277.5	\$ 292.0	\$ 293.3	\$ 303.1	\$ 318.8	\$ 386.0				
Contributions in relation to the contractually required contribution	<u>277.5</u>	<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>	<u>\$ -</u>				
Covered-employee payroll	\$ 1,904.6	\$ 1,906.5	\$ 1,989.2	\$ 2,018.0	\$ 1,870.5	\$ 1,954.5				
Contributions as a percentage of covered-employee payroll	14.57%	15.32%	14.75%	15.02%	17.04%	19.75%				

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.

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 625.9	\$ 756.8	\$ 835.6	\$ 929.1	\$ 1,204.3	\$ 1,150.8				
Contributions in relation to the contractually required contribution	<u>625.9</u>	<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>\$ (0.0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Covered-employee payroll	\$ 7,064.3	\$ 6,909.2	\$ 6,301.6	\$ 7,006.7	\$ 6,869.9	\$ 7,081.7				
Contributions as a percentage of covered-employee payroll	8.86%	10.95%	13.26%	13.26%	17.53%	16.25%				

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.

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, 2020**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 22,481,913
Add: Prior year's encumbrances	<u>376,942</u>
Original budget	22,858,855
Budget revision	<u>-</u>
Final budget	<u>\$ 22,858,855</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget	<u>\$ 22,803,143</u>	
Maximum allowed (4% of 2020-21 budget)		<u>\$ 912,126</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law :*		
Total fund balance:	<u>\$ 4,878,194</u>	
Less:		
Appropriated fund balance	462,435	
Encumbrances included in assigned fund balance	369,734	
Restricted fund balance:		
Unemployment	145,613	
Liability claims and property loss	16	
Retirement contributions	726,777	
Employee benefits and accrued liabilities	525,984	
Insurance	<u>125,348</u>	
	<u>2,355,907</u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u>\$ 2,522,287</u>
Actual percentage		11.06%

* 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, 2020

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing					Fund Balance June 30, 2020
			Prior Years	Current Year	Total		Proceeds of Obligations	Federal Aid	State Aid	Local Sources	Total	
Capital project #1: Misc Prior Year Projects	\$ 215,524	\$ 621,306	\$ 678,946	\$ 100,000	\$ 778,946	\$ (157,640)	\$ 215,524	\$ -	\$ 355,599	\$ 182,315	\$ 753,438	\$ (25,508)
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	932,900	932,900	856,256	356,842	1,213,098	(280,198)	1,220,452	-	-	-	1,220,452	7,354
Capital project #4: Flood remediation	2,724,931	2,743,391	2,743,391	-	2,743,391	-	-	1,810,371	910,807	455,318	3,176,496	433,105
Capital project #5: Reconstruction	15,000,000	15,000,000	317,992	527,723	845,715	14,154,285	-	-	-	200,000	200,000	(645,715)
Capital project #6: Smart Schools Bond Act	922,936	922,936	-	11,245	11,245	911,691	-	-	-	-	-	(11,245)
Totals	\$ 23,919,562	\$ 24,343,804	\$ 8,667,343	\$ 995,810	\$ 9,663,153	\$ 14,680,651	\$ 4,812,935	\$ 1,810,371	\$ 1,999,734	\$ 962,633	\$ 9,585,673	\$ (77,480)

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS, NET (UNAUDITED)
JUNE 30, 2020**

Capital assets, net		\$ 15,180,518
Deduct:		
Bond anticipation notes payable	\$ 2,400,000	
Short-term portion of bonds payable	1,912,600	
Long-term portion of bonds payable	<u>1,660,300</u>	<u>5,972,900</u>
Plus: Unspent bond proceeds		<u>1,666,406</u>
Net investment in capital assets		<u>\$ 10,874,024</u>

REQUIRED REPORT

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 15, 2020

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 (School District) as of and for the year ended June 30, 2020, 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 15, 2020

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

(Continued)

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*

(Continued)

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 financial statement. 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 2020-001.

School 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, 2020**

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?

Yes No

Significant deficiencies identified not
considered to be material weaknesses?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2020

Section II—Financial Statement Findings

Finding #2020-001 – 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.