

PRELIMINARY OFFICIAL STATEMENT

RENEWAL ISSUE

BOND ANTICIPATION NOTES

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

The Notes will be designated "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$6,200,000
MARATHON CENTRAL SCHOOL DISTRICT
CORTLAND, BROOME AND TIOGA COUNTIES, NEW YORK

GENERAL OBLIGATIONS
CUSIP BASE #: 565833

\$6,200,000 Bond Anticipation Notes, 2021 (Renewals)
(referred to herein as the "Notes")

Dated: May 27, 2021

Due: July 7, 2021

The Notes are general obligations of the Marathon Central School District, Cortland, Broome and Tioga Counties, New York (the "District"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "THE NOTES – Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Notes are not subject to redemption prior to maturity. At the option of the purchaser(s), the Notes will be issued as book-entry-only registered notes or in registered certificated form in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of \$5,000 or multiples thereof, as may be determined by such successful bidder(s).

Alternatively, if the Notes are issued as registered notes, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the notes purchased if the purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of \$5,000 or integral multiples thereof, as may be determined by such successful bidder(s). If the Notes are issued as registered notes, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon with the purchaser(s), on or about May 27, 2021.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on May 5, 2021 until 10:45 A.M., Prevailing Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

April 26, 2021

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX C – MATERIAL EVENT NOTICES" INCLUDED HEREIN.

MARATHON CENTRAL SCHOOL DISTRICT

CORTLAND, BROOME AND TIOGA COUNTIES, NEW YORK

2020-2021 BOARD OF EDUCATION

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REBECCA STONE

Superintendent

THOMAS GOSKOSKI

Business Administrator

HEATHER EUSON

School District Clerk



FISCAL ADVISORS & MARKETING, INC.

School District Municipal Advisor



ORRICK, HERRINGTON & SUTCLIFFE LLP

Bond Counsel

No person has been authorized by the Marathon Central School District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates, and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Marathon Central School District.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
MARATHON CENTRAL SCHOOL DISTRICT
CORTLAND, BROOME AND TIOGA COUNTIES, NEW YORK

Relating To
\$6,200,000 Bond Anticipation Notes, 2021 (Renewals)

This Official Statement, which includes the cover page, has been prepared by the Marathon Central School District, Cortland, Broome and Tioga Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of \$6,200,000 principal amount of Bond Anticipation Notes, 2021 (Renewals) (the "Notes").

The factors affecting the District's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the District tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

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

THE NOTES

Description of the Notes

The Notes are general obligations of the District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "THE NOTES – Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Notes are dated May 27, 2021 and mature, without option of prior redemption, on July 7, 2021. Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in either (i) registered in the name of the purchaser, in denominations of \$5,000 each or multiples thereof, with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) at the option of the purchaser(s), registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law and a bond resolution of the District dated April 20, 2020 authorizing the issuance of up to \$7,128,000 serial bonds, and the use of \$800,000 capital reserve fund monies and \$187,000 state aid, to finance the cost of the reconstruction of various District buildings, site improvements, and incidental improvements in and for the District.

The proceeds of the Notes will redeem and renew in the full the \$6,200,000 bond anticipation notes currently outstanding for the abovementioned purpose.

Nature of the Obligation

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

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, without limitation as to rate or amount.

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

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

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

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

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

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes, if so requested. In such case, the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, a limited-purpose trust company organized under the New York Banking Law, is a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the District. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE SCHOOL DISTRICT

General Information

The District covers approximately 103 square miles and is comprised of portions of the Towns of Cincinnatus, Freetown, Harford, Lapeer, Marathon, Virgil and Willet located in Cortland County; Lisle and Triangle located in Broome County; and Richford located in Tioga County (the “Towns”). The District lies approximately 10 miles south of the City of Cortland, 15 miles east of the City of Ithaca and 20 miles north of the City of Binghamton.

The Village of Marathon serves as the commercial and residential hub of the District. Highways in close proximity to the District include Interstate Routes 81, which bisects the District, and 17, located 20 miles to the south. Gas and electric services are provided by New York State Electric & Gas as well as National Grid. Sewer and water services are provided in the District by the municipalities located in the District. Police protection is provided by Village, County and State agencies. Fire protection is provided by various volunteer units.

Source: District officials.

Population

The current estimated population of the District is 4,705. (Source: 2019 U.S. Census Bureau estimate.)

Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>	<u>2000</u>	<u>2006-2010</u>	<u>2015-2019</u>
Towns of:						
Cincinnatus	\$ 18,345	\$ 21,689	\$ 27,009	\$ 44,375	\$ 53,636	\$ 64,194
Freetown	12,969	19,765	24,041	36,477	44,375	56,591
Harford	16,346	16,840	26,042	41,111	49,044	73,264
Lapeer	15,484	18,373	19,985	36,250	47,083	65,938
Marathon	15,322	24,739	28,475	40,379	52,941	71,429
Virgil	19,024	27,764	36,151	45,402	66,477	80,000
Willet	15,552	16,727	22,083	37,500	42,250	62,143
Lisle	14,359	21,595	24,445	37,639	55,000	60,476
Triangle	15,734	22,335	28,096	41,220	64,118	69,688
Richford	15,331	20,318	25,004	38,750	55,156	66,250
Counties of:						
Cortland	16,622	22,078	28,229	42,204	57,743	70,192
Broome	19,168	24,314	28,699	45,422	57,545	68,775
Tioga	18,673	24,596	31,822	46,509	59,907	77,901
State of:						
New York	23,389	30,948	39,326	51,691	67,405	84,385

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

Source: U.S. Census Bureau 2000 census, and 2006-2010 and 2015-2019 5-Year American Community Survey data.

Larger Employers

Some of the major employers located in or in close proximity to the School District are as follows:

<u>Name</u>	<u>Type</u>	<u>Employees</u>
Greek Peak-Hope Lodge	Recreation	270/735 *
Square Deal Machining	Manufacturing	265
Marathon Central School District	Education	153
E.L. Wood Braiding	Manufacturing	75
Gregg's Market	Retail	24
Kurtz Welding	Manufacturing	20

*Seasonal employment.

Note: The figures for the number of employees of the larger employers listed above may not reflect changes as a result of the COVID-19 pandemic.

Source: District officials.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest areas for which such statistics are available (which include the District) are the Counties of Broome, Cortland and Tioga. The information set forth below with respect to the Counties of Broome, Cortland and Tioga is included for informational purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the Counties of Broome, Cortland and Tioga is necessarily representative of the District, or vice versa.

	<u>Annual Averages</u>						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Cortland County	6.6%	5.9%	5.8%	5.8%	5.1%	4.7%	7.9%
Broome County	6.7%	6.0%	5.5%	5.5%	4.9%	4.5%	8.7%
Tioga County	6.1%	5.6%	5.2%	5.1%	4.4%	4.0%	7.8%
New York State	6.3%	5.2%	4.9%	4.6%	4.1%	3.8%	10.0%

	<u>2021 Monthly Figures</u>			
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
Cortland County	7.4%	7.5%	6.9%	N/A
Broome County	7.5%	7.8%	7.0%	N/A
Tioga County	6.3%	6.8%	6.1%	N/A
New York State	9.4%	9.7%	8.5%	N/A

Note: Unemployment rates for March 2021 are not available as of the date of this Official Statement. Due to the impact of the COVID-19 pandemic, unemployment rates for April 2020 through March 2021 were substantially higher than for previous periods and unemployment rate are expected to remain higher for the foreseeable future.

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

Form of School Government

The Board of Education, which is the policy-making body of the District, consists of seven members with overlapping three-year terms so that as nearly as possible an equal number is elected to the Board each year. Each Board member must be a qualified voter of the District and no Board member may hold certain other district offices or position while serving on the Board of Education. The President and the Vice President are selected by the Board members.

Financial Organization

Pursuant to the Local Finance Law, the President of the Board is the chief fiscal officer of the District. However, certain of the financial management functions of the District are the responsibility of the Superintendent of Schools and the Business Administrator.

Investment Policy

Pursuant to the statutes of the State of New York, the District is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the District; (6) obligations of a New York public corporation which are made lawful investments by the District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of District moneys held in certain reserve funds established pursuant to law, obligations issued by the District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) Savings Accounts, Now Accounts or Money Market Accounts of designated banks, (2) Certificates of Deposit issued by a bank or trust company located and authorized to do business in New York State, (3) Demand Deposit Accounts in a bank or trust company authorized to do business in New York State, (4) Obligations of New York State, (5) Obligations of the United States Government (U.S. Treasury Bills and Notes), (6) Repurchase Agreements involving the purchase and sale of direct obligations of the United States. The District does not invest in reverse repurchase obligations or similar derivative type investments.

Budgetary Procedures

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared a tentative budget of the District for the ensuing fiscal year. A public hearing on such budget is held not less than seven days and not more than fourteen days prior to the vote. The Board of Education causes notice of such public hearing to be published four times beginning seven weeks prior to the vote. After the public hearing, but not less than six days prior to the budget vote, the District must mail a school budget notice to all qualified voters which contains the total budget amount, the dollar and percentage increase or decrease in the proposed budget (or contingency budget) as compared to the current budget, the percentage increase or decrease in the consumer price index, the estimated property tax levy, the basic STAR exemption impact and the date, time and place of the vote.

After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011 ("Chapter 97"), beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the "School District Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the School District Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District Tax Cap must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the third Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see "TAX LEVY LIMITATION LAW" herein.

Recent Budget Vote Results

The school district budget vote for the 2020-2021 fiscal year was originally scheduled to be held on May 19, 2020; however, annual school budget votes across the State were postponed until June 9, 2020 under an Executive Order from Governor Andrew Cuomo that extended and expanded restrictions aimed at limiting the spread of COVID-19. The qualified voters of the District approved the budget for 2020-21 fiscal year by a vote of 460 to 139. The District's budget for the 2020-21 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 2.00%, which was below the District tax levy limit of 2.65%.

The proposed budget for the 2021-22 fiscal year is anticipated to be presented to qualified voters on May 18, 2021. The District's proposed budget for 2021-2022 fiscal year will remain within. The proposed budget calls for a total tax levy increase of 2.00%, which is below the District tax levy limit of 2.72%.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2020-2021 fiscal year, approximately 75.2% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

The amount of State aid to school districts is dependent in part upon the financial condition of the State. Due the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken and continues to take steps designed to mitigate the spread and impacts of COVID-19. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have and are expected to continue to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. It was anticipated that the State would be required to take certain gap-closing actions, including, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. However, based on published reports of the State 2021-22 Enacted Budget, it appears that the State will not delay or reduce payments of State aid to school districts, including the School District.

The State's 2020-2021 Enacted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to Dec. 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically. (See "*State Aid History*" herein).

On April 25, 2020, the State Division of the Budget (the "DOB") announced the release of the State's Fiscal Year 2021 Enacted State Budget Financial Plan (the "Financial Plan"), which projected a \$13.3 billion (14%) shortfall in State revenues from the Executive Budget Forecast that was released in January and estimated a \$61 billion decline through Fiscal Year 2024 as a direct consequence of the COVID-19 pandemic. As a result, in the absence of federal assistance, initial budget control actions outlined in the Financial Plan will reduce spending by \$10.1 billion from the Executive Budget. This represents a \$7.3 billion reduction in State spending from FY 2020 levels.

On August 13, 2020, the DOB released a first quarter update to the Financial Plan, with a revised projection of a \$14.5 billion shortfall, over \$1 billion more than was projected in April. The updated Financial Plan also noted that, in the absence of additional federal aid, the DOB began withholding 20 percent of most local aid payments in June, pursuant to the withholding authority granted in the fiscal year 2021 enacted budget. As of the date of this Official Statement, the DOB has not converted such withholds to permanent reductions, but the DOB has stated that such a conversion may be made depending on the size and timing of new federal aid, if any.

On October 30, 2020, the DOB released a mid-year update, with a revised projection of a \$14.9 billion shortfall. This update noted that the State had reduced spending through September by \$4.3 billion compared to fiscal year 2020 spending over the same period through freezing hiring, new contracts and pay raises, and through the 20% withholding of payments that began in June.

Source: NYS Dept. Of Education, State Aid Website. This source pertains only to the DOB updates detailed in the paragraphs above. Reference to website implies no warranty of accuracy of information therein, and the website is not incorporated herein by reference.

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

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

The State is not constitutionally obligated to maintain or continue State aid to the District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which could eliminate or substantially reduce State aid could have a material adverse effect upon the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures (See also “MARKET AND RISK FACTORS” herein).

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

Potential Reductions in Federal Aid Received by the State

The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State’s current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise such as the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

There can be no assurance that the State’s financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

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

Building Aid

A portion of the District’s State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Aid on debt service is generally paid in the current fiscal year provided such debt service is reported to the Commissioner of Education by November 15 of that year. Any debt service in excess of amounts reported by November 15 will not be aided until the following fiscal year. The building aid received is equal to the approved building expense, or bond percent, times the building aid ratio that is assigned to the District. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the District compared to a State-wide average.

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2020-2021 preliminary building aid ratios, the District expects to receive State building aid of approximately 91.2% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

The State building aid ratio is calculated each year based upon a formula which reflects Resident Weighted Average Daily Attendance (RWADA) and the full value per pupil compared with the State average. Consequently, the estimated aid will vary over the life of each issue. State building aid is further dependent upon the continued apportionment of funds by the State Legislature.

State Aid History

State aid to school districts within the State has declined in some recent years before increasing again in more recent years. However, as discussed herein the COVID-19 outbreak has affected and is expected to continue to affect State aid to the District.

School district fiscal year (2015-2016): The 2015-2016 State budget included a partial reduction in the Gap Elimination Adjustment with \$603 million in GEA cuts being restored, and provided an additional \$428 million in foundation aid and \$268 million in expense base aids which reimbursed school districts for prior year expenses in school construction, transportation, BOCES and special education services.

School district fiscal year (2016-2017): The 2016-2017 State budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also included a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District was not a part of the Community Schools Grant Initiative (CSGI).

Gap Elimination Adjustment (GEA). The GEA law was first introduced for the 2010-2011 fiscal year (although it existed in 2009-10 and was called “Deficit Reduction Assessment”) as a way to help close the State’s then \$10 billion budget deficit. Under the legislation, a portion of the funding shortfall at the State level is divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA is a negative number, money that is deducted from the aid originally due to the District. Since the program began, the total GEA and Deficit Reduction Assessment reduction in school aid for the District has amounted to approximately \$3,290,337. The District did not lose any additional State aid as a result of the GEA in 2016-2017 fiscal year as the Gap Elimination Adjustment was completely eliminated in the 2016-2017 Enacted State Budget.

School district fiscal year (2017-2018): The State 2017-2018 Enacted Budget increased State aid to education by \$1.1 billion, including a \$700 million increase in Foundation Aid, bringing the total amount of State aid to education to \$25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State’s usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continued to link school aid increases for 2017-2018 and 2018-2019 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

School district fiscal year (2018-2019): The State’s 2018-2019 Enacted Budget included nearly \$1 billion in additional education funding, representing a 3.9% increase over 2017-2018. Approximately \$859 million of that increase was comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid stood at \$26.03 billion statewide, a 3.4% increase over the prior year. The State’s 2018-19 Enacted Budget included an increase of \$618 million in Foundation Aid for school districts. Foundation Aid totaled nearly \$17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State’s 2018-2019 Enacted Budget guaranteed that all school districts receive an increase in Foundation Aid over their 2017-2018 levels. \$50 million of the Foundation Aid increase was “set aside” for certain school districts to fund community schools. The State’s 2018-2019 Enacted Budget fully funded all expense-based aid for 2018-2019, including building, transportation, BOCES and special education aid. These categories served as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of \$240 million was approved for increases in all expense-based aids in 2018-2019.

School district fiscal year (2019-2020): The State’s 2019-2020 Enacted Budget includes a total of \$27.69 billion for School Aid, a year-to-year funding increase of \$956 million or 3.6 percent and will provide additional funding for Foundation Aid of \$338.0 million and \$409.65 million in reimbursements for expense-based aids. In addition, the 2019-2020 Enacted Budget increases the Community Schools set-aside funding amount by \$49.99 million to a total of \$250.0 million. This increased funding is targeted to districts with failing schools and/or districts experiencing significant growth in English language learners. The 2019-2020 Enacted Budget increases the minimum community schools funding amount from \$75,000 to \$100,000. This ensures all high-need districts across the State can apply the funds to a wide-range of activities.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State’s 2020-2021 Enacted Budget was 3.7 percent lower than in the State’s 2019-2020 Enacted Budget but was offset in part with increased federal support. This reduction in State Operating Funds support was offset by approximately \$1.1 billion in funding provided to the State through the federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor’s Emergency Education Relief Fund. With these federal funds, State aid in the school district fiscal year 2020-2021 was expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State’s 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health

program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflected current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget.

School district fiscal year (2021-2022): The State's 2021-22 Budget included \$29.5 billion in state aid to school districts, and significantly increased funding for schools and local governments, including a \$1.4 billion increase in Foundation Aid and a three-year phase-in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget includes the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which includes, in part, the allocation of \$629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, \$105 million of federal funds are to be allocated to expand full-day kindergarten programs. Under the budget, school districts are to be reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year. Under the budget, local governments are to receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding, and will receive a full restoration of \$10.3 million in proposed Video Lottery Terminal (VLT) aid cuts, where applicable.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity v. New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The *Campaign for Fiscal Equity* decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a "gap elimination adjustment" as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date.

A case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* was heard on appeal on May 30, 2017 in *New Yorkers for Students' Educational Rights v. State of New York* ("NYSER") and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the *Campaign for Fiscal Equity* case that absent "gross education inadequacies", claims regarding state funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein.

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

State Aid Revenues

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

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2015-2016	\$ 15,266,694	\$ 11,022,393	72.20%
2016-2017	16,140,580	11,321,234	70.14%
2017-2018	16,484,036	12,086,915	73.32%
2018-2019	16,798,110	12,293,374	73.18%
2019-2020	17,189,333	12,494,495	72.69%
2020-2021 (Budgeted)	17,486,352 ⁽¹⁾	13,157,517	75.24%

⁽¹⁾ Does not include appropriated fund balance of \$602,713 and interfund transfers of \$798,125.

School Facilities

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built</u>
Appleby Elementary	K-6	594	1970, '88, '96
Marathon Junior-Senior High School	7-12	602	1925, '31, '51, '54, '74

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2016-17	708	2021-22	721
2017-18	705	2022-23	718
2018-19	705	2023-24	715
2019-20	708	2024-25	720
2020-21	701	2025-26	715

Source: District officials.

Employees

The District currently employs 150 total full and part-time employees, with the 109 of the employees represented by the unions listed below:

<u>Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
95	Marathon Teachers Association	June 30, 2023
9	Marathon Educational Support Association	June 30, 2021 ⁽¹⁾
4	Marathon Administrators Association	June 30, 2024

⁽¹⁾ Currently under negotiation.

Source: District officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members working less than ten years must contribute 3% (ERS) or 3.5% (TRS) of gross annual salary towards the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries and TRS employees to continue contributing 3.5% toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6% and contributions at such rates continue so long as such employee continues to accumulate pension credits, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contribution throughout employment.

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2020-2021 fiscal years are as follows:

<u>Fiscal Year</u>	<u>TRS</u>	<u>ERS</u>
2016-2017	\$ 746,799	\$ 171,034
2017-2018	626,808	156,080
2018-2019	685,287	157,370
2019-2020	594,247	180,485
2020-2021 (Budgeted)	695,000	190,000
2021-2022 (Proposed)	661,600	188,000

Source: District officials.

The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount. The District pre-pays this cost annually.

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

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

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

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2016-17	15.5%	11.72%
2017-18	15.3	9.80
2018-19	14.9	10.62
2019-20	14.6	8.86
2020-21	14.6	9.53

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

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

Stable Rate Pension Contribution Option. The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 14% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

The District is not participating in the Stable Rate Pension Contribution Option, nor does it intend to do so in the foreseeable future.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District’s employees is not subject to the direction of the District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

The State’s 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District has established such a reserve.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the District provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits.

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 75. In 2015, the Governmental Accounting Standards Board ("GASB") released new accounting standards for public Other Post-Employment Benefits ("OPEB") plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. The District implemented GASB 75 for the fiscal year ended June 30, 2018. The implementation of this statement requires school districts to report OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net OPEB obligation. However, under GASB 45, school districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires school districts to report the entire OPEB liability on the statement of net position.

The District contracted with Korn Ferry, an actuarial firm, to calculate its actuarial valuation under GASB 75. The following outlines the changes to the Total OPEB Liability during the below fiscal years, by source.

	Balance beginning at June 30:	2018	2019
<u>Changes for the year:</u>		<u>\$ 34,593,269</u>	<u>\$ 41,155,397</u>
Service cost		892,759	1,414,394
Interest		1,345,396	1,464,421
Differences between expected and actual experience		2,875,798	1,918,692
Changes in assumptions or other inputs		2,904,531	11,544,311
Changes of benefit terms		-	-
Benefit payments		<u>(1,456,356)</u>	<u>(1,711,537)</u>
Net Changes		<u>\$ 6,562,128</u>	<u>\$ 14,630,281</u>
	Balance ending at June 30:	2019	2020
		<u>\$ 41,155,397</u>	<u>\$ 55,785,678</u>

Note: The above table is not audited. For additional information see "APPENDIX – D" attached hereto.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The District has reserved \$0 towards its OPEB liability. The District funds this liability on a pay-as-you-go basis.

The District's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

Under GASB 75, an actuarial valuation will be required every 2 years for all plans; however, the Alternative Measurement method continues to be available for plans with less than 100 members.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in recent legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced or enacted if introduced.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Notes are to be issued is the Education Law and the Local Finance Law.

The District has complied with the procedure for the publication of the estoppel notice with respect to the Notes as provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of the District is past due.

The fiscal year of the District is July 1 to June 30.

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the District.

Financial Statements

The District retains independent Certified Public Accountants. The audit report covering the fiscal year ending June 30, 2020 is attached hereto as "APPENDIX – D". Certain financial information of the District can be found attached as appendices to the Official Statement.

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State by the State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending June 30, 2003, the District issues its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis.

Insero & Co. CPAs, LLP, the independent auditor for the District, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Insero & Co. CPAs, LLP also has not performed any procedures relating to this Official Statement.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the District has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The most recent State Comptroller audit report of the District released March 16, 2018 was to determine whether the Board of Education and District officials ensured fund balances and reserves were reasonable for the period July 1, 2016 through June 30, 2017.

Key Findings:

- Unassigned fund balance exceeded the statutory limit each year for the past three years but decreased as a percentage of ensuing year's appropriations by 2 percentage points (from 6.9 to 4.9 percent) as of June 30, 2017.
- The debt service fund, employee benefit accrued liability reserve and retirement contribution reserve were not used as budgeted and overfunded as of June 30, 2017.

Key Recommendations:

- Adopt a fund balance policy that includes a plan for using the excess accumulated fund balance in a manner that benefits District residents.
- Adopt a formal plan for reserves, analyze all reserve balances to determine whether balances are necessary and reasonable, and use excess amounts in accordance with applicable statutes in a manner that benefits District residents.

The District provided a response to the State Comptroller's office on March 7, 2018. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no State Comptroller's audits of the District that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein, and is not incorporated herein by reference.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "Significant Fiscal Stress", in "Moderate Fiscal Stress," as "Susceptible Fiscal Stress" or "No Designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "No Designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

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

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2020	Susceptible to Fiscal Stress	26.7
2019	Susceptible to Fiscal Stress	28.3
2018	Susceptible to Fiscal Stress	33.3
2017	Susceptible to Fiscal Stress	33.3
2016	No Designation	6.7

Note: Reference to website implies no warranty of accuracy of information therein, and the website is not incorporated herein by reference.

Source: Website of the Office of the New York State Comptroller.

TAX INFORMATION

Taxable Assessed Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Towns of:					
Cincinnati	\$ 424,927	\$ 422,013	\$ 423,242	\$ 423,024	\$ 518,214
Freetown	25,922,578	26,488,214	26,648,263	30,290,977	30,128,717
Harford	22,819,046	22,825,355	23,120,752	23,065,607	30,196,793
Lapeer	77,787,017	79,629,549	80,030,478	80,199,297	81,073,600
Marathon	89,357,447	90,385,040	91,339,801	91,241,263	91,427,339
Virgil	15,433,354	15,463,749	15,494,426	15,701,640	15,890,990
Willet	5,710,888	5,708,340	5,649,245	5,593,768	5,722,175
Lisle	21,872,121	21,486,648	21,605,015	21,901,090	21,840,256
Triangle	553,700	553,700	553,700	554,000	554,000
Richford	1,989,246	1,986,410	1,984,505	1,989,386	1,982,723
Total Assessed Values	<u>\$ 261,870,324</u>	<u>\$ 264,949,018</u>	<u>\$ 266,849,427</u>	<u>\$ 270,960,052</u>	<u>\$ 279,334,807</u>

State Equalization Rates

Towns of:					
Cincinnati	87.00%	87.00%	85.00%	84.00%	100.00%
Freetown	93.00%	95.00%	95.00%	100.00%	100.00%
Harford	89.00%	87.00%	87.00%	85.00%	100.00%
Lapeer	99.50%	99.50%	99.50%	94.00%	94.00%
Marathon	99.50%	99.50%	99.50%	94.00%	94.00%
Virgil	100.00%	100.00%	100.00%	95.00%	92.00%
Willet	88.00%	90.00%	90.00%	87.00%	85.00%
Lisle	100.00%	100.00%	100.00%	98.30%	97.00%
Triangle	100.00%	100.00%	100.00%	100.00%	97.00%
Richford	98.00%	98.00%	98.00%	98.00%	92.00%
Total Taxable Full Valuation	<u>\$ 268,364,588</u>	<u>\$ 271,346,023</u>	<u>\$ 273,310,833</u>	<u>\$ 288,135,653</u>	<u>\$ 293,602,143</u>

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Towns of:					
Cincinnati	\$ 16.88	\$ 16.69	\$ 16.82	\$ 16.47	\$ 14.13
Freetown	15.79	15.29	15.05	13.83	14.13
Harford	16.50	16.69	16.43	16.27	14.13
Lapeer	14.76	14.59	14.37	14.72	15.03
Marathon	14.76	14.59	14.37	14.72	15.03
Virgil	14.68	14.52	14.30	14.56	15.35
Willet	16.68	16.14	15.89	15.90	16.61
Lisle	14.68	14.52	14.30	14.07	14.56
Triangle	14.68	14.52	14.30	13.83	14.56
Richford	14.98	14.82	14.59	14.11	15.35

Tax Collection Procedure

Tax payments are due September 1st. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged from October 1st to October 31st. On or about November 1st, uncollected taxes are returnable to the Counties for collection. The District receives this amount of uncollected taxes from said Counties prior to the end of the District's fiscal year, thereby assuring 100% tax collection annually.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Tax Levy	\$ 3,940,400	\$ 3,940,400	\$ 3,959,474	\$ 4,067,623	\$ 4,147,335
Amount Uncollected ⁽¹⁾	369,467	213,598	232,699	225,780	324,544
% Uncollected	9.38%	5.42%	5.88%	5.55%	7.83%

⁽¹⁾ District taxes are made whole by the respective Counties in the same fiscal year as the year of levy. See "Tax Collection Procedure" herein.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for the below completed fiscal years and budgeted figures comprised of Real Property Taxes and Tax Items.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes & Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Taxes</u>
2015-2016	\$ 15,266,694	\$ 3,897,978	25.53%
2016-2017	16,140,580	3,898,278	24.15%
2017-2018	16,484,036	3,913,374	23.74%
2018-2019	16,798,110	3,924,767	23.36%
2019-2020	17,189,333	3,995,262	23.24%
2020-2021 (Budgeted)	17,486,352 ⁽¹⁾	4,152,835	23.75%

⁽¹⁾ Does not include appropriated fund balance of \$602,713 and interfund transfers of \$798,125.

Source: 2015-2016 through 2019-2020 audited financial statements and the 2020-2021 adopted budget of the District. This table is not audited.

Larger Taxpayers 2020 Assessment Roll for 2020-2021 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
NYS Electric & Gas	Utility	\$ 40,532,106
TE Products Pipeline Company	Business / Commercial	14,416,762
State of New York	Government	7,258,300
Farm East LLC	State Land	1,544,200
Huizinga Properties	Business/ Commercial	1,523,400
Richard Drake	Agriculture	1,463,900
Square Deal Machining	Manufacturing	1,376,300
Dairyland	Agriculture	1,109,500
Cotton Hanlon	Agriculture	1,044,500
Carter Slocum	Business/ Commercial	997,200

The ten larger taxpayers listed above have a total taxable assessed valuation of \$71,266,168, which represents 25.5% of the 2020-2021 tax base of the District.

As of the date of this Official Statement, the District currently does not have any pending or outstanding tax certioraris that are known to have a material impact on the District.

Source: District Tax Rolls.

Additional Tax Information

Real property located in the District is assessed by the Towns.

Senior citizens' exemptions are offered to those who qualify.

The total valuation of the District is estimated to be categorized as follows: Residential-70%, Commercial-10% and Agricultural-20%.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the School District is approximately \$4,000 including County, Town, Village, District and Fire District taxes.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities (“STAR Adjusted Gross Income”) of \$90,550 or less for 2021, increased annually according to a Cost-of-Living adjustment, are eligible for an “enhanced” exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of \$500,000 are eligible for a “basic” exemption on their primary residence.

The 2020-21 State Budget withheld STAR benefits to taxpayers who are delinquent in the payment of their school taxes and lowers the income limit for the exemption to \$200,000, compared with a \$500,000 limit for the credit.

The below table lists the basic and enhanced exemption amounts for the municipalities applicable to the District:

<u>Town of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Cincinnati	\$ 70,700	\$ 30,000	4/09/2021
Freetown	70,700	30,000	4/09/2021
Harford	70,700	30,000	4/09/2021
Lapeer	66,460	28,200	4/09/2021
Marathon	66,460	28,200	4/09/2021
Virgil	65,040	27,600	4/09/2021
Willet	60,100	25,500	4/09/2021
Lisle	68,580	29,100	4/09/2021
Triangle	68,580	29,100	4/09/2021
Richford	65,040	27,600	4/09/2021

\$575,205 of the District’s \$4,067,623 school tax levy for the 2019-20 fiscal year was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2020.

\$542,561 of the District’s \$4,147,335 school tax levy for 2020-21 was exempted by the STAR Program. The District received full reimbursement such exempt taxes from the State by January 2021.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (“Chapter 97” or the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are indirectly affected by applicability to their respective City.)

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Chapter 97 requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was set to expire on June 15, 2020 unless extended; recent legislation has made it permanent. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments are permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation, and is applicable to the Notes.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limitation Law is unconstitutional as it applies to public school districts. On September 23, 2014, a justice of the New York State Supreme Court dismissed each of NYSUT's causes of action but granted NYSUT's motion to amend the complaint. NYSUT subsequently served a second amended complaint seeking a preliminary injunction and challenging the Tax Levy Limitation Law as violative of the Education Article of the New York State Constitution, the Equal Protection and Due Process clauses and the First Amendment. On March 16, 2015 a New York State Supreme Court Justice denied NYSUT's motion for a preliminary injunction and dismissed all causes of action contained in NYSUT's second amended complaint. NYSUT appealed the decision to continue its challenge to the constitutionality of the Tax Levy Limitation Law. On May 5, 2016 the Appellate Division upheld the lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increases". An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three-year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, and was signed into law by the Governor on June 26, 2015. The program began in 2016, and was fully phased in 2019.

See “THE SCHOOL DISTRICT – Budgetary Procedures” herein for additional information regarding the District’s Tax Levy.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the District include the following:

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized by the Board of Education and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds.

Debt Limit. The District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the equalization rate which such assessed valuation bears to the full valuation; such rate is determined by the State Office of Real Property Services. The Legislature prescribes the manner by which such rate shall be determined.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

The Board of Education, as the finance board of the District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30th:</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bonds	\$ 5,135,000	\$11,170,000	\$ 10,400,000	\$ 9,500,000	\$ 8,565,000
Bond Anticipation Notes	8,475,000	0	0	0	6,200,000
Other Debt ⁽¹⁾	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>789,623</u>
Total Debt Outstanding	\$ 13,610,000	\$11,170,000	\$ 10,400,000	\$ 9,500,000	\$ 15,554,623

⁽¹⁾ Represents an Energy Performance Contract obligation. Said obligation is not considered general obligation indebtedness; however, does count against the debt limit of the District. (See “Energy Performance Contract Financing” herein.)

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District as of April 26, 2021:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2021-2031	\$ 8,965,000
Bond Anticipation Notes	May 28, 2021	<u>6,200,000</u> ⁽¹⁾
Total Indebtedness		\$ 15,165,000

⁽¹⁾ To be redeemed and renewed in full with the proceeds of the Notes. It is anticipated that the bond anticipation notes will be permanently financed with the issuance of serial bonds through the Dormitory Authority of the State of New York in June 2021.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of April 26, 2021:

Full Valuation of Taxable Real Property	\$ 293,602,143
Debt Limit – 10% thereof	29,360,214

Inclusions:

Bonds.....	\$ 8,965,000
Bond Anticipation Notes.....	0
Principal of this Issue.....	<u>6,200,000</u>
Total Inclusions.....	<u>\$ 15,165,000</u>

Exclusions:

State Building Aid ⁽¹⁾	<u>\$ 0</u>
Total Exclusions.....	<u>\$ 0</u>

Total Net Indebtedness \$ 15,165,000

Net Debt-Contracting Margin \$ 14,195,214

The percent of debt contracting power exhausted is 51.65%

⁽¹⁾ Based on preliminary 2020-2021 building aid estimates, the District anticipates State Building aid of 91.2% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

Notes: Energy Performance Contract obligations are not included in the totals above. Said obligations are not considered general obligation indebtedness; however, do count against the debt limit of the District. (See “Energy Performance Contract Financing” herein.)

The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the net indebtedness of the District. See “Cash Flow Borrowings” herein.

Bonded Debt Service

A schedule of bonded debt service may be found in “APPENDIX – B” to this Official Statement.

Cash Flow Borrowings

The District has not issued tax anticipation notes or revenue anticipation notes in the recent past, and does not reasonably expect to issue such notes in the foreseeable future.

Capital Project Plans

On November 29, 2017, School District voters approved an \$8,115,000 million capital project to improve security, energy efficiency and replace/upgrade items near the end of their useful life, and will include work at the District's three main facilities: Appleby Elementary, Marathon Junior/Senior High School and the bus garage. Approximately 90% of the project cost will be reimbursed by the State through building aid. The District will utilize \$800,000 from its Capital Reserve to offset the tax impact on District residents. The District issued \$6,200,000 bond anticipation notes on May 20, 2020 as the first borrowing for the project. The proceeds of the Notes will redeem and renew the currently outstanding bond anticipation notes. It is anticipated that this issue will be permanently financed with the issuance of Serial Bonds issued through the Dormitory Authority of the State of New York in June 2021.

The District anticipates issuing \$400,000 on June 17, 2021 to finance the purchase of buses.

Other than as stated above, the District has no other authorized and or unissued indebtedness for capital or other purposes.

Energy Performance Contract Financing

In June 2020, the District entered into a lease to finance an Energy Performance Contract (EPC) in the amount of \$789,623 at an interest rate of 2.202%. The last principal payment is expected to be made in 2035. The energy savings along with the anticipated building aid are expected to offset the lease payments.

Estimated Overlapping Indebtedness

In addition to the District, the following political subdivisions have the power to issue obligations and to levy taxes or cause taxes to be levied on taxable real property in the District. Estimated bonds and bond anticipation notes are listed as of the close of the respective fiscal years of the below municipalities.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Cortland	12/31/2019	\$ 30,217,882	\$ 4,079,175	\$ 26,138,707	11.02%	\$ 2,880,486
Broome	12/31/2019	144,175,458	7,496,458	136,679,000	0.23%	314,362
Tioga	12/31/2019	10,745,000	-	10,745,000	0.08%	8,596
Town of:						
Cincinnatus	12/31/2019	163,658	163,658	-	0.91%	-
Freetown	12/31/2019	-	-	-	77.41%	-
Harford	12/31/2019	79,200	-	79,200	37.74%	29,890
Lapeer	12/31/2019	-	-	-	96.83%	-
Marathon	12/31/2019	-	-	-	99.74%	-
Virgil	12/31/2019	875,325	850,000	25,325	8.43%	2,135
Willet	12/31/2019	92,857	-	92,857	12.63%	11,728
Lisle	12/31/2019	144,000	-	144,000	20.37%	29,333
Triangle	12/31/2019	-	-	-	0.40%	-
Richford	12/31/2019	-	-	-	2.85%	-
Village of:						
Marathon	5/31/2020	2,008,415	1,293,415	715,000	100.00%	715,000
Total:						<u>\$ 3,991,529</u>

⁽¹⁾ Bonds and bond anticipation notes are as of close of the respective fiscal years, and are not adjusted to include subsequent bond or note sales, if any.

⁽²⁾ Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2019 and 2020.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of April 26, 2021:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 15,165,000	\$ 3,223.17	5.17%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	19,156,529	4,071.53	6.52

(a) The 2019 estimated population of the District is 4,705. (See "THE SCHOOL DISTRICT – Population" herein.)

(b) The District's full value of taxable real estate for the 2020-2021 fiscal year is \$293,602,143. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

(c) See "Debt Statement Summary" herein for the calculation of Net Indebtedness.

(d) The estimated Net Overlapping Indebtedness is \$3,991,529. (See "Estimated Overlapping Indebtedness" herein.)

Note: The above ratios do not take into account State building aid the District will receive for past and current construction building projects.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

State Aid Intercept for School Districts. In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond issued by a school district for school purposes shall file with the State Comptroller a verified statement describing such bond and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding bonds of such school district issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such bonds of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to said Section 99-b.

General Municipal Law Contract Creditors' Provision. Each Note when duly issued and paid for will constitute a contract between the District and the holder thereof. Under current law, provision is made for contract creditors of the District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

Authority to File for Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service, but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

No Past Due Debt. No principal of or interest on District indebtedness is past due. The District has never defaulted in the payment of the principal of and interest on any indebtedness.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State or in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

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

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

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. No assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of the Notes, or the tax status of interest on the Notes. See “TAX MATTERS” herein.

Cybersecurity. The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the District will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

COVID-19. The outbreak of COVID-19 has affected education, travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. Pursuant to Executive Order, the District suspended on-site instruction effective March 16, 2020, which suspension was extended for the balance of the academic year.

The amount of State aid to the District is dependent in part upon the financial condition of the State. With no assurance of direct Federal aid and in awareness that collections from taxes and other receipts are likely to fall materially below the level needed to fund authorized disbursements, the State’s 2020 Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by the New York State Division of the Budget. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during the fiscal year. (See “State Aid” herein for a description of the impact of COVID-19 on State Aid).

There can be no assurance that the State’s financial position will not change materially and adversely from prior projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State. (See “State Aid History” herein.)

The degree of the impact of COVID-19 on the operations and finances of the District is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by governmental authorities to contain or mitigate its impact. There can be no assurances that the spread of COVID-19 will not result in a delay and/or reduction in State aid paid to the District. Any delay or reduction in State aid payments to the District would have a negative impact on the District’s finances and operations.

The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See “State Aid” and “State Aid History” herein).

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX – E”.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. Legislative proposals have been made which would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel expects to deliver an opinion at the time of issuance of the Notes substantially in the form set forth in "APPENDIX – E" hereto.

LITIGATION

The District is subject to a number of lawsuits in the ordinary conduct of its affairs. The District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the District.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will enter into an Undertaking to Provide Notice of Material Events Certificate, the description of which is attached hereto as "APPENDIX – C".

Historical Compliance

The District has maintained compliance, in all material respects, within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a municipal advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the District to the Municipal Advisor are partially contingent on the successful closing of the Notes. The fees to be paid by the District to the Municipal Advisor are partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the District; provided, however, the District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers

RATING

The Notes are not rated. Subject to the approval of the District, the purchaser(s) of the Notes may have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the District, such as a rating action that may require the filing of a material event notification to EMMA, and/or the provision of a supplement to the final Official Statement.

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its underlying rating of "A+" with a stable outlook to the District's outstanding bonds. The rating reflects only the view of S&P, and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the Notes.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

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

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

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

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

Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

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

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

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The District's contact information is as follows: Thomas Goskoski, School Business Administrator, Marathon Central School District, 1 Park Street, P.O. Box 339, Marathon, New York 13803, Phone: (607) 849-3224, Fax: (607) 849-3305, Email: goskoskit@marathonschools.org.

Additional copies of the Notice of Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., Phone: (315) 752-0051, or at www.fiscaladvisors.com.

MARATHON CENTRAL SCHOOL DISTRICT

Dated: April 26, 2021

REBECCA EDSALL
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 913,327	\$ 170,283	\$ 31,882	\$ 306,956	\$ 1,051,837
Restricted Cash	6,841,774	5,896,517	6,496,091	5,742,513	4,181,286
Taxes Receivable	-	1,590	1,794	1,794	197
Due from Other Funds	658,509	1,972,175	790,452	754,531	819,771
State and Federal Aid Receivable	713,674	1,182,981	1,067,334	953,539	909,704
Due from other Governments	416	416	416	416	416
Due from Fiduciary Funds	691,467	691,352	-	-	-
Other Receivables	193,614	20,271	186,813	184,065	176,626
Prepaid Items	57,713	-	-	-	-
TOTAL ASSETS	<u>\$ 10,070,494</u>	<u>\$ 9,935,585</u>	<u>\$ 8,574,782</u>	<u>\$ 7,943,814</u>	<u>\$ 7,139,837</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 37,570	\$ 10,274	\$ 14,099	\$ 372,208	\$ 587,429
Accrued Liabilities	32,271	87,055	126,645	96,203	124,985
Due to Other Funds	582,852	1,112,545	1,298,049	890,191	177,304
Due to Other Governments	-	4,896	-	-	-
Due to Fiduciary Funds	-	-	-	-	-
Due to Teachers' Retirement System	789,324	710,967	632,931	698,221	594,247
Due to Employees' Retirement System	41,862	43,760	40,289	45,659	46,773
Unearned Revenues	2,944	1,294	1,294	2,119	1,294
Planned Balance	75,000	75,000	75,000	75,000	75,000
TOTAL LIABILITIES	<u>\$ 1,561,823</u>	<u>\$ 2,045,791</u>	<u>\$ 2,188,307</u>	<u>\$ 2,179,601</u>	<u>\$ 1,607,032</u>
<u>FUND EQUITY</u>					
Nonspendable	\$ 57,713	\$ -	\$ -	\$ -	\$ -
Restricted	6,015,964	5,896,517	4,976,476	4,578,417	4,181,286
Assigned	1,268,083	1,125,010	881,878	772,357	656,318
Unassigned	1,166,911	868,267	528,121	413,439	695,201
TOTAL FUND EQUITY	<u>\$ 8,508,671</u>	<u>\$ 7,889,794</u>	<u>\$ 6,386,475</u>	<u>\$ 5,764,213</u>	<u>\$ 5,532,805</u>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 10,070,494</u>	<u>\$ 9,935,585</u>	<u>\$ 8,574,782</u>	<u>\$ 7,943,814</u>	<u>\$ 7,139,837</u>

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
REVENUES					
Real Property Taxes	\$ 3,118,027	\$ 3,169,690	\$ 3,199,100	\$ 3,237,065	\$ 3,335,419
Non-Property Taxes	779,951	728,588	714,274	687,702	659,843
Charges for Services	3,186	7,611	3,539	12,065	5,543
Use of Money & Property	5,473	7,516	7,130	22,695	7,112
Sale of Property and Compensation for Loss	7,506	19,516	3,007	11,241	13,524
Miscellaneous	306,115	255,590	341,684	356,767	456,664
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	11,022,393	11,321,234	12,086,915	12,293,374	12,494,495
Revenues from Federal Sources	24,043	26,806	24,164	77,201	36,733
Total Revenues	<u>\$ 15,266,694</u>	<u>\$ 15,536,551</u>	<u>\$ 16,379,813</u>	<u>\$ 16,698,110</u>	<u>\$ 17,009,333</u>
Other Sources:					
Appropriated Fund Balance	-	-	-	-	-
Appropriated Reserves	-	-	-	-	-
Interfund Transfers	-	604,029	104,223	100,000	180,000
Total Revenues and Other Sources	<u>\$ 15,266,694</u>	<u>\$ 16,140,580</u>	<u>\$ 16,484,036</u>	<u>\$ 16,798,110</u>	<u>\$ 17,189,333</u>
EXPENDITURES					
General Support	\$ 1,574,348	\$ 1,749,312	\$ 1,757,144	\$ 1,869,074	\$ 1,788,270
Instruction	8,007,219	8,531,967	8,674,004	8,904,351	8,934,573
Pupil Transportation	576,963	566,789	651,868	664,874	564,749
Community Services	3,000	-	3,000	-	-
Employee Benefits	3,604,063	4,196,947	4,236,187	4,582,775	4,733,881
Debt Service	900,796	1,312,404	1,389,036	1,390,125	1,390,113
Total Expenditures	<u>\$ 14,666,389</u>	<u>\$ 16,357,419</u>	<u>\$ 16,711,239</u>	<u>\$ 17,411,199</u>	<u>\$ 17,411,586</u>
Other Uses:					
Interfund Transfers	411,289	402,038	1,276,116	9,173	9,155
Total Expenditures and Other Uses	<u>\$ 15,077,678</u>	<u>\$ 16,759,457</u>	<u>\$ 17,987,355</u>	<u>\$ 17,420,372</u>	<u>\$ 17,420,741</u>
Excess (Deficit) Revenues Over Expenditures	<u>189,016</u>	<u>(618,877)</u>	<u>(1,503,319)</u>	<u>(622,262)</u>	<u>(231,408)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	8,319,655	8,508,671	7,889,794	6,386,475	5,764,213
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 8,508,671</u>	<u>\$ 7,889,794</u>	<u>\$ 6,386,475</u>	<u>\$ 5,764,213</u>	<u>\$ 5,532,805</u>

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:	2020			2021
	Original Budget	Final Budget	Actual	Adopted Budget
REVENUES				
Real Property Taxes	\$ 3,462,419	\$ 3,462,419	\$ 3,335,419	\$ 3,490,335
Other Tax Items	662,704	662,704	659,843	662,500
Charges for Services	24,000	24,000	5,543	24,000
Use of Money & Property	25,000	25,000	7,112	25,000
Sale of Property and Compensation for Loss	12,000	12,000	13,524	12,000
Miscellaneous	60,000	60,000	456,664	75,000
Interfund Revenues				
Revenues from State Sources	12,914,266	12,914,266	12,494,495	13,157,517
Revenues from Federal Sources	50,000	50,000	36,733	40,000
Total Revenues	<u>\$ 17,210,389</u>	<u>\$ 17,210,389</u>	<u>\$ 17,009,333</u>	<u>\$ 17,486,352</u>
Other Sources:				
Appropriated Fund Balance	209,773	209,773	-	602,713
Appropriated Reserves	462,000	462,000	-	-
Designated Fund Balance and Encumbrances			-	-
Carried Forward from Prior Year	100,584	100,584	-	-
Interfund Transfers	662,000	662,000	180,000	798,125
Total Revenues and Other Sources	<u>\$ 18,644,746</u>	<u>\$ 18,644,746</u>	<u>\$ 17,189,333</u>	<u>\$ 18,887,190</u>
EXPENDITURES				
General Support	\$ 1,904,463	\$ 1,996,714	\$ 1,788,270	\$ 1,966,400
Instruction	9,390,043	9,297,792	8,934,573	9,440,490
Pupil Transportation	684,350	684,350	564,749	700,850
Community Services	3,000	3,000	-	3,000
Employee Benefits	5,073,865	5,073,865	4,733,881	5,170,425
Debt Service	1,462,025	1,462,025	1,390,113	1,479,025
Total Expenditures	<u>\$ 18,517,746</u>	<u>\$ 18,517,746</u>	<u>\$ 17,411,586</u>	<u>\$ 18,760,190</u>
Other Uses:				
Interfund Transfers	127,000	127,000	9,155	127,000
Total Expenditures and Other Uses	<u>\$ 18,644,746</u>	<u>\$ 18,644,746</u>	<u>\$ 17,420,741</u>	<u>\$ 18,887,190</u>
Excess (Deficit) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>(231,408)</u>	<u>-</u>
FUND BALANCE				
Fund Balance - Beginning of Year	-	-	5,764,213	-
Prior Period Adjustments (net)	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,532,805</u>	<u>\$ -</u>

Source: Audited financial report and budgets of the School District. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending June 30 th	Principal	Interest	Total
2021	\$ 970,000	\$ 414,675	\$ 1,384,675
2022	1,095,000	379,258	1,474,258
2023	940,000	327,663	1,267,663
2024	975,000	288,253	1,263,253
2025	1,020,000	242,543	1,262,543
2026	1,075,000	194,531	1,269,531
2027	785,000	144,500	929,500
2028	575,000	105,250	680,250
2029	600,000	76,500	676,500
2030	635,000	46,500	681,500
2031	295,000	14,750	309,750
TOTALS	\$ 8,965,000	\$ 2,234,422	\$ 11,199,422

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2008 Capital Project			2013 DASNY - Capital Project		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 190,000	\$ 14,625.00	\$ 204,625.00	\$ 365,000	\$ 136,750.00	\$ 501,750.00
2022	200,000	7,500.00	207,500.00	385,000	118,500.00	503,500.00
2023	-	-	-	405,000	99,250.00	504,250.00
2024	-	-	-	425,000	79,000.00	504,000.00
2025	-	-	-	445,000	57,750.00	502,750.00
2026	-	-	-	470,000	35,500.00	505,500.00
2027	-	-	-	240,000	12,000.00	252,000.00
TOTALS	\$ 390,000	\$ 22,125.00	\$ 412,125.00	\$ 2,735,000	\$ 538,750.00	\$ 3,273,750.00

Fiscal Year Ending June 30th	2017A DASNY - Capital Project			2020 Buses		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 415,000	\$ 263,300.00	\$ 678,300.00	\$ -	\$ -	\$ -
2022	435,000	246,700.00	681,700.00	75,000	6,558.07	81,558.07
2023	455,000	224,950.00	679,950.00	80,000	3,462.50	83,462.50
2024	470,000	206,750.00	676,750.00	80,000	2,502.50	82,502.50
2025	495,000	183,250.00	678,250.00	80,000	1,542.50	81,542.50
2026	520,000	158,500.00	678,500.00	85,000	531.25	85,531.25
2027	545,000	132,500.00	677,500.00	-	-	-
2028	575,000	105,250.00	680,250.00	-	-	-
2029	600,000	76,500.00	676,500.00	-	-	-
2030	635,000	46,500.00	681,500.00	-	-	-
2031	295,000	14,750.00	309,750.00	-	-	-
TOTALS	\$ 5,440,000	\$ 1,658,950.00	\$ 7,098,950.00	\$ 400,000	\$ 14,596.82	\$ 414,596.82

MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Commission pursuant to the Securities Exchange Act of 1934, the District has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the EMMA system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Note
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the District
- (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a "financial obligation" (as defined in the Rule) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect Note holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in paragraph (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

With respect to events (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the District determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The District reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the District no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the District’s obligations under its material event notices undertaking and any failure by the District to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the District; provided that the District agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

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**MARATHON CENTRAL SCHOOL DISTRICT
CORTLAND, BROOME AND TIOGA COUNTIES, NEW YORK**

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2020

The Audited Financial Statements, including opinion, were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

MARATHON CENTRAL SCHOOL DISTRICT

Marathon, New York

FINANCIAL REPORT

For the Year Ended
June 30, 2020



MARATHON CENTRAL SCHOOL DISTRICT

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MARATHON CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Marathon Central School District
Marathon, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marathon Central School District (the 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.

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes on pages 4-4i and 47-55 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Schedule of Net Investment in Capital Assets (supplementary information) on page 58-60 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 23, 2020

MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows related to the OPEB plan in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in a recognition of Government-wide expenses of \$3,480,007, compared to an recognition of \$1,171,242 in 2019.
- Total expenditures exceeded revenues in 2020 by \$5,255,166, compared to an excess of expenses of \$2,293,869 in 2019. The School District ended the year with a net deficit of \$25,281,624, compared to net deficit of \$20,026,458 in 2019.
- The General Fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by \$1,170,400 with a General Fund excess of expenditures and other financing uses over revenues and other financing sources of \$231,408. General Fund revenues and other financing sources were under budgeted amounts by \$683,056.
- Total fund balance in the General Fund, including reserves, was \$5,532,805 at June 30, 2020. Unassigned fund balance amounted to \$695,201 which was subject to and below the maximum limit (4% of 2020-2021 appropriations) permitted under New York State Real Property Tax Law.
- Capital asset additions during 2020 amounted to \$3,827,107 for the purchase of buses, vehicles, equipment, and construction in progress expenditures. Depreciation expense was \$1,976,092 for the current year.
- Serial bonds payable of the School District, in the amount of \$9,580,569, decreased \$969,504 from \$10,550,073 in 2019 due to principal payments on serial bonds. However, the School District issued BANs in the amount of \$6,200,000 during the year, resulting in total outstanding debt at June 30, 2020 of \$15,780,569, an overall increase of \$5,230,496 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedule of Changes in the School District's Total Other Postemployment Benefits (OPEB) Liability and Related Ratios related to the School District's unfunded actuarial liability for postemployment benefits, and information related to the School District's pension obligations.

District-Wide Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

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

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

Governmental Fund Financial Statements

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

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs.

MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Funds statements explains the relationship (or differences) between them.

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net (deficit) for the fiscal year ended June 30, 2020 increased by \$5,255,166. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>Current Assets</i>	\$ 2,144,033	\$ 6,448,231	\$ 4,304,198
<i>Noncurrent Assets</i>	7,045,979	6,758,158	(287,821)
<i>Capital Assets, Net</i>	17,973,081	19,808,985	1,835,904
<i>Total Assets</i>	27,163,093	33,015,374	5,852,281
<i>Pensions</i>	3,756,030	3,752,211	(3,819)
<i>Other Postemployment Benefits</i>	5,057,788	15,874,964	10,817,176
<i>Total Deferred Outflows of Resources</i>	8,813,818	19,627,175	10,813,357
<i>Current Liabilities</i>	2,350,955	9,943,502	7,592,547
<i>Noncurrent Liabilities</i>	51,389,520	65,737,568	14,348,048
<i>Total Liabilities</i>	53,740,475	75,681,070	21,940,595
<i>Pensions</i>	1,167,513	1,480,820	313,307
<i>Other Postemployment Benefits</i>	1,095,381	762,283	(333,098)
<i>Total Deferred Inflows of Resources</i>	2,262,894	2,243,103	(19,791)
<i>Net Investment in Capital Assets</i>	7,423,008	6,685,664	(737,344)
<i>Restricted</i>	6,380,996	5,813,442	(567,554)
<i>Unrestricted</i>	(33,830,462)	(37,780,730)	(3,950,268)
<i>Total Net (Deficit)</i>	\$ (20,026,458)	\$ (25,281,624)	\$ (5,255,166)

Total assets increased 21.54%. This change stems from an increase in Capital Fund cash from BAN proceeds, coupled with an increase in capital assets, net.

MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The increase in current liabilities was primarily due to BANs payable as well as an increase in accounts payable. The changes in the deferred inflows of resources - pensions and the deferred outflows of resources - pensions are related to changes in the actuarially determined proportionate share of the School District's net pension asset/liability and related deferred outflows and inflows of resources for the pension plans recognized under GASB Statement No. 68.

Changes in noncurrent liabilities, deferred outflows of resources - other postemployment benefits, and deferred inflows of resources - other postemployment benefits, are based on actuarially determined changes in the future costs of plan benefits recognized under GASB Statement No. 75.

Total net deficit increased 26.24%. This is primarily the result of expenses exceeding revenues. Net investment in capital assets decreased 9.93% based on depreciation expense and new debt exceeding capital outlay. The decrease in restricted net position is primarily due to a reduction in General Fund reserves.

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

Figure 2

Changes in Net Position	Governmental Activities and Total School District		Total Dollar Change
	2019	2020	2019 - 2020
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 195,792	\$ 138,011	\$ (57,781)
<i>Operating Grants</i>	856,666	1,162,821	306,155
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	3,237,065	3,410,419	173,354
<i>Real Property Tax Items</i>	687,702	659,843	(27,859)
<i>Unrestricted State Sources</i>	12,387,864	12,733,816	345,952
<i>Use of Money and Property</i>	23,621	16,715	(6,906)
<i>Sale of Property and Compensation for Loss</i>	11,241	(1,587)	(12,828)
<i>Miscellaneous</i>	419,762	522,069	102,307
Total Revenues	\$ 17,819,713	\$ 18,642,107	\$ 822,394
PROGRAM EXPENSES			
<i>General Support</i>	\$ 2,792,647	\$ 3,723,896	\$ 931,249
<i>Instruction</i>	14,693,544	17,333,951	2,640,407
<i>Pupil Transportation</i>	1,621,949	1,797,107	175,158
<i>School Lunch Program</i>	531,242	616,730	85,488
<i>Interest on Debt</i>	474,200	425,589	(48,611)
Total Expenses	\$ 20,113,582	\$ 23,897,273	\$ 3,783,691
(DECREASE) IN NET POSITION	\$ (2,293,869)	\$ (5,255,166)	\$ (2,961,297)

MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Total revenues for the School District's Governmental Activities increased by 4.62%, while total expenses increased 18.81%. The increase in revenue and operating grants compared to the prior year was primarily the result of increases in state aid and operating grants during the current year. The increase in total expenses is primarily due to increased OPEB expenses.

Figures 3 and 4 show the sources of revenue for 2020 and 2019.

Figure 3

Sources of Revenue for 2020

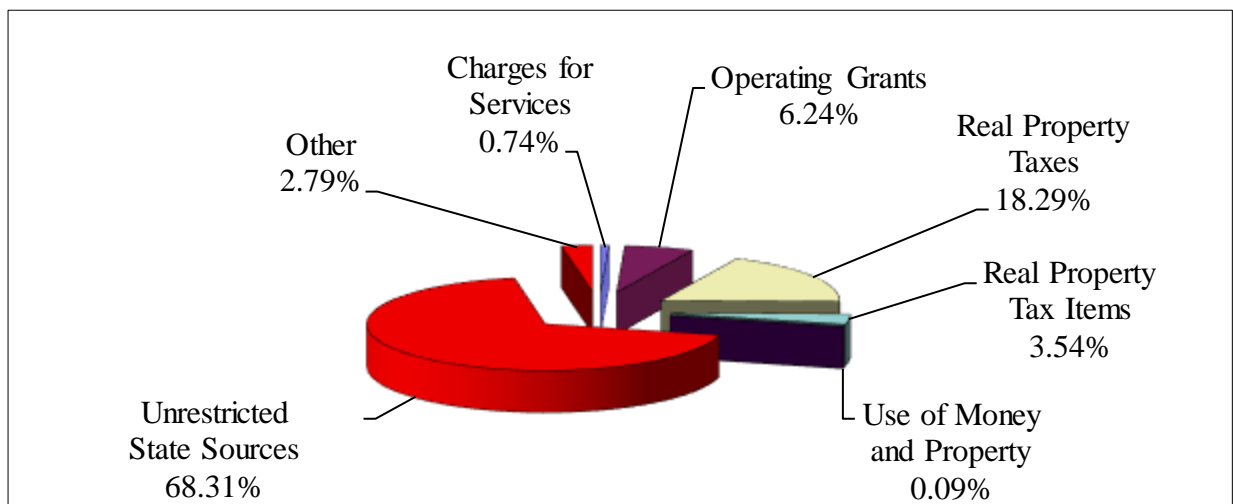
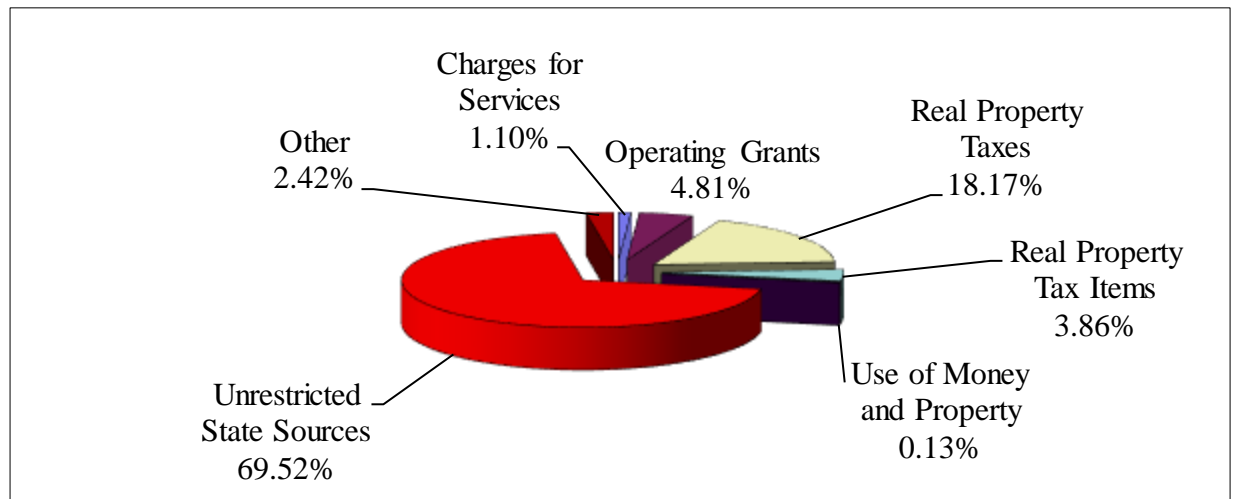


Figure 4

Sources of Revenue for 2019



MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figures 5 and 6 present the cost for each of the School District's programs for 2020 and 2019.

Figure 5

Cost of Programs for 2020

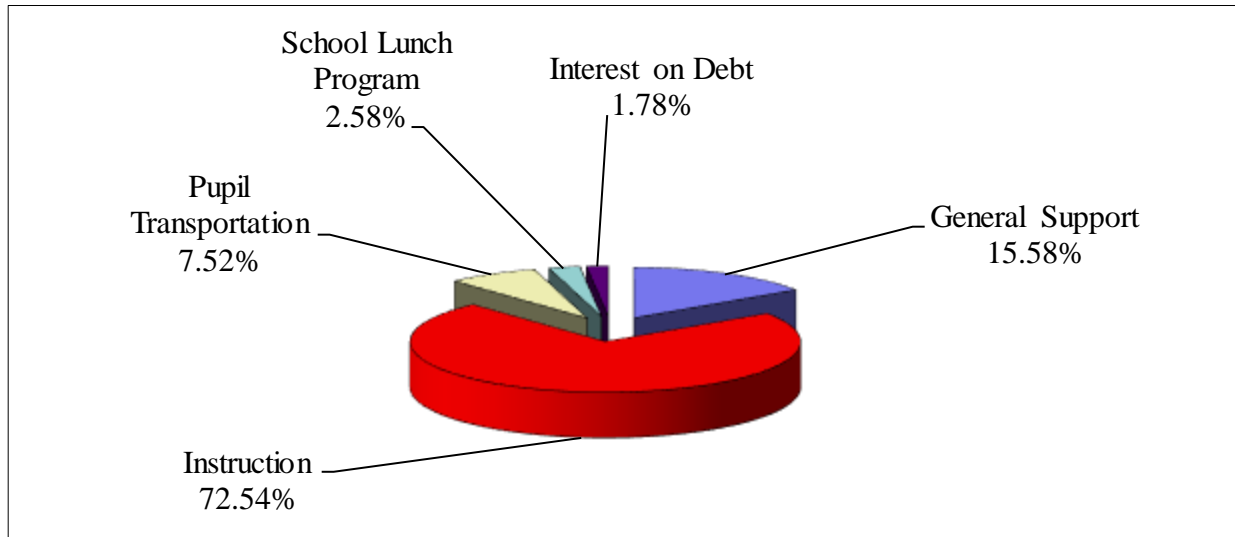
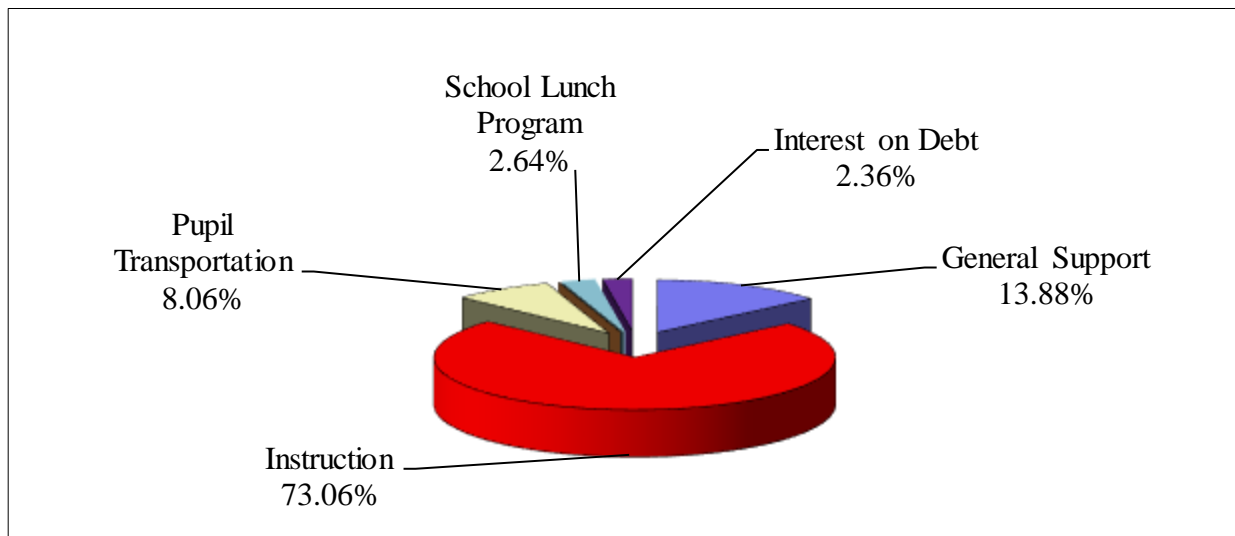


Figure 6

Cost of Programs for 2019



MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balance for the year for the School District's Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$3,382,762, which represents a 52.95% decrease from the prior year's total fund balance of \$7,189,809. The decrease in fund balance is mainly a result of expenditures exceeding revenues in the General Fund and capital outlay exceeding revenues in the Capital Projects Fund for 2020.

Figure 7

<i>Governmental Fund Balances</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 5,764,213	\$ 5,532,805	\$ (231,408)
<i>School Lunch Fund</i>	(88,579)	5,044	93,623
<i>Debt Service Fund</i>	1,802,579	1,632,156	(170,423)
<i>Capital Projects Fund</i>	(288,404)	(3,787,243)	(3,498,839)
<i>Total Governmental Funds</i>	<i>\$ 7,189,809</i>	<i>\$ 3,382,762</i>	<i>\$ (3,807,047)</i>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board approves all budgetary transfers which revise School District budget line items. These budget amendments consist of budget transfers between functions, which did not increase the overall budget for the year ended June 30, 2020. Actual charges to appropriations (expenditures) were below final budget amounts by \$1,170,400 which includes carry-over encumbrances. Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and variances for the year ended June 30, 2020.

MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2020</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real Property Taxes</i>	\$ 3,462,419	\$ 3,462,419	\$ 3,335,419	\$ (127,000)
<i>Other Tax Items</i>	662,704	662,704	659,843	(2,861)
<i>State Sources</i>	12,914,266	12,914,266	12,494,495	(419,771)
<i>Other, Including Financing Sources</i>	833,000	833,000	699,576	(133,424)
Total Revenues and Other Financing Sources	\$ 17,872,389	\$ 17,872,389	\$ 17,189,333	\$ (683,056)
Appropriated Fund Balances, Reserves and Encumbrances Carried Forward	\$ 772,357	\$ 772,357		
EXPENDITURES				
<i>General Support</i>	\$ 1,904,463	\$ 1,996,714	\$ 1,790,231	\$ 206,483
<i>Instruction</i>	9,390,043	9,297,792	8,979,867	317,925
<i>Pupil Transportation</i>	684,350	684,350	571,099	113,251
<i>Community Service</i>	3,000	3,000		3,000
<i>Employee Benefits</i>	5,073,865	5,073,865	4,733,881	339,984
<i>Debt Service</i>	1,462,025	1,462,025	1,390,113	71,912
<i>Other Financing Uses</i>	127,000	127,000	9,155	117,845
Total Expenditures and Other Financing (Uses)	\$ 18,644,746	\$ 18,644,746	\$ 17,474,346	\$ 1,170,400

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2020, the School District had invested in a broad range of capital assets totaling \$40,265,023; offset by accumulated depreciation of \$20,456,038. *Figure 9* shows the changes in the School District's capital assets.

Figure 9

<i>Changes in Capital Assets</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019 - 2020</i>
<i>Land</i>	\$ 35,850	\$ 35,850	\$ -
<i>Construction in Progress</i>	386,533	625,219	238,686
<i>Buildings, Net</i>	15,708,417	17,550,723	1,842,306
<i>Furniture and Equipment, Net</i>	1,842,281	1,597,193	(245,088)
Total	\$ 17,973,081	\$ 19,808,985	\$ 1,835,904

MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Capital asset activity for the year ended June 30, 2020 included the following:

Construction in Progress	\$ 3,156,219
Buses	626,590
Other Equipment	44,298
Total Additions	<u>3,827,107</u>
Less Net Book value of Disposed Equipment	(15,111)
Less Depreciation Expense	<u>(1,976,092)</u>
Net Increase in Capital Assets	<u>\$ 1,835,904</u>

Debt Administration

Debt, both short-term and long-term, considered a liability of Governmental Activities, increased by \$5,230,496 in 2020, as shown in *Figure 10*. The increase in debt resulted from the issuance of bond anticipation notes, offset by repayments of serial bond principal amounts. Total indebtedness represented 54.49% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>Serial Bonds</i>	\$ 10,550,073	\$ 9,580,569	\$ (969,504)
<i>Bond Anticipation Notes</i>		6,200,000	6,200,000
<i>Total</i>	\$ 10,550,073	\$ 15,780,569	\$ 5,230,496

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

Other obligations of the School District include compensated absences, other postemployment benefits for retired employees, and pension obligations. More detailed information about the School District's long-term obligations is presented in the notes to the financial statements.

The School District's bond rating with Standard & Poor's is A+ Stable, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- Currently New York State has sustained major budget issues due to the impact of the coronavirus pandemic. State budget projections for the remainder of the 2020-2021 fiscal year are dire and state aid cuts to school districts of up to 20% are possible without federal assistance. New York State aid makes up approximately 67% of the district's revenues and a 20% reduction in aid would require deep staff cuts that would likely make it difficult for the district to provide a sound basic education for its students.

MARATHON CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

- The School District is in the final phases of a capital project that began in the spring of 2020. The project includes renovations at the Marathon Junior-Senior High School, Appleby Elementary School, and the Bus Garage.
- The District shut down in the spring of 2020 due to the coronavirus pandemic. The use of additional cleaning supplies and personal protective equipment are adding a strain to District expenditures.
- The School District has continued to comply with restrictions associated with the New York State Property Tax Cap, but the Board of Education expects the Tax Cap will continue to have a budgetary impact into the foreseeable future.
- The School District continued to utilize Title I, Title IIA, IV, V, and both IDEA grant programs (PL611 and PL619) in 2019-2020. Title grants help to supplement the salaries of teaching, academic intervention services for students, and teacher training. IDEA grants support teacher salaries and services for special education students.
- Retirement contribution rates for both the non-instructional Employee Retirement System (ERS) and the instructional Teacher Retirement System (TRS) have continued to remain steady, however, mandated contribution rates remain a large part of the General Fund budget will continue to have a budgetary impact on the School District in the foreseeable future. Fortunately, a Teacher Retirement sub-reserve was enacted into law in the spring of 2019 and the District's Board of Education quickly adopted the reserve. While there are strict limitations to the funding of the sub-reserve, it has proved to be helpful in helping to offset future increases to TRS payments.
- The School District provides employee health care benefits through Excellus Blue Cross/ Blue Shield in association with the Cooperative Health Insurance Fund of Central New York. This health insurance consortium is comprised of 28 school districts throughout Central New York. While the consortium operates very efficiently, costs related to the Affordable Care Act are beginning to impact the Consortium. While consortium rates have increased less than the national average, consortium insurance rates are projected to increase by 7 - 8% over the next several years. This will continue to have a major impact on the School District's budget.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Marathon Central School District, at 1 E. Main St, Marathon, New York 13803.

MARATHON CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS

Current Assets

Cash - Unrestricted	\$ 1,898,151
Cash - Restricted	2,657,248
Receivables:	
Taxes	197
State and Federal Aid	1,697,795
Due From Other Governments	416
Other	176,905
Inventories	17,519
Total Current Assets	6,448,231

Noncurrent Assets

Restricted Cash	5,813,442
Net Pension Asset - Proportionate Share	944,716
Nondepreciable Capital Assets	661,069
Depreciable Capital Assets, Net	19,147,916
Total Noncurrent Assets	26,567,143
Total Assets	33,015,374

DEFERRED OUTFLOWS OF RESOURCES

Pension	3,752,211
Other Postemployment Benefits	15,874,964
Total Deferred Outflows of Financial Resources	19,627,175

LIABILITIES

Current Liabilities

Payables:	
Accounts Payable	1,797,262
Accrued Liabilities	124,985
Due to Other Governments	1,980
Bond Interest and Matured Bonds	23,637
Bond Anticipation Notes Payable	6,200,000
Due to Teachers' Retirement System	594,247
Due to Employees' Retirement System	46,773
Unearned Revenues	38,664
Compensated Absences Payable	102,599
Current Portion of Long-Term Liabilities:	
Bonds Payable	1,013,355
Total Current Liabilities	9,943,502

Noncurrent Liabilities and Obligations

Bonds Payable	\$ 8,567,214
Compensated Absences Payable	<u>375,914</u>
Other Postemployment Benefits Liability	<u>55,785,678</u>
Net Pension Liability - Proportionate Share	<u>1,008,762</u>
Total Noncurrent Liabilities and Obligations	<u><u>65,737,568</u></u>

Total Liabilities	<u><u>75,681,070</u></u>
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DEFERRED INFLOWS OF RESOURCES

Pensions	<u>1,480,820</u>
Other Postemployment Benefits	<u>762,283</u>

Total Deferred Inflows of Resources	<u><u>2,243,103</u></u>
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NET POSITION

Net Investment in Capital Assets	<u>6,685,664</u>
Restricted	<u>5,813,442</u>
Unrestricted (Deficit)	<u><u>(37,780,730)</u></u>

Total Net (Deficit)	<u><u><u>\$ (25,281,624)</u></u></u>
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See Notes to Basic Financial Statements

MARATHON CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General Support	\$ 3,723,896	\$ 3,535	\$	\$	\$ (3,720,361)
Instruction	17,333,951	113,336	581,133		(16,639,482)
Pupil Transportation	1,797,107				(1,797,107)
School Lunch Program	616,730	21,140	581,688		(13,902)
Interest on Debt	425,589				(425,589)
Total Functions and Programs	\$ 23,897,273	\$ 138,011	\$ 1,162,821	\$ -	(22,596,441)
GENERAL REVENUES					
Real Property Taxes					3,410,419
Real Property Tax Items					659,843
Use of Money and Property					16,715
Unrestricted State Sources					12,733,816
Sale of Property and Compensation for Loss					(1,587)
Miscellaneous					522,069
Total General Revenues					17,341,275
Change in Net Position					(5,255,166)
Total Net (Deficit) - Beginning of Year					(20,026,458)
Total Net (Deficit) - End of Year					\$ (25,281,624)

See Notes to Basic Financial Statements

MARATHON CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 1,051,837	\$ 184,865	\$ 52,963
Cash - Restricted	4,181,286		
Receivables:			
Taxes	197		
Due From Other Funds	819,771	6,804	9,455
State and Federal Aid	909,704	557,838	86,284
Due From Other Governments	416		
Other	176,626		279
Inventories			17,519
Total Assets	\$ 7,139,837	\$ 749,507	\$ 166,500
LIABILITIES			
Payables:			
Accounts Payable	\$ 587,429	\$ 9,711	\$ 42,131
Accrued Liabilities	124,985		
Due to Other Funds	177,304	700,492	119,279
Due to Other Governments		1,980	
Bond Anticipation Notes Payable			
Due to Teachers' Retirement System	594,247		
Due to Employees' Retirement System	46,773		
Planned Balance	75,000		
Unearned Revenues	1,294	37,324	46
Total Liabilities	1,607,032	749,507	161,456
FUND BALANCES			
Nonspendable			17,519
Restricted	4,181,286		
Assigned	656,318		
Unassigned (Deficit)	695,201		(12,475)
Total Fund Balances (Deficit)	5,532,805	-	5,044
Total Liabilities and Fund Balances	\$ 7,139,837	\$ 749,507	\$ 166,500

See Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$ 608,486	\$ 1,898,151
440,513	3,848,891	8,470,690
		197
1,191,643	152,192	2,179,865
	143,969	1,697,795
		416
		176,905
		17,519
\$ 1,632,156	\$ 4,753,538	\$ 14,441,538
\$	\$ 1,157,991	\$ 1,797,262
		124,985
	1,182,790	2,179,865
		1,980
	6,200,000	6,200,000
		594,247
		46,773
		75,000
		38,664
-	8,540,781	11,058,776
		17,519
1,632,156		5,813,442
		656,318
	(3,787,243)	(3,104,517)
1,632,156	(3,787,243)	3,382,762
\$ 1,632,156	\$ 4,753,538	\$ 14,441,538

MARATHON CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2020

Fund Balances - Total Governmental Funds **\$ 3,382,762**

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

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

Total Historical Cost	\$ 40,265,023	
Less Accumulated Depreciation	<u>(20,456,038)</u>	19,808,985

The School District's proportion of the collective net pension asset/liability is not reported in the funds.

TRS Net Pension Asset - Proportionate Share	\$ 944,716	
ERS Net Pension Liability - Proportionate Share	<u>(1,008,762)</u>	(64,046)

Deferred outflows of resources represent a consumption of net position that applies to future periods and, therefore, is not reported in the Governmental Funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.

TRS Deferred Inflows of Resources - Pension	\$ (1,438,459)	
ERS Deferred Inflows of Resources - Pension	(42,361)	
Other Postemployment Benefits Deferred Inflows of Resources	(762,283)	
Other Postemployment Benefits Deferred Outflows of Resources	15,874,964	
TRS Deferred Outflows of Resources - Pension	3,026,778	
ERS Deferred Outflows of Resources - Pension	<u>725,433</u>	17,384,072

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	\$ (8,565,000)	
Premium on Obligations	<u>(1,015,569)</u>	(9,580,569)

Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.

Accrued Interest on Debt	\$ (23,637)	
Planned Balance	75,000	
Other Postemployment Benefits Liability	(55,785,678)	
Compensated Absences Payable	<u>(478,513)</u>	(56,212,828)

Net (Deficit) of Governmental Activities **\$ (25,281,624)**

See Notes to Basic Financial Statements

MARATHON CENTRAL SCHOOL DISTRICT

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

	Major Funds		
		Special Revenue Funds	
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real Property Taxes	\$ 3,335,419	\$	\$
Other Tax Items	659,843		
Charges for Services	5,543		
Use of Money and Property	7,112		26
Sale of Property and Compensation for Loss	13,524		
Miscellaneous	456,664		
State Sources	12,494,495	122,142	26,664
Federal Sources	36,733	544,514	528,773
Surplus Food			36,080
Sales - School Lunch			21,140
Total Revenues	17,009,333	666,656	612,683
EXPENDITURES			
General Support	1,788,270		
Instruction	8,934,573	662,194	262,608
Pupil Transportation	564,749	13,617	
Employee Benefits	4,733,881		14,744
Debt Service:			
Principal	935,000		
Interest	455,113		
Cost of Sales			239,686
Other Expenditures			2,022
Capital Outlay			
Total Expenditures	17,411,586	675,811	519,060
Excess (Deficiency) of Revenues Over Expenditures	(402,253)	(9,155)	93,623
OTHER FINANCING SOURCES AND (USES)			
Operating Transfers In	180,000	9,155	
Operating Transfers (Out)	(9,155)		
Total Other Sources (Uses)	170,845	9,155	-
Net Change in Fund Balance	(231,408)	-	93,623
Fund Balances (Deficit) - Beginning of Year	5,764,213	-	(88,579)
Fund Balances (Deficit) - End of Year	\$ 5,532,805	\$ -	\$ 5,044

See Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$ 3,335,419
		659,843
		5,543
9,577		16,715
	140,000	153,524
		456,664
	143,969	12,787,270
		1,110,020
		36,080
		21,140
9,577	283,969	18,582,218
		1,788,270
		9,859,375
		578,366
		4,748,625
		935,000
		455,113
		239,686
		2,022
	3,782,808	3,782,808
-	3,782,808	22,389,265
9,577	(3,498,839)	(3,807,047)
		189,155
(180,000)		(189,155)
(180,000)	-	-
(170,423)	(3,498,839)	(3,807,047)
1,802,579	(288,404)	7,189,809
\$ 1,632,156	\$(3,787,243)	\$ 3,382,762

MARATHON CENTRAL SCHOOL DISTRICT

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

Net Change in Fund Balances - Total Governmental Funds **\$ (3,807,047)**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and net book value of disposed assets.

Capital Outlay	\$ 3,827,107	
Net Book Value of Disposed Assets	(15,111)	
Depreciation Expense	<u>(1,976,092)</u>	1,835,904

Long-term debt proceeds, and related issue costs and deferred amounts on refunding, provide current financial resources to Governmental Funds, but issuing debt and the related premiums increase long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Amortization of Premiums on Obligations	\$ 34,504	
Change in Accrued Interest	(4,980)	
Principal Payments on Bonds	<u>935,000</u>	964,524

Long-term obligations, such as those associated with compensated absences, are reported in the Statement of Net Position. Therefore, expenses which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statement. This is the change in the amount that is reported in the Statement of Activities. In addition, changes in the School District's other postemployment benefits obligations do not affect current financial resources, and therefore, are not reported in the Governmental Funds.

Compensated Absences Payable	\$ (82,891)	
Planned Balance	75,000	
Other Postemployment Benefits Obligations	<u>(3,480,007)</u>	(3,487,898)

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

ERS	\$ (182,007)	
TRS	<u>(578,642)</u>	<u>(760,649)</u>

Net Change in Net Position of Governmental Activities **\$ (5,255,166)**

See Notes to Basic Financial Statements

MARATHON CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2020

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$	\$ 297,438
Cash - Restricted	142,801	
Accounts Receivable		21,346
Total Assets	142,801	\$ 318,784
LIABILITIES		
Due to Governmental Funds		\$ 169,324
Extraclassroom Activity Funds Balances		110,472
Other Liabilities		38,988
Total Liabilities	-	\$ 318,784
NET POSITION		
Restricted for Scholarships	\$ 142,801	

See Notes to Basic Financial Statements

MARATHON CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2020

	Private Purpose Trust Fund
ADDITIONS	
Gifts and Contributions	\$ 11,801
Interest and Earnings	179
Total Additions	11,980
DEDUCTIONS	
Scholarships and Awards	12,640
Change in Net Position	(660)
Net Position - Beginning of Year	143,461
Net Position - End of Year	\$ 142,801

See Notes to Basic Financial Statements

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 **Summary of Significant Accounting Policies**

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

Reporting Entity

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

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, as amended.

- The primary government, which is the School District;
- Organizations for which the primary government is financially accountable; and
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

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

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Reporting Entity - Continued

The Extraclassroom Activity Funds of Marathon 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. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsibility in relation to the Funds, they are reported in the School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, Marathon, New York.

Joint Venture

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

BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. 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 General Municipal Law.

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

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law.

Basis of Presentation - District-wide Financial Statements

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

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Basis of Presentation - District-wide Financial Statements - Continued

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

Governmental Fund Financial Statements

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

The School District reports the following Major Governmental Funds:

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

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

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Governmental Fund Financial Statements - Continued

The School District reports the following Fiduciary Funds:

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

Measurement Focus and Basis of Accounting

The District-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Cash and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and School Districts. Investments are stated at fair value.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

Inventories and Prepaid Items

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

Nonspendable fund balance for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Due To/From Other Funds

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

Capital Assets

Capital assets are reported at estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Capital Assets - Continued

The School District depreciates capital assets using the straight-line method over their estimated useful lives. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 5,000	20-40 Years
Building Improvements	5,000	20-40 Years
Furniture and Equipment	5,000	5-20 Years
Vehicles	5,000	3-5 Years

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows of resources related to pensions and other postemployment benefits in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions and other postemployment benefits are described in Notes 10 and 11, respectfully.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The types of deferred inflows of resources related to pensions, and other post-employment benefits are described in Notes 10 and 11, respectfully.

Vested Employee Benefits Compensated Absences

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

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

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

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Vested Employee Benefits - Compensated Absences - Continued

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

Other Postemployment Benefits

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

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

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

Unearned and Unavailable Revenues

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

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

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Restricted Resources

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

Planned Balance

Planned balance represents real property taxes levied in the General Fund for the amount raised in the current year's tax levy to meet expenditures of the first 120 days for the subsequent year. In the subsequent year, the liability is removed and revenues are recorded.

In the District-wide financial statements the revenue is recognized in the year taxes are levied.

Equity Classifications - District-Wide Financial Statements

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

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

Equity Classifications - Governmental Fund Financial Statements

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

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Equity Classifications - Governmental Fund Financial Statements - Continued

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

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

The Board of Education of the School District may adopt resolutions to commit or assign fund balance. By resolution, fund balance of the School District may be committed for a specific source by formal action of the Board of Education. Furthermore, the Board of Education delegates authority to assign fund balance for a specific purpose to the Business Official of the School District. The Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Legally Adopted Reserves

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

- Employee Benefit Accrued Liability Reserve (GML §6-p) - 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. This reserve is accounted for in the General Fund.
- Retirement System Contribution Reserves (GML §6-r) - Used to reserve funds for the purpose of financing retirement contributions. These reserves may be established by a majority vote of the Board, and are funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. These reserves are accounted for in the General Fund.
- Workers' Compensation Reserve (GML §6-J) - Used to pay for compensation benefits and other expenses authorized by Article 2 of the Worker's 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 may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next fiscal year's budget. This reserve is accounted for in the General Fund.
- Capital Reserve (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Legally Adopted Reserves - Continued

- Unemployment Insurance Reserve (GML §6-m) - Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the employer elects to convert tax (contribution) basis, excess of fund over sum sufficient to pay pending claims may be transferred to any other Reserve Fund. This reserve is accounted for in the General Fund.
- Repair Reserve (GML §6-d) - Used to pay cost of repairs to capital improvements or equipment which do not recur 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. This reserve is accounted for in the General Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 14, 2019. Taxes were collected during the period September 1, 2019 to November 2, 2019.

Uncollected real property taxes are subsequently enforced by the Counties of Broome, Cortland, and Tioga (Counties). An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid by the Counties to the School District no later than the following April 1.

Interfund Transfers

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

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

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, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits payable, potential contingent liabilities and useful lives of long-lived assets.

Future Changes in Accounting Standards

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ended June 30, 2021. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2022.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2022.
- GASB has issued Statement No. 92, "Omnibus 2020," effective for the year ending June 30, 2022.

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

***Note 2* Participation in BOCES**

During the year ended June 30, 2020, the School District's share of BOCES income amounted to \$862,646. The School District was billed \$2,861,607 for BOCES administration and program costs. Financial statements for Onondaga-Cortland-Madison BOCES are available from the BOCES administrative office at 6820 Thompson Road, Box 4754, Syracuse, New York 13221-4754.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances total \$12,487,543 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash consists of the following at June 30, 2020:

General Fund Reserves	\$ 4,181,286
Restricted for Debt	1,632,156
Restricted for Capital Projects	<u>2,657,248</u>
Restricted Cash	<u>\$ 8,470,690</u>

In addition, \$142,801 in the Private Purpose Trust Fund is restricted for scholarships.

The School District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The School District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 4 **Receivables**

State and Federal Aid Receivable

State and federal aid receivable consisted of the following, which are stated at net realizable value.

	Description	Amount
General Fund	Excess Cost Aid	\$ 211,560
	BOCES Aid	391,706
	General Aid	200,775
	Other	105,663
	Total General Fund	909,704
Special Aid Fund	State Grants	232,103
	Federal Grants	325,735
	Total Special Aid Fund	557,838
School Lunch Fund	State Summer Food Program	10,748
	Federal Summer Food Program	75,536
	Total School Lunch Fund	86,284
Capital Projects Fund	SMART Bonds	143,969
	Total Capital Projects Fund	143,969
Total		\$ 1,697,795

Other Receivables

Other receivables consisted of the following, which are stated at net realizable value.

	Description	Amount
General Fund	Due from Fiduciary Funds	\$ 169,324
General Fund	Other	7,302
School Lunch Fund	Food Service Revenue	279
Total		\$ 176,905

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 5 Interfund Balances and Activity

Interfund balances and activity at June 30, 2020, were as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 819,771	\$ 177,304	\$ 180,000	\$ 9,155
Special Aid Fund	6,804	700,492	9,155	
School Lunch Fund	9,455	119,279		
Debt Service Fund	1,191,643			180,000
Capital Projects Fund	152,192	1,182,790		
Total	\$ 2,179,865	\$ 2,179,865	\$ 189,155	\$ 189,155

In addition to the above, the Agency Fund owes the General Fund \$169,324 at June 30, 2020. Interfund receivables and payables are eliminated on the Statement of Net Position.

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

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.

Note 6 Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Reclassifications and Disposals	Ending Balance
Capital Assets that are Not Depreciated:				
Land	\$ 35,850	\$	\$	\$ 35,850
Construction in Progress	386,533	3,156,219	(2,917,533)	625,219
Total Nondepreciable Historical Cost	422,383	3,156,219	(2,917,533)	661,069
Capital Assets that are Depreciated:				
Buildings	31,410,704		2,917,533	34,328,237
Furniture and Equipment	7,030,801	670,888	(2,425,972)	5,275,717
Total Depreciable Historical Cost	38,441,505	670,888	491,561	39,603,954
Total Historical Cost	38,863,888	3,827,107	(2,425,972)	40,265,023
Less Accumulated Depreciation:				
Buildings	(15,702,287)	(1,075,227)		(16,777,514)
Furniture and Equipment	(5,188,520)	(900,865)	2,410,861	(3,678,524)
Total Accumulated Depreciation	(20,890,807)	(1,976,092)	2,410,861	(20,456,038)
Total Historical Cost, Net	\$ 17,973,081	\$ 1,851,015	\$ (15,111)	\$ 19,808,985

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6 Capital Assets - Continued

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 1,146,397
Instruction	66,460
Pupil Transportation	748,599
School Lunch Program	<u>14,636</u>
Total Depreciation Expense	<u><u>\$ 1,976,092</u></u>

Note 7 Short-Term Debt

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

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The School District issued BANs in the amount of \$6,200,000, to finance capital construction projects at an interest rate of 1.29% which mature on May 28, 2021.

The following is a summary of the BAN activity for the year:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Refinanced/ Redeemed</u>	<u>Ending Balance</u>
BANs	<u>\$</u>	<u>\$ 6,200,000</u>	<u>\$</u>	<u>\$ 6,200,000</u>
Total	<u>\$ -</u>	<u>\$ 6,200,000</u>	<u>\$ -</u>	<u>\$ 6,200,000</u>

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

Interest Accrued in the Current Year	<u><u>\$ 7,232</u></u>
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MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 8 Long-Term Debt

At June 30, 2020, the total outstanding indebtedness of the School District represented 54.49% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

- Serial Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

The following is a summary of the School District's long-term debt for the year ended June 30, 2020:

<u>Serial Bonds</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2020</u>
Serial Bonds 2008	05/15/2022	3.5% - 3.75%	\$ 390,000
Serial Bonds 2013	06/15/2027	2.0% - 5.0%	2,735,000
Serial Bonds 2017	06/15/2031	3.0% - 5.0%	5,440,000
Subtotal - Serial Bonds			8,565,000
Plus: Unamortized Premium			1,015,569
Total			<u><u>\$ 9,580,569</u></u>

Interest on long-term debt and other long-term obligations during the year was comprised of:

Interest Paid	\$ 455,113
(Less) Interest Accrued in the Prior Year	(18,657)
Plus Interest Accrued in the Current Year	16,405
(Less) Amortization of Bond Premium	(34,504)
Total	<u><u>\$ 418,357</u></u>

Interest rates on serial bonds vary from year to year, in accordance with the interest rates specified in the bond agreements.

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial Bonds	\$ 9,500,000	\$	\$ (935,000)	\$ 8,565,000	\$ 970,000
Premium on Obligations	1,050,073		(34,504)	1,015,569	43,355
Total	<u><u>\$ 10,550,073</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (969,504)</u></u>	<u><u>\$ 9,580,569</u></u>	<u><u>\$ 1,013,355</u></u>

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8 Long-Term Debt - Continued

The following is a summary of the maturity of serial bonds principal indebtedness.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 970,000	\$ 414,675	\$ 1,384,675
2022	1,020,000	372,700	1,392,700
2023	860,000	324,200	1,184,200
2024	895,000	285,750	1,180,750
2025	940,000	241,000	1,181,000
2026-2030	3,585,000	566,750	4,151,750
2031	<u>295,000</u>	<u>14,750</u>	<u>309,750</u>
Total	<u>\$ 8,565,000</u>	<u>\$ 2,219,825</u>	<u>\$ 10,784,825</u>

Note 9 Compensated Absences

Compensated absences, which represent the value of the earned and unused portion of the liability for sick time. This liability is liquidated from the General and School Lunch Funds.

2019-2020 activity consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	<u>\$ 395,622</u>	<u>\$ 82,891</u>	<u>\$ -</u>	<u>\$ 478,513</u>	<u>\$ 102,599</u>

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

Plan Description and Benefits Provided Teachers' Retirement System (TRS) (System)

The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law (RSSL) of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

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

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

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

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer, defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of RSSL. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the state's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

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

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

Summary of Significant Accounting Policies

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

Contributions

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

	ERS	TRS
2020	\$ 179,372	\$ 644,420
2019	197,649	587,038
2018	156,080	709,074

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 the following asset/liability for its proportionate share of the net pension asset/liability for each of the Systems. The net pension asset/liability was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation. The School District's proportionate share of the net pension asset/liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Net Pension Asset/Liability	\$ 26,480,579,097	\$ (2,598,006,772)
School District's Proportionate Share of the Plan's Total Net Pension Asset/Liability	1,008,762	(944,716)
School District's Share of the Net Pension Asset/Liability	0.0038094%	0.036363%

For the year ended June 30, 2020, the School District recognized pension expense of \$363,077 for ERS and \$1,128,893 for TRS in the District-wide financial statements. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 59,370	\$ 640,210	\$	\$ 70,251
Changes Of Assumptions	20,312	1,784,694	17,539	435,159
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	517,140			757,613
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	81,838	52,520	24,822	175,436
School District's Contributions Subsequent to the Measurement Date	46,773	549,354		
Total	<u>\$ 725,433</u>	<u>\$ 3,026,778</u>	<u>\$ 42,361</u>	<u>\$ 1,438,459</u>

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

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

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset/liability in the year ending June 30, 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:

<u>Year Ending</u>	<u>ERS</u>	<u>TRS</u>
2021	\$ 117,179	\$ 387,992
2022	160,682	(12,291)
2023	204,761	386,443
2024	153,677	274,609
2025	-	29,452
Thereafter	-	(27,240)

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2020	June 30, 2019
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Investment Rate of Return	6.8%	7.1%
Salary Increases	4.2%	1.9%-4.72%
Cost of Living Adjustments	1.3%	1.3%
Inflation Rate	2.5%	2.2%

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

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

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Actuarial Assumptions - Continued

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

Measurement Date	ERS March 31, 2020	TRS June 30, 2019
Asset Type		
Domestic Equities	4.1%	6.3%
International Equities	6.2%	7.8%
Global Equities		7.2%
Real Estate	5.0%	4.6%
Private Equity/Alternative Investments	6.8%	9.9%
Absolute Return Strategies	3.3%	
Opportunistic Portfolio	4.7%	
Real Assets	6.0%	
Cash	0.0%	
Inflation-Indexed Bonds	0.5%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.5%
Real Estate Debt		2.9%
High-Yield Fixed Income Securities		3.6%
Mortgages And Bonds	0.8%	
Short-Term		0.3%

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Discount Rate

The discount rate used to calculate the total pension asset/liability was 6.8% for ERS and 7.1% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially determined. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

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

The following presents the School District's proportionate share of the net pension asset/liability calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what the School District's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower or higher than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
ERS			
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 1,851,363	1,008,762	\$ 232,723
	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
TRS			
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 4,264,348	(944,716)	\$ (5,314,532)

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/liability of the employers as of the respective valuation dates were as follows:

	Dollars in Thousands	
	ERS	TRS
Measurement Date	March 31, 2020	June 30, 2019
Employers' Total Pension Asset/Liability	\$ 194,596,261	\$ 119,879,474
Plan Net Position	(168,115,682)	(122,477,481)
Employers' Net Pension Asset/Liability	\$ 26,480,579	\$ (2,598,007)
Ratio of Plan Net Position to the Employers' Total Pension Asset/Liability	86.4%	102.2%

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$46,773.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October, and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$594,247.

Current Year Activity

Changes in the net pension asset/liability and deferred outflows and inflows of resources for the year ended June 30, 2020 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension Asset/Liability	\$ 285,506	\$ 723,256	\$ 1,008,762
Deferred Outflows of Resources	(256,384)	(469,049)	(725,433)
Deferred Inflows of Resources	114,561	(72,200)	42,361
Subtotal	143,683	182,007	325,690
TRS			
Net Pension Asset/Liability	(664,983)	(279,733)	(944,716)
Deferred Outflows of Resources	(3,499,646)	472,868	(3,026,778)
Deferred Inflows of Resources	1,052,952	385,507	1,438,459
Subtotal	(3,111,677)	578,642	(2,533,035)
Total	\$ (2,967,994)	\$ 760,649	\$ (2,207,345)

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms - At June 30, 2020, the following employees were covered by the benefit terms.

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	133
Active Employees	97
Total	230

Total OPEB Liability

The School District's total OPEB liability of \$55,785,678 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2020 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate:	2.21%
Single Discount Rate	2.21%
Salary Scale	Varied by Years of Service and Retirement System
Rate of Inflation	2.20%
Healthcare Cost Trend Rates	5.40% for 2019, decreasing to an ultimate rate of 3.84% for 2075 and later years

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Total OPEB Liability - Continued

The actuarial assumptions used in the June 30, 2018 valuation were based on the following:

- Mortality rates were based on Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2018.
- Termination and retirement rates were based on NYS ERS assumptions first adopted on April 1, 2015 and NYS TRS assumptions first adopted on June 30, 2015.
- Medical trend rates are developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model, with a trend rate of 5.50% for fiscal year 2019-2020, decreasing gradually to an ultimate rate of 3.84% in 2075 - 2076.
- Actual spousal health coverage election was used for existing retirees.

The actuarial assumptions used in the June 30, 2018 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	<u>\$ 41,155,397</u>
Changes For the Year	
Service Cost	1,414,394
Interest Cost	1,464,421
Differences Between Expected and Actual Experience	1,918,692
Changes in Assumptions or Other Inputs	11,544,311
Benefit Payments	<u>(1,711,537)</u>
	<u>14,630,281</u>
Balance at June 30, 2020	<u><u>\$ 55,785,678</u></u>

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Changes in the Total OPEB Liability - Continued

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% percent in 2019 to 2.21% in 2020.

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 (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 67,693,754	\$ 55,785,678	\$ 46,583,732

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 44,775,661	\$ 55,785,678	\$ 70,697,428

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 \$5,191,544.

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	\$ 3,801,441	\$
Changes in Assumptions or Other Inputs	12,073,523	762,283
Total	\$ 15,874,964	\$ 762,283

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

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

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

Fiscal Year	Amount
Ending June 30,	
2021	\$ 2,312,729
2022	2,312,729
2023	2,549,740
2024	2,645,827
2025	2,645,827
Thereafter	2,645,829

Current Year Activity

The following represents a summary of current year activity:

	Beginning Balance	Change	Ending Balance
Other Postemployment Benefits Liability	\$ 41,155,397	\$ 14,630,281	\$ 55,785,678
Deferred Outflows of Resources	(5,057,788)	(10,817,176)	(15,874,964)
Deferred Inflows of Resources	1,095,381	(333,098)	762,283
Total Effect on Net Position	\$ 37,192,990	\$ 3,480,007	\$ 40,672,997

Note 12 Commitments and Contingencies

Risk Financing and Related Insurance - General Information

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

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Risk Financing and Related Insurance - Health Insurance

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage and to develop a comprehensive loss control program. School districts joining the Plan must remain members for a minimum of one year; a member school district may withdraw from the Plan after that time by providing notice to the consortium prior to May 1, immediately preceding the commencement of the next school year. Plan members include 26 school districts, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2020, the School District incurred premiums or contribution expenditures totaling \$3,361,554.

Workers' Compensation

The School District incurs costs related to an employee workers' compensation insurance plan (Plan) sponsored by BOCES and its component districts. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

School districts joining the Plan must remain members for a minimum of one year; a member may withdraw from the Plan after that time by submitting a resolution approved by its Board of Education prior to the end of the fiscal year. Plan members include 23 school districts, with the School District bearing a less than 1% share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Workers' Compensation - Continued

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2020, the School District incurred premium or contribution expenditures totaling \$88,012.

Other Items

The School District has received grants which are subject to audit by agencies of 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. Also, certain revenue is not recognized in the Governmental Fund financial statements because it is received after the School District's availability period and is therefore accrued in the Government-wide financial statements.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 13 Fund Balance Detail

At June 30, 2020, nonspendable, restricted, assigned, and unassigned fund balance in governmental funds was as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Debt Service Fund	Capital Projects Fund
Nonspendable					
Inventory	\$	\$	\$ 17,519	\$	\$
Total Nonspendable Fund Balance	\$ -	\$ -	\$ 17,519	\$ -	\$ -
Restricted					
Employee Benefit Accrued					
Liability Reserve	\$ 1,504,093	\$	\$	\$	\$
Retirement Contribution Reserve - ERS	845,790				
Retirement Contribution Reserve - TRS	105,001				
Workers' Compensation Reserve	151,432				
Unemployment Insurance Reserve	251,217				
Repair Reserve	295,749				
Capital Reserve	1,028,004				
Debt Service				1,632,156	
Total Restricted Fund Balance	\$ 4,181,286	\$ -	\$ -	\$ 1,632,156	\$ -
Assigned					
Appropriated for Next Year's Budget	\$ 602,713	\$	\$	\$	\$
Encumbered For:					
General Support	1,961				
Instruction	45,294				
Pupil Transportation	6,350				
Total Assigned Fund Balance	\$ 656,318	\$ -	\$ -	\$ -	\$ -
Unassigned	\$ 695,201	\$ -	\$ (12,475)	\$ -	\$ (3,787,243)

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 14 Restricted Fund Balances

Portions of fund balance are reserved and are not available for current expenditures as reported in the Governmental Funds Balance Sheet. The General Fund, School Lunch Fund, and Debt Service Fund restricted fund balances and activity for the year ended June 30, 2020 are as follows:

Restricted Fund Balances	Beginning Balance	Additions	Interest Earned	Appropriated	Ending Balance
General Fund					
Employee Benefit					
Accrued Liability Reserve	\$ 1,701,498	\$	\$ 2,595	\$ (200,000)	\$ 1,504,093
Retirement Contribution Reserve - ERS	1,114,011		1,779	(270,000)	845,790
Retirement Contribution Reserve - TRS	115,000	120,000	1	(130,000)	105,001
Workers' Compensation Reserve	39,375	200,000	57	(88,000)	151,432
Unemployment Insurance Reserve	251,166		51		251,217
Repair Reserve	330,271		478	(35,000)	295,749
Capital Reserve	1,027,096		908		1,028,004
Total	\$ 4,578,417	\$ 320,000	\$ 5,869	\$ (723,000)	\$ 4,181,286
Debt Service Fund	\$ 1,802,579	\$ -	\$ 9,577	\$ (180,000)	\$ 1,632,156

Note 15 Stewardship, Compliance, and Accountability

Deficit Fund Balance

The School Lunch Fund had a deficit unassigned fund balance of \$12,475 at year end compared to a deficit of \$106,815 in the prior year. The reduction in the deficit was due to an excess of revenues over expenditures of \$93,623. The Capital Projects Fund had a deficit fund balance of \$3,787,243. The deficit was due to short-term debt being used for capital projects. The School Lunch Fund deficit is being monitored and analyzed, and the School District has developed a plan to eliminate the deficit. The Capital Projects Fund deficit will be eliminated when short-term debt is converted to long-term debt.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

***Note 15* Stewardship, Compliance, and Accountability - Continued**

Deficit Net Position

At June 30, 2020, the District-wide Statement of Net Position had an unrestricted net position deficit of \$37,780,730 primarily due to the reporting of the other postemployment benefits liability. This deficit is not expected to be eliminated in the near-term as there is no method to fund this liability.

***Note 16* Subsequent Events**

Subsequent to year end the School District anticipates issuing an Energy Performance Contract Lease Agreement in the amount of \$789,623 to finance LED lighting upgrades along with other building improvements. The lease is anticipated to yield interest of 2.202% and will require annual payments of \$62,387. The lease is due to mature on June 15, 2035.

Subsequent to year end the School District anticipates issuing a bond in the amount of \$400,000 to finance the purchase of buses. The bond is anticipated to yield interest of 2% and will require annual payments of \$84,133. The bond is due to mature on November 1, 2025.

***Note 17* Uncertainty**

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies on the area in which the School District operates. The School District completed the school year in an online learning format and is beginning the 2020-2021 academic year in a partially online format. While it is unknown how long these conditions will last and what the complete financial effect will be, the School District expects disruptions to businesses and residents and potential effects to state government funding, which could negatively impact operating results in future periods.

MARATHON CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-U.S. GAAP) GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real Property Taxes	\$ 3,462,419	\$ 3,462,419	\$ 3,335,419	\$ (127,000)
Other Tax Items	662,704	662,704	659,843	(2,861)
Charges for Services	24,000	24,000	5,543	(18,457)
Use of Money and Property	25,000	25,000	7,112	(17,888)
Sale of Property and Compensation for Loss	12,000	12,000	13,524	1,524
Miscellaneous	60,000	60,000	456,664	396,664
Total Local Sources	4,246,123	4,246,123	4,478,105	231,982
State Sources	12,914,266	12,914,266	12,494,495	(419,771)
Medicaid Reimbursement	50,000	50,000	36,733	(13,267)
Total Revenues	17,210,389	17,210,389	17,009,333	(201,056)
OTHER FINANCING SOURCES				
Operating Transfers In	662,000	662,000	180,000	(482,000)
Total Revenues and Other Financing Sources	17,872,389	17,872,389	\$17,189,333	\$ (683,056)
Appropriated Fund Balance	209,773	209,773		
Appropriated Reserves	462,000	462,000		
Encumbrances Carried Forward from Prior Year	100,584	100,584		
Total Revenues, Appropriated Reserves and Designated Fund Balance	\$18,644,746	\$18,644,746		

See Notes to Required Supplementary Information

MARATHON CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-U.S. GAAP) GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 24,550	\$ 24,550
Central Administration	192,000	213,978
Finance	173,500	185,089
Staff	20,000	20,000
Central Services	1,028,413	1,034,934
Special Items	466,000	518,163
Total General Support	1,904,463	1,996,714
Instruction		
Instruction, Administration, and Improvement	380,000	384,181
Teaching - Regular School	5,216,023	4,928,847
Programs for Children with Handicapping Conditions	2,336,020	2,322,013
Occupational Education	330,000	392,575
Teaching - Special School	1,000	
Instructional Media	499,000	623,655
Pupil Services	628,000	646,521
Total Instruction	9,390,043	9,297,792
Pupil Transportation	684,350	684,350
Community Services	3,000	3,000
Employee Benefits	5,073,865	5,073,865
Debt Service		
Principal	833,000	993,000
Interest	629,025	469,025
Total Debt Service	1,462,025	1,462,025
Total Expenditures	18,517,746	18,517,746
OTHER FINANCING USES		
Operating Transfers Out	127,000	127,000
Total Expenditures and Other Financing Uses	\$ 18,644,746	\$ 18,644,746
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 24,299	\$	\$ 251
209,286		4,692
173,886		11,203
14,178		5,822
865,833	1,961	167,140
500,788		17,375
1,788,270	1,961	206,483
379,797		4,384
4,781,901	45,059	101,887
2,293,915		28,098
392,575		-
		-
473,354		150,301
613,031	235	33,255
8,934,573	45,294	317,925
564,749	6,350	113,251
		3,000
4,733,881		339,984
935,000		58,000
455,113		13,912
1,390,113		71,912
17,411,586	53,605	1,052,555
9,155		117,845
17,420,741	\$ 53,605	\$ 1,170,400
(231,408)		
5,764,213		
\$ 5,532,805		

MARATHON CENTRAL SCHOOL DISTRICT

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 179,372	\$ 197,649	\$ 156,080
Contributions in Relation to the Contractually Required Contribution	(179,372)	(197,649)	(156,080)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Employee Payroll	1,323,849	1,304,170	1,125,051
Contributions as a Percentage of Covered Employee Payroll	13.5%	15.2%	13.9%

* Information Unavailable at This Time

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 549,354	\$ 644,420	\$ 587,038
Contributions in Relation to the Contractually Required Contribution	(549,354)	(644,420)	(587,038)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Employee Payroll	6,200,384	6,062,277	5,990,184
Contributions as a Percentage of Covered Employee Payroll	8.9%	10.6%	9.8%

* Information Unavailable at This Time

See Notes to Required Supplementary Information

2017	2016	2015	2014	2013	2012	2011
<u>\$ 171,034</u>	<u>\$ 172,788</u>	<u>\$ 184,216</u>	<u>\$ 227,494</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>
(171,034)	(172,788)	(184,216)	(227,494)	*	*	*
-	-	-	-	-	-	-
1,183,411	1,103,005	1,135,747	1,195,791	*	*	*
14.5%	15.7%	16.2%	19.0%	*	*	*

2017	2016	2015	2014	2013	2012	2011
<u>\$ 709,074</u>	<u>\$ 746,799</u>	<u>\$ 852,012</u>	<u>\$ 761,896</u>	<u>\$ 586,688</u>	<u>\$ *</u>	<u>\$ *</u>
(709,074)	(746,799)	(852,012)	(761,896)	(586,688)	*	*
-	-	-	-	-	-	-
6,060,462	5,631,968	4,860,308	4,688,591	4,955,135	*	*
11.7%	13.3%	17.5%	16.3%	11.8%	*	*

MARATHON CENTRAL SCHOOL DISTRICT

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's Proportion of the Net Pension Asset/Liability	0.0038094%	0.0040295%	0.0034148%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 1,008,762	\$ 285,506	\$ 110,211
School District's Covered Employee Payroll During the Measurement Period	1,306,245	1,303,479	1,106,800
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Employee Payroll	77.2%	21.9%	10.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	86.4%	96.3%	98.2%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's Proportion of the Net Pension Asset/Liability	0.036363%	0.036775%	0.035985%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ (944,716)	\$ (664,983)	\$ (273,519)
School District's Covered Employee Payroll During the Measurement Period	6,062,277	6,575,714	6,060,462
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Employee Payroll	15.6%	10.1%	4.5%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	102.2%	101.5%	100.7%

See Notes to Required Supplementary Information

2017	2016	2015
<u>0.0040465%</u>	<u>0.0037619%</u>	<u>0.0039988%</u>
\$ 380,217	\$ 603,788	\$ 135,090
1,162,422	1,076,286	1,155,567
32.7%	56.1%	11.7%
94.7%	90.7%	97.9%

2017	2016	2015
<u>0.036498%</u>	<u>0.032356%</u>	<u>0.031741%</u>
\$ 390,906	\$(3,360,758)	\$(3,535,724)
5,631,968	4,860,308	4,688,609
6.9%	69.1%	75.4%
99.0%	110.5%	111.5%

MARATHON CENTRAL SCHOOL DISTRICT

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 1,414,394	\$ 892,759	\$ 928,967
Interest Cost	1,464,421	1,345,396	1,242,526
Differences Between Expected and Actual Experience	1,918,692	2,875,798	
Changes in Assumptions or Other Inputs	11,544,311	2,904,531	(1,761,577)
Benefit Payments	<u>(1,711,537)</u>	<u>(1,456,356)</u>	<u>(1,048,181)</u>
	14,630,281	6,562,128	(638,265)
Total OPEB Liability - Beginning	<u>41,155,397</u>	<u>34,593,269</u>	<u>35,231,534</u>
Total OPEB Liability - Ending	<u>\$55,785,678</u>	<u>\$41,155,397</u>	<u>\$34,593,269</u>
Covered Employee Payroll	\$ 7,309,894	\$ 6,044,293	\$ 6,826,386
Total OPEB Liability as a Percentage of Covered Payroll	763.15%	680.90%	506.76%

*Information for Periods Prior to Implementation of GASB
Statement No. 75 is Unavailable and Will be Completed as
it Becomes Available.

See Notes to Required Supplementary Information

2017	2016	2015	2014	2013	2012	2011
\$	\$	\$	\$	\$	\$	\$
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
\$35,231,534	\$	\$	\$	\$	\$	\$
\$	\$	\$	\$	\$	\$	\$
*	*	*	*	*	*	*

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 1

Budget Basis of Accounting

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

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The 2019-2020 budget was calculated as follows:

Adopted Budget	\$ 18,544,162
Prior Year Encumbrances	100,584
Original Budget	<u>18,644,746</u>
Final Budget	<u>\$ 18,644,746</u>

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

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

Note 2

Reconciliation of the General Fund Budget Basis to U.S. GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the U.S. GAAP basis to the budget basis, as encumbrances are shown in a separate column and are not included in the actual results at June 30, 2020.

Note 3

Schedule of Changes in the School District's Total OPEB Liability and Related Ratios

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in the current and prior periods:

2020 - 2.21%
2019 - 3.51%

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

- Note 4 Schedules of the School District's Proportionate Share of the Net Pension/Asset Liability**
The Schedule of the School District's Proportionate Share of the Net Pension/Asset Liability, required supplementary information, presents six years of information. These schedules will present ten years of information as it becomes available from the pension plans.
- Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability**

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2019 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation. The salary scales for both plans used in the April 1, 2018 actuarial valuation were increased by 10%. The interest rate assumption was reduced to 6.8% and the mortality improvement assumption was updated to Societies of Actuaries' Scale MP-2018 for the April 1, 2019 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2019 actuarial valuation determines the employer rates for contributions payable in fiscal year 2020. The following actuarial methods and assumptions were used:

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

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

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

NYSTRS

Changes in Benefit Terms

Effective with the 2019 actuarial valuation an increase in the NYS Governor's salary limit from \$179,000 to \$200,000 per annum went into effect, impacting Tier 6 members. The Governor's salary limit may ultimately increase to \$250,000 phased in over the next two years.

Changes of Assumptions

Actuarial assumptions are revised periodically to reflect more closely actual, as well as anticipated future experience. The actuarial assumptions were revised and adopted by the Retirement Board on October 29, 2015 and first used in the 2016 determination of the Total Pension Liability.

The System's long-term rate of return assumption for purposes of the NPL is 7.10%, effective with the 2019 actuarial valuation. For the 2018 and 2017 actuarial valuations, the System's long-term rate of return assumption was 7.25%. For the 2016 actuarial valuation, the System's long-term rate of return assumption was 7.5%. Prior to the 2016 actuarial valuation, the System's long-term rate of return was 8.0%.

The System's assumed annual inflation rate is 2.2%, effective with the 2019 actuarial valuation. For the 2018 and 2017 actuarial valuations, the System's annual inflation assumption was 2.25%. For the 2016 actuarial valuation, the System's annual inflation assumption was 2.5%. Prior to the 2016 actuarial valuation, the System's annual inflation assumption was 3.0%.

Effective with the 2019 actuarial valuation, COLAs are projected to increase at a rate of 1.30% annually. Effective with the 2015 actuarial valuation, COLAs were projected to increase at a rate of 1.50% annually. Prior to the 2015 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually.

Effective with the 2019 actuarial valuation, the assumed scale for mortality improvement is changed from MP2014 to MP2018.

Effective with the 2019 actuarial valuation, there is a change in the actuarial valuation software that resulted in a slight change in the determination of Entry Age Normal Total Pension Liability and Service Cost.

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

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

NYSTRS - Continued

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Actuarial Cost Method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
Asset Valuation Method	Five-year phased-in deferred recognition of each year's net investment income/loss in excess of (or less than) the assumed valuation rate of interest at a rate of 20.0% per year, until fully recognized after five years.
Inflation	2.25%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment Rate of Return	7.25% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% compounded annually.

MARATHON CENTRAL SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2020

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 18,544,162
Prior Year's Encumbrances	<u>100,584</u>
Final Budget	<u><u>\$ 18,644,746</u></u>

§ 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next Year's Budget is a Voter Approved Budget	<u><u>\$ 18,887,190</u></u>
Maximum Allowed (4% of 2020-2021 Budget)	<u><u>\$ 755,488</u></u>

General Fund Fund Balance Subject to §1318 of Real Property Tax Law:

Unrestricted Fund Balance:

Assigned Fund Balance	\$ 656,318
Unassigned Fund Balance	<u>695,201</u>
Total Unrestricted Fund Balance	<u><u>1,351,519</u></u>

Less:

Appropriated Fund Balance	\$ 602,713
Encumbrances Included in Committed and Assigned Fund Balance	<u>53,605</u>
Total Adjustments	<u><u>656,318</u></u>

General Fund Fund Balance Subject to §1318 of Real Property Tax Law	<u><u>\$ 695,201</u></u>
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Actual Percentage	3.68%
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MARATHON CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2020

PROJECT TITLE	Original Budget	Revised Budget	Expenditures		
			Prior Years	Current Year	Total
School Renovations	\$ 6,928,959	\$ 6,928,959	\$ 7,024,310	\$	\$ 7,024,310
Buses - Prior Years	400,000	489,948	489,948		489,948
Buses 2020	400,000	482,620		482,620	482,620
High School - 2017 Proposition	4,689,450	4,689,450	225,787	1,866,507	2,092,294
Appleby - 2017 Proposition	2,504,550	2,504,550	125,197	983,622	1,108,819
Bus Garage - 2017 Proposition	734,000	734,000	35,549	306,090	341,639
SMART Bonds	270,622	270,622		143,969	143,969
Subtotal	15,927,581	16,100,149	7,900,791	3,782,808	11,683,599
Unredeemed BANs					
Total	\$ 15,927,581	\$ 16,100,149	\$ 7,900,791	\$ 3,782,808	\$ 11,683,599

* Architectural and State Approved Budget Modification for Sub-project Allocations not yet Finalized and Available at this Report Date.

Unexpended Balance	Methods of Financing			Fund Balance (Deficit) June 30, 2020	
	Proceeds of Obligations	State Aid	Local Sources	Total	
\$ (95,351)	\$ 5,428,408	\$	\$ 1,251,979	\$ 6,680,387	\$ (343,923) *
			132,000	132,000	(357,948) *
			140,000	140,000	(342,620) *
2,597,156	3,620,800		266,667	3,887,467	1,795,173
1,395,731	2,008,800		266,667	2,275,467	1,166,648
392,361	570,400		266,666	837,066	495,427
126,653		143,969		143,969	-
4,416,550	11,628,408	143,969	2,323,979	14,096,356	2,412,757
	(6,200,000)			(6,200,000)	(6,200,000)
\$ 4,416,550	\$ 5,428,408	\$ 143,969	\$ 2,323,979	\$ 7,896,356	\$(3,787,243)

MARATHON CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2020

Capital Assets, Net	<u>\$ 19,808,985</u>
Add:	
Unspent Debt Proceeds	2,657,248
Deduct:	
Bond Anticipation Notes Payable	<u>(6,200,000)</u>
Short-Term Portion of Bonds Payable	<u>(970,000)</u>
Long-Term Portion of Bonds Payable	<u>(7,595,000)</u>
Short-Term Portion of Premium on Obligations	<u>(43,355)</u>
Long-Term Portion of Premium on Obligations	<u>(972,214)</u>
Net Investment in Capital Assets	<u><u>\$ 6,685,664</u></u>



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

Board of Education
Marathon Central School District
Marathon, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marathon Central School District (the 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 23, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Respectfully submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 23, 2020



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

Board of Education
Marathon Central School District
Marathon, New York

Report on Compliance for Each Major Federal Program

We have audited Marathon Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2020. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 23, 2020

MARATHON CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass -Through Grantor Program Title	Federal CFDA #	Pass -Through Grantor #	Pass - Through to Subrecipients	Expenditures
<u>U.S. Department of Education</u>				
Passed Through NYS Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	0032200155	\$	\$ 188,084
Special Education - Preschool Grants	84.173	0033200155		3,294
Total Special Education Cluster			-	191,378
Title I Grants to Local Educational Agencies	84.010	0021200575		242,806
Title I Grants to Local Educational Agencies	84.010	0021190575		19,658
		Subtotal	-	262,464
Supporting Effective Instruction State Grants	84.367	0147200575		67,000
Title V, Rural and Low Income School Program	84.358B	0006200575		6,173
Title IV, Student Support and Academic Enrichment	84.424A	0204190575		17,499
Total U.S. Department of Education			-	544,514
<u>U.S. Department of Agriculture</u>				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	(1)		193,592
Summer Food Program for Children	10.559	(1)		10,321
COVID-19 - Summer Food Service Program	10.559	(1)		301,381
School Breakfast Program	10.553	(1)		59,559
Total U.S. Department of Agriculture			-	564,853
Total Expenditures of Federal Awards			\$ -	\$ 1,109,367

Denotes -

(1) Unable to Obtain from Pass-Through Entity

MARATHON CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2020

Note 1 **Basis of Presentation**

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

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Uniform Guidance, *Audits of State and Local Governments*, and *Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 **Indirect Costs**

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

Note 4 **Matching Costs**

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

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2020, the School District received \$36,080 under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the School District's casualty insurance policies. There were no loans or loan guarantees outstanding at year end.

MARATHON 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 auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)? yes X none reported

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

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B
Programs: \$ 750,000

Auditee qualified as low risk? yes X no

Section II Financial Statement Findings None

Section III Federal Award Findings and Questioned Costs None

FORM OF BOND COUNSEL'S OPINION

May 27, 2021

Marathon Central School District,
Counties of Cortland, Broome and Tioga,
State of New York

Re: Marathon Central School District, Cortland, Broome and Tioga Counties, New York
\$6,200,000 Bond Anticipation Notes, 2021 (Renewals)

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$6,200,000 Bond Anticipation Notes, 2021 (Renewals) (the "Obligations"), of the Marathon Central School District, Counties of Cortland, Broome and Tioga, State of New York (the "Obligor"), dated May 27, 2021 in the denomination of \$_____, bearing interest at the rate of _____% per annum, payable at maturity, and maturing July 7, 2021.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP