

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 8, 2021

NEW/RENEWAL ISSUE

BOND ANTICIPATION NOTES

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law (1) interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes and is not an "item of tax preference" for purposes of the individual alternative minimum taxes imposed by the Internal Revenue Code of 1986, as amended (the "Code"), except that the School District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance thereof, and (2) 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). See the caption "TAX MATTERS" herein.

The Notes will NOT be designated as or deemed designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.



\$14,770,000
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
ALBANY AND SCHOHARIE COUNTIES, NEW YORK
GENERAL OBLIGATIONS

\$14,770,000 Bond Anticipation Notes, 2021
(the "Notes")

Dated: June 28, 2021

Due: June 28, 2022

The Notes will constitute general obligations of the Middleburgh Central School District, Albany and Schoharie Counties, New York (the "District"), will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes and will be payable from ad valorem taxes, which may be levied upon all the taxable real property within the School District, without limitation as to rate or amount. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein. The Notes will be issued without the option of prior redemption.

At the option of the purchaser(s), the Notes will be issued as registered notes payable to the purchaser(s) or registered in the name of Cede & Co. as nominee of DTC which will act as the securities depository for the Notes. If the Notes are registered in the name of purchaser, principal of and interest on the Notes will be payable in Federal Funds at maturity and the District will act as paying agent. In such case, the Notes will be issued in denominations of \$5,000, or multiples thereof, as may be determined by the purchaser.

Alternatively, if the Notes are issued in book-entry-only form, Noteholders will not receive certificates representing their ownership interest in the Notes and 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 in bearer form or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants, 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 and subject to the receipt of the approving legal opinion as to the validity of the Notes of Barclay Damon LLP, Bond Counsel, Albany, New York. 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 on or about June 28, 2021.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on June 15, 2021 by no later than 10:15 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via 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 for the Notes.

June ___, 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 HEREFROM 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" HEREIN.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

SCHOOL DISTRICT OFFICIALS

2020-2021 BOARD OF EDUCATION

PAMELA STANDHART

President



BECKY BINDER

Vice President

DEBRA A. BECHTOLD

VICKI HOERZ

SCOTT VANKUREN

* * * * *

BRIAN P. DUNN

Superintendent of Schools

TERRENCE GILLOOLEY

School Business Manager

KIM LAWYER

District Clerk

GIRVIN & FERLAZZO, PC

School District Attorney



FISCAL ADVISORS & MARKETING, INC.

Municipal Advisor

**BARCLAY
DAMON**

BARCLAY DAMON LLP

Bond Counsel

No person has been authorized by Middleburgh 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 Middleburgh Central School District.

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PREPARED WITH THE ASSISTANCE OF



Fiscal Advisors & Marketing, Inc.
 250 South Clinton Street, Suite 502
 Syracuse, New York 13202
 (315) 752-0051
<http://www.fiscaladvisors.com>

OFFICIAL STATEMENT
of the
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
ALBANY AND SCHOHARIE COUNTIES, NEW YORK
Relating To
\$14,770,000 Bond Anticipation Notes, 2021

This Official Statement, which includes the cover page and appendices, has been prepared by the Middleburgh Central School District, Albany and Schoharie Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of \$14,770,000 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.

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. 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 of the 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. See "THE SCHOOL DISTRICT-State Aid" and "MARKET AND RISK FACTORS" herein.

NATURE OF OBLIGATION

The Notes when duly issued and paid for will constitute a contract between the School District and the holder thereof.

Holders of any series of notes or bonds of the School 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 School District and will contain a pledge of the faith and credit of the School 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 School District has power and statutory authorization to levy ad valorem taxes on all real property within the School District subject to such taxation by the School 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"). 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 School 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 School 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.

THE NOTES

Description of the Notes

The Notes will be general obligations of the School District, and will contain a pledge of its faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2: Local Finance Law, Section 100.00). All the taxable real property within the School 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 "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Notes will be dated June 24, 2021 and mature, without option of prior redemption, on June 24, 2022. Interest 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 form registered in the name of the purchaser(s), with a single note certificate issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate, and the School District will act as paying agent; or (ii) at the option of the purchaser(s), as book-entry-only notes, and, if so issued, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("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 other things, the Education Law and the Local Finance Law.

The Notes are being issued pursuant to a bond resolution adopted by the Board of Education on January 16, 2019 authorizing a \$15,000,000 capital project to be financed by the issuance of \$14,800,000 bonds and notes and the expenditure of \$200,000 capital reserve monies for improvements to District buildings and facilities. The District currently has \$1,200,000 bond anticipation notes outstanding maturing June 29, 2021 and \$10,000,000 bond anticipation notes outstanding maturing on July 16, 2021 for this project. The Notes are being issued, along with \$30,000 available funds of the District to partially redeem and renew the outstanding bond anticipation notes and provide \$3,600,000 new money for the aforementioned project. After the issuance of the Notes, the entire capital project authorization will have been issued.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes, if so requested. 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, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, 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 OR REDEMPTION PREMIUM 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 OR REDEMPTION PREMIUM 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 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 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 School District was centralized in 1931. It is located in the Towns of Berne and Rensselaerville in Albany County and the Towns of Blenheim, Broome, Cobleskill, Conesville, Fulton, Middleburgh, Schoharie, Summit and Wright in Schoharie County. It comprises 180 square miles in both Counties.

The School District is approximately 35 miles south of Schenectady and 45 miles southwest of Albany. New York State Routes 30 and 145 pass through the School District.

The School District is rural in character. Telephone service is provided by Capital Region BOCES and electricity is provided by National Grid.

Police protection is provided by Schoharie County and fire protection is provided by the Village of Middleburgh.

A Valley Market Supermarket opened in early 2018 in the Village of Middleburgh, the only grocery store in the area. Valley Market currently has a PILOT agreement so while not on the tax rolls, the District will receive payments in lieu of taxes as a result. Phase II of the project is to build 64 apartment units in the Village of Middleburgh. Construction of these units began in May 2021.

Source: District officials.

Population

The current estimated population of the District is 5,890. (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 smallest areas for which such statistics are available, which includes the District, the Towns and the Counties listed below. 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:						
Berne	\$ 22,095	\$ 28,780	\$ 36,723	\$ 55,685	\$ 71,680	\$ 77,500
Rensselaerville	20,921	27,708	38,718	51,607	69,177	87,750
Blenheim	20,993	20,865	23,793	44,821	53,393	56,250
Broome	16,383	29,244	29,648	40,167	55,357	57,969
Cobleskill	17,246	22,269	26,511	46,875	71,000	73,500
Conesville	16,236	27,031	34,725	37,344	60,000	66,250
Fulton	13,565	20,881	31,682	39,167	54,268	58,500
Middleburgh	17,560	25,353	35,306	42,056	64,458	71,850
Schoharie	19,676	30,258	29,693	50,000	69,107	83,958
Summit	16,778	24,643	29,240	40,139	52,500	78,869
Wright	19,711	28,375	32,150	46,667	72,969	74,886
County of:						
Schoharie	17,778	25,105	30,397	43,118	61,828	71,286
Albany	23,345	30,863	37,635	56,724	76,159	94,506
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, 2006-2010 and 2015-2019 American Community Survey data.

Larger Employers

<u>Name</u>	<u>Type</u>	<u>Number Employed</u>
Middleburgh Central School District	School District	164
Middleburgh Telephone Company	Utility	35-40
Valley Market	Grocery Store	31
Carver Sand and Gravel	Construction Materials	25-30
Shaul Farms	Farm	25
Barber's Farms	Farm	15

Source: District officials.

Unemployment Rate Statistics

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

	<u>Annual Average</u>						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Albany County	4.9%	4.3%	4.1%	4.2%	3.7%	3.5%	7.2%
Schoharie County	6.7%	5.8%	5.4%	5.5%	4.8%	4.5%	7.1%
New York State	6.3%	5.3%	4.9%	4.7%	4.1%	3.8%	10.0%

	<u>2021 Monthly Figures</u>					
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
Albany County	6.0%	6.4%	5.7%	5.0%	N/A	N/A
Schoharie County	6.6%	7.0%	6.4%	5.2%	N/A	N/A
New York State	9.4%	9.7%	8.4%	7.8%	N/A	N/A

Note: Unemployment rates for May and June 2021 are unavailable as of the date of this Official Statement. Unemployment rates have increased since the onset of the COVID-19 pandemic in March of 2020.

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 School District consists of five members. Each Board member must be a qualified voter of the School District and no Board member may hold certain other School District offices or positions while serving on the Board of Education. The President and the Vice President are selected by the Board members.

Budgetary Procedures

Pursuant to the Education Law, the Board of Education annually prepares or causes to be prepared, a budget 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 3rd 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 2020-21 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 extends and expands restrictions aimed at limiting the spread of COVID-19. Voting was by absentee ballot and there was no in-person voting. Ballots received by 5:00 on June 16, 2020 were included in the vote count. The District’s budget for the 2020-21 fiscal year was approved by the voters with a vote of 879 to 430. The budget calls for a total tax levy increase of 1.0%, which is below the District’s Tax Cap.

The budget for the 2021-22 fiscal year was approved by the qualified voters on May 18, 2021 by a vote of 258 to 74. The District’s adopted budget for the 2021-22 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget calls for no total tax levy increase, which is below the District tax levy limit of 1.76%.

The State’s 2018-19 Enacted Budget included a school building-based budget approval review process. Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50% percent of its total revenue through State aid will be required to annually report its budgeted support for individual schools within the school district. The report must follow a format, to be developed by the State Division of Budget (“DOB”) in consultation with SED. In 2019-20, this requirement expanded to all school districts with at least four schools, regardless of State aid. In 2020-21, the requirement will apply to all school districts in the State. This report will be due to the State by the beginning of the school year, and the State will have 30 days to respond. While DOB or SED will not formally approve a school district’s school-based budget, DOB and SED will have authority to determine whether the information was provided in a timely and sufficient manner. The reporting must include demographic data, per pupil funding, source of funds and uniform decision rules regarding allocation of centralized spending to individual schools from all funding sources. Should either DOB or SED determine that a school district did not meet this requirement, the school district’s State aid increase can be withheld for the applicable year until compliance is determined by DOB and SED. If either DOB or SED determines that a school district has not properly complied, the school district will have 30 days to “cure” the problem. In the event the problem is not cured in 30 days, the city comptroller or chief financial officer, and in the event a school district located outside a city, the chief financial officer in the municipality where the school district is most located, will be authorized, at his or her discretion, to gather information and submit on behalf of the school district.

Investment Policy

Pursuant to the statutes of the State of New York, the School 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 School District; (6) obligations of a New York public corporation which are made lawful investments by the School 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 School District moneys held in certain reserve funds established pursuant to law, obligations issued by the School 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 School District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (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, and (4) In repurchase agreements involving the purchase and resale of obligations of the United States of America or obligations of agencies of the federal government, if principal and interest is guaranteed by the United States of America and the securities are registered in the name of the School District and held by a custodial bank in accordance with the policies established by the New York State Comptroller.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2021-2022 fiscal year, approximately 53.73% 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 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").

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.

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.

In addition, 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.

Federal aid received by the State.

President Biden has signed into law the American Rescue Plan, a \$1.9 trillion COVID-19 relief package that includes \$350 billion to state, local and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, reopen schools and maintain vital services. The American Rescue Plan also includes an additional \$1,400 payment to eligible individuals and families, enhanced unemployment aid, rental and utility assistance to low and moderate income households, an increase in food stamp benefits, additional funding for child care and an increase in child care tax credits.

The State receives a substantial amount of federal aid for other health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, 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. The District is receiving approximately \$1,969,270 from the American Rescue Plan and \$602,407 CARES Act Funds.

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.

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 2021-2022 preliminary building aid ratios, the District expects to receive State building aid of approximately 79.8% 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.

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 is part of the Community Schools Grant Initiative (CSGI) and received \$100,000 for an after school program and Agriculture teacher.

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 was divided among all school districts throughout the State and reflected as a reduction in school district State aid. The GEA was a negative number, money that was deducted from the aid originally due to the District. The total GEA and Deficit Reduction Assessment reduction in school aid for the District amounted to approximately \$4,314,989. The District was forced to deliver programs in new and creative ways, while reducing where necessary based on student-driven needs and increasing taxes accordingly. 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 2017-18 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 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The State 2017-18 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government are less than what was expected. The Legislature then will have 90 days to approve the Governor's plan.

School district fiscal year (2018-2019): The State 2018-19 Enacted Budget included nearly \$1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately \$859 million of that increase is comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid now stands at \$26.03 billion statewide, a 3.4% increase over the last year. The State 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 2018-19 Enacted Budget guaranteed that all school districts received an increase in Foundation Aid over their 2017-18 levels. \$50 million of the Foundation Aid increase was "set aside" for certain school districts to fund community schools. The State 2018-19 Enacted Budget fully funded all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve 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 2018-19. The State 2018-19 Enacted Budget allows the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected.

School district fiscal year (2019-2020): The State 2019-2020 Enacted Budget included 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 State 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 \$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 was continued under existing aid formulas. Out-year growth in School Aid reflects 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. Pursuant to that provision, in October, 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. However, the 2020-2021 State aid declines were offset, in part, by \$1.1 billion of increased federal funding through the Coronavirus Aid, Relief, and Economic Security Act. With these federal funds, State aid totaled \$27.9 billion in the State's 2020-2021 Enacted Budget, an annual increase of approximately \$100 million or 0.4 percent from the 2019-2020 Enacted Budget. As of February 1, 2021, the State Education Department ("SED") advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding. Such approval was received and the State is expected to release all of the withheld funds prior to June 30, 2021.

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 CFE 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 each of the below completed fiscal years and budgeted figures comprised of State aid for the 2020-2021 and 2021 and 2022 fiscal years.

<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	\$ 20,933,103	\$ 10,916,696	52.15%
2016-2017	20,793,601	10,791,697	51.90
2017-2018	21,353,358	11,145,267	52.19
2018-2019	21,824,923	11,478,229	52.59
2019-2020	21,872,930	11,465,523	52.42
2020-2021 (Budgeted)	22,340,708	11,869,862	53.13
2021-2022 (Budgeted)	22,557,137	12,120,291	53.73

Source: 2015-2016 through and including the 2019-2020 Audited financial statement of the District and the budgets of the District for the 2020-2021 and 2021-2022 fiscal years. This table is not audited.

Enrollment Trends

<u>School Year</u>	<u>Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2016-17	753	2021-22	670
2017-18	746	2022-23	670
2018-19	714	2023-24	670
2019-20	699	2024-25	670
2020-21	677 ⁽¹⁾	2025-26	670

⁽¹⁾ Due to the COVID-19 pandemic, home schooling increased causing a decrease in enrollment in 2020-21.

Source: District officials.

School Facilities

The District currently operates the following facilities:

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built</u>
Middleburgh Elementary	PK-6	756	1974, 2009
Middleburgh Middle School/High School	7-12	544	1931, 2009

Source: District officials.

Employees

The School District employs 148 full time and 10 part-time employees with representation by various unions as follows:

<u>Association</u>	<u>Periods Covered</u>	<u># of Members</u>	<u>Affiliation</u>
Middleburgh Central School Teachers' Association	07/01/18-6/30/23	80	NYSUT
Middleburgh Central School Non-Teaching Association	07/01/18-6/30/23	69	NYSUT
Middleburgh Central School Administrators' Association	07/01/19-6/30/23	3	MCAA
Middleburgh Central School Managerial Confidential	07/01/18-06/30/21 ⁽¹⁾	5	MCAA

⁽¹⁾ Currently under negotiation.

Note: The Superintendent and School Business Manager are not members of any union and have their own individual contracts.

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 current fiscal year are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2015-2016	\$305,018	\$907,457
2016-2017	294,147	822,979
2017-2018	304,959	712,739
2018-2019	293,354	736,510
2019-2020	274,581	649,177
2020-2021 (Budgeted)	315,000	730,000
2021-2022 (Budgeted)	330,000	760,000

Source: District records.

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.

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 offered an additional \$5,000 retirement incentive to non-instructional employees with an irrevocable letter of intent to retire in the years ending June 30, 2018 and June 30, 2019. The District received 3 in 2018 and 5 in 2019 with projected savings of approximately \$150,000-\$200,000 as a result. The District did not offer a retirement incentive in the 2019-2020 fiscal year and does not reasonably expect to in the 2021-2022 fiscal year.

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 School District is not amortizing any pension payments nor has the intent 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 School 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 12.5% 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 School District is not participating in the Stable Rate Pension Contribution Option and has no intention to do so in the foreseeable future.

The investment of monies and assumptions underlying some of the Retirement Systems covering the School District's employees is not subject to the direction of the School 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 School 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. In June 2019, the District established and contributed to a TRS reserve fund.

Other Post Employee 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. For the fiscal year ended June 30, 2018, the District implemented GASB 75. The implementation of this statement requires District's 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 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

Summary of Changes from the Last Valuation. The District contracted with Capital Region BOCES to calculate its actuarial valuation under GASB 75. The following outlines the changes to the Total OPEB Liability during the fiscal years ending June 30, 2019 and June 30, 2020, by source.

Fiscal Year Ending June 30:	<u>2019</u>	<u>2020</u>
Balance Beginning of Fiscal Year:	\$ 50,357,763	\$ 51,486,361
<u>Changes for the year:</u>		
Service cost	\$ 1,167,442	\$ 1,355,014
Interest	1,893,617	1,808,501
Differences between expected and actual experience	0	32,129,706
Changes of benefit terms	0	133,723
Changes in assumptions	3,306,320	28,451,151
Benefit payments	<u>(5,238,781)</u>	<u>(2,657,181)</u>
Net Changes	<u>\$ 1,128,598</u>	<u>\$ 61,220,911</u>
Balance at End of Fiscal Year:	<u>\$ 51,486,361</u>	<u>\$ 112,707,272</u>

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

The aforementioned liability is recognized and disclosed in accordance with GASB 75 standards in the District’s audited financial statements for the fiscal years ending June 30, 2019 and June 30, 2020.

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.

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 is in compliance 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 last audit report covers the period ending June 30, 2020 and 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.

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 dated December 20, 2019 was to determine whether Board and District officials adequately safeguarded data for potential abuse or loss for the period of July 1, 2017 through December 12, 2018.

Key Findings:

- District officials did not adequately manage user accounts and their user permissions. For example, former employees and an unknown person had active accounts, and administrative permissions were granted to individuals who did not need these rights. In two instances, officials did not know why the users had excessive permissions.
- Officials did not provide IT security awareness training to employees, and the Board did not establish a disaster recovery plan.

In addition, sensitive information technology (IT) control weaknesses were communicated confidentially to District officials.

Key Recommendations:

- Periodically review enabled user accounts to ensure they are still needed and limit administrative permissions to those users who need them to perform their job functions.
- Provide employees with formal IT security awareness training and adopt a disaster recovery plan.

A copy of the complete report and District response, as well as prior reports published within the last five years, can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

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

Source: Website of the Office of the New York State Comptroller. Reference to website implies no warranty of accuracy of information therein.

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 classification of the District for the three most recent available fiscal years are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2020	No Designation	0.0%
2019	No Designation	0.0%
2018	No Designation	0.0%

Source: Website of the Office of the New York State Comptroller. Reference to website implies no warranty of accuracy of information therein.

TAX INFORMATION

Taxable Assessed Valuation

<u>Years Ending June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Towns of:					
Berne	\$ 9,295,989	\$ 9,212,634	\$ 9,316,265	\$ 9,290,965	\$ 9,324,529
Rensselaerville	45,476,086	45,587,752	45,827,237	45,793,420	46,000,661
Blenheim	3,178,153	3,209,999	3,197,048	3,178,497	3,203,643
Broome	82,365,719	83,358,958	83,540,479	87,655,566	88,444,835
Cobleskill	152,378	152,383	152,334	152,398	152,420
Conesville	3,768,239	3,768,236	3,767,133	3,976,084	3,979,385
Fulton	63,311,079	63,958,664	63,555,110	64,081,193	64,233,410
Middleburgh	120,400,258	119,940,073	120,165,291	122,274,425	124,290,995
Schoharie	173,174	173,210	188,156	188,141	188,210
Summit	1,607,388	1,607,172	1,606,828	1,628,147	1,623,542
Wright	<u>21,681</u>	<u>21,692</u>	<u>21,683</u>	<u>21,672</u>	<u>21,644</u>
Totals	\$ 329,750,154	\$ 330,990,773	\$ 331,337,564	\$ 338,240,507	\$ 341,463,274

New York State Equalization Rates

Towns of:					
Berne	64.00%	64.00%	63.00%	59.00%	54.00%
Rensselaerville	59.10%	61.85%	60.00%	57.00%	56.20%
Blenheim	80.00%	80.00%	72.29%	75.00%	74.00%
Broome	100.00%	100.00%	100.00%	100.00%	100.00%
Cobleskill	80.00%	76.50%	81.00%	81.00%	78.50%
Conesville	100.00%	100.00%	99.00%	100.00%	100.00%
Fulton	71.00%	68.00%	65.00%	62.00%	62.00%
Middleburgh	70.00%	70.00%	70.00%	67.75%	65.75%
Schoharie	100.00%	97.00%	96.75%	95.75%	92.40%
Summit	66.00%	63.50%	61.00%	61.00%	61.00%
Wright	88.00%	80.00%	78.00%	76.00%	73.00%
Total Full Valuation	\$ 445,573,958	\$ 447,577,064	\$ 455,420,926	\$ 478,874,242	\$ 491,599,881

Tax Rates Per \$1,000 (Assessed)

<u>Years Ending June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Towns of:					
Berne	\$ 33.38	\$ 33.66	\$ 34.35	\$ 35.24	\$ 37.86
Rensselaerville	36.15	34.92	36.07	36.47	36.38
Blenheim	26.70	27.00	29.94	27.60	27.63
Broome	21.36	21.59	21.64	20.79	20.44
Cobleskill	26.70	28.24	26.72	25.67	26.04
Conesville	21.36	21.60	21.86	20.79	20.44
Fulton	30.09	31.75	33.29	33.55	32.97
Middleburgh	30.52	30.84	30.90	30.67	31.13
Schoharie	21.36	22.27	22.37	21.71	22.12
Summit	32.37	34.02	35.48	34.08	33.51
Wright	24.28	27.00	27.74	27.35	28.01

Tax Levy and Collection Record

<u>Years Ending June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Tax Levy	\$ 9,518,615	\$ 9,663,692	\$ 9,855,827	\$ 9,954,385	\$10,053,929
Amount Uncollected ⁽¹⁾	1,616,037	1,257,345	1,228,519	1,179,897	1,162,246
% Uncollected	16.98%	13.01%	12.46%	11.85%	11.56%

⁽¹⁾ The District is reimbursed by the County for all unpaid taxes. See "Tax Collection Procedure" herein.

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 3% penalty is charged for the next 30 days. On December 1st, uncollected taxes are returnable to the Counties for collection. The School District receives this amount from said Counties prior to the end of the School District's fiscal year, thereby assuring 100% tax collection annually. Tax sales are held annually by said Counties.

The School District is reimbursed by the Counties for all unpaid taxes during the first week of April in each year and is thus assured 100% collection of its annual levy.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the School District for each of the below completed fiscal years and budgeted figures for the 2020-2021 and 2021-2022 fiscal years comprised of Real Property Taxes & Other 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 Tax & Tax Items</u>
2015-2016	\$20,933,103	\$9,548,885	45.62%
2016-2017	20,793,601	9,556,314	45.96
2017-2018	21,353,358	9,683,418	45.35
2018-2019	21,824,923	9,908,966	45.40
2019-2020	21,872,930	10,003,045	45.73
2020-2021 (Budgeted)	22,340,708	10,061,846	45.04
2021-2022 (Budgeted)	22,557,137	10,061,846	44.61

Source: 2015-2016 through and including the 2019-2020 Audited financial statement of the District and the budgets of the District for the 2020-2021 and 2021-2022 fiscal years. 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>
State of New York	State Land	\$ 18,263,183
Niagara Mohawk Power Corp	Utility	6,525,369
Middleburgh Telephone Company	Utility	2,975,874
Meadows MHC LLC	Mobile Home	2,476,970
Shaul Farms Inc.	Farm	1,212,123
Time Warner of Albany	Utility	1,145,093
Cliff Side Apartments	Housing	1,043,000
Stewarts Shops Corp	Market-Grocery	901,856
Central Hudson Gas & Electric	Utility	894,417
Carver Sand & Gravel, Inc.	Construction	788,000

The larger taxpayers listed above have a total estimated full valuation of \$36,255,855 which represents 10.61% of the tax base of the School District.

As of the date of this Official Statement, the District currently does not have any pending or outstanding tax certioraris that, if adversely decided, would have a material adverse impact on the District.

Source: School District Tax Rolls.

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.

STAR – School Tax Exemption. The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$88,050 or less in 2020, and \$90,550 or less in 2021, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$68,700 for the 2020-21 school year and \$70,700 for the 2021-2022 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. A new homeowner may receive a new personal income tax credit in the form of a check. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The 2019-20 Enacted State Budget made several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption was lowered to \$250,000, compared with a \$500,000 limit for the credit. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually. Homeowners with STAR Adjusted Gross Income of \$250,000 or less have the option to select the credit or the exemption.

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

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Berne	\$ 38,180	\$ 16,200	4/9/2021
Rensselaerville	39,730	16,860	4/9/2021
Blenheim	52,320	22,200	4/9/2021
Broome	70,700	30,000	4/9/2021
Cobleskill	55,500	23,550	4/9/2021
Conesville	70,700	30,000	4/9/2021
Fulton	43,830	18,600	4/9/2021
Middleburgh	46,490	19,730	4/9/2021
Schoharie	65,330	27,720	4/9/2021
Summit	43,130	18,300	4/9/2021
Wright	51,610	21,900	4/9/2021

\$1,125,623 of the District’s \$10,061,846 school tax levy for the 2020-2021 fiscal year was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2021.

Approximately \$1,125,000 of the District’s \$10,061,846 school tax levy for 2021-2022 is expected to be exempt by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State in January, 2022.

Additional Tax Information

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

Senior Citizens' exemptions are offered to those who qualify.

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; however, 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, applicable to the Notes.

See “State Aid” for a discussion of the New Yorkers for Students’ Educational Rights v. State of New York case which includes a challenge to the supermajority requirements regarding school district property tax increases.

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 federal 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.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution and Local Finance Law limit the power of the School District (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations in summary form, and as generally applicable to the School District and the Notes, include the following:

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

The School District may contract indebtedness only for a school district purpose and shall pledge its faith and credit for the payment of the 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. The School 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 School 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.

Debt Limit. The School District has the power to contract indebtedness for any school 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 School District and subject to certain enumerated deductions and exclusions set forth in the Local Finance Law. The constitutional method for determining average full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization ratio) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services.

The School 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. No down payment is required in connection with the issuance of District obligations.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

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 School 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.

The School District has complied with this estoppel procedure in connection with the Notes.

The Board of Education, as the finance board of the School 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 School District, pursuant to the Local Finance Law.

The School 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 School 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	\$ 8,415,000	\$ 7,055,000	\$ 5,655,000	\$ 4,200,000	\$ 2,640,000
Bond Anticipation Notes	580,000	790,500	818,900	875,700	2,132,900
Revenue Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$ 8,995,000</u>	<u>\$ 7,845,500</u>	<u>\$ 6,473,900</u>	<u>\$ 5,075,700</u>	<u>\$ 4,772,900</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of June 8, 2021.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2021-2025	\$ 1,285,000
<u>Bond Anticipation Notes</u>		
Capital Project	June 29, 2021	\$ 1,200,000 ⁽¹⁾
Capital Project	July 16, 2021	10,000,000 ⁽¹⁾
Purchase of buses	July 16, 2021	<u>983,300 ⁽²⁾</u>
Total Indebtedness		<u>\$ 13,468,300</u>

⁽¹⁾ To be partially redeemed and renewed at maturity with the Notes and \$30,000 available funds of the District.

⁽²⁾ To be redeemed and renewed at maturity with bond anticipation notes and available funds of the District.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 8, 2021:

Full Valuation of Taxable Real Property	\$ 491,599,881
Debt Limit 10% thereof	49,159,988

Inclusions:

Bonds	\$ 1,285,000
Bond Anticipation Notes	1,013,300
Principal of this Issue	<u>14,770,000</u>
Total Inclusions	<u>\$ 17,068,300</u>

Exclusions:

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

Total Net Indebtedness	<u>\$ 17,068,300</u>
Net Debt-Contracting Margin	<u>\$ 32,091,688</u>
The percent of debt contracting power exhausted is	34.72%

⁽¹⁾ Based on preliminary 2021-2022 building aid estimates, the District anticipates State building aid of 79.8% 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.

Note: 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.

Bonded Debt Service

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

Other Obligations

On June 5, 2019 the District entered into an installment purchase agreement for four printer/copier machines at a total cost of \$31,404. Payments will be made through the 2022-2023 fiscal year.

Cash Flow Borrowings

The School District has no plans to issue revenue anticipation notes or tax anticipation notes in the foreseeable future.

Capital Project Plans

On December 12, 2018, District voters approved a \$15,000,000 capital project. The project includes over \$9,000,000 in renovations and improvements at the Jr./Sr. High School and over \$5,000,000 in renovations and improvements at the Elementary School. Construction on the project is anticipated to finish in 2021. The District issued \$1,200,000 bond anticipation notes on July 18, 2019 as the first borrowing against said authorization. The District renewed \$1,200,000 bond anticipation notes on June 29, 2020. On July 16, 2020, the District issued \$10,000,000 as the second borrowing for the aforementioned project. Future borrowings will be pursuant to construction cash flow needs. The Notes are being issued, along with \$30,000 available funds of the District to partially redeem and renew the bond anticipation notes maturing June 29, 2021 and July 16, 2021 and provide \$3,600,000 new money for the aforementioned purpose.

The District issues bond anticipation notes annually for the purchase of school buses. On May 18, 2021 the District voters approved \$491,000 for the purchase of school buses. The District anticipates issuing bond anticipation notes to finance the purchase in the summer of 2021.

The School District has no other capital projects contemplated at this time.

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Estimated Overlapping Indebtedness

In addition to the School District, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the School District. The estimated outstanding indebtedness of such political subdivisions is as follows:

<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:						
Albany	12/31/2019	\$ 331,955,000	\$ -	\$ 331,955,000	0.35%	\$ 1,161,843
Schoharie	12/31/2019	43,975,000	631,732	43,343,268	16.31%	7,069,287
Town of:						
Berne	12/31/2019	965,976	-	965,976	5.49%	53,032
Blenheim	12/31/2019	229,971	-	229,971	9.11%	20,950
Broome	12/31/2019	181,000	-	181,000	84.51%	152,963
Cobleskill	12/31/2019	1,666,780	935,000	731,780	0.06%	439
Conesville	12/31/2019	334,410	334,410	-	3.68%	-
Fulton	12/31/2019	-	-	-	85.60%	-
Middleburgh	12/31/2019	208,221	-	208,221	90.14%	187,690
Rensselaerville	12/31/2019	577,554	38,250	539,304	33.22%	179,157
Schoharie	12/31/2019	112,501	-	112,501	0.11%	124
Summit	12/31/2019	-	-	-	2.48%	-
Wright	12/31/2019	88,293	-	88,293	0.03%	26
Village of:						
Middleburgh	5/31/2020	1,404,279	1,187,127	217,152	100.00%	217,152
					Total:	<u>\$ 9,042,663</u>

⁽¹⁾ Bonds and bond anticipation notes. Not adjusted to include subsequent bond 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: State Comptroller's reports for fiscal year ending 2019 for counties and towns and for fiscal year ending 2020 for villages. (Most recent available)

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 8, 2021:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 17,068,300	\$ 2,897.84	3.47%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	26,110,963	4,433.10	5.31

^(a) The 2019 estimated population of the District is 5,890. (See "THE SCHOOL DISTRICT - Population" herein.)

^(b) The District's full value of taxable real estate for 2020-2021 is \$491,599,881. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

^(c) See "Debt Statement Summary" herein.

^(d) Estimated net overlapping indebtedness is \$9,042,663. (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 Notes 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 Notes 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 Bond 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 School District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the School 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 School 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 School 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 School District, in any year, the School District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the School District. In several recent years, the School 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 School District, could have an impact upon the market price of the Notes. See “TAX LEVY LIMITATION LAW” herein.

Current and 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

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Schools and non-essential businesses have been allowed to reopen pursuant to State guidelines. The outbreak of COVID-19 and the dramatic steps taken by the State to address may 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. Similarly, the degree of the impact to the District's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. Any continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and intends to take such proactive measures as may be required to maintain its operations and meet its obligations. (See "State Aid History" and "State Aid – School District Fiscal Year (2020-2021)" herein).

TAX MATTERS

In the opinion of Barclay Damon LLP, Albany, New York, Bond Counsel, under existing law, (1) interest on the Notes is excluded from gross income of the owners thereof for Federal income tax purposes and is not an "item of tax preference" for purposes of the individual alternative minimum tax imposed by the Code, except that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to Federal income taxation from the date of issuance thereof, and (2) 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).

In rendering the foregoing opinions, Bond Counsel noted that exclusion of the interest on the Notes from gross income for Federal income tax purposes is dependent, among other things, on compliance with the applicable requirements of the Code that must be met subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Non-compliance with such requirements could cause the interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes. Those requirements include, but are not limited to, provisions that prescribe yield and other limits within which the proceeds of the Notes are to be invested and require, under certain circumstances, that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America. The District will covenant in the Tax Certificates as to Arbitrage and Use of Proceeds and Instructions as to Compliance with Provisions of Section 103(a) of the Code, that, to maintain the exclusion of interest on the Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code, and for no other purpose, the District shall comply with each applicable provision of the Code.

The Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, contains a provision under which interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although the new reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Notes to be subject to backup withholding if such interest is paid to registered owners who either (a) fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner or (b) have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Bond Counsel also has advised that (1) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, the Code provides that such insurance company's deduction for loss is reduced by 15% of the sum of certain items, including interest on the Notes; (2) interest on the Notes earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (3) passive investment income, including interest on the Notes, may be subject to Federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; (4) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Notes; and (5) under Section 32 (i) of the Code, receipt of investment income, including interest on the Notes, may disqualify the recipient thereof from obtaining the earned income credit.

A Note holder's federal, state and local tax liability may otherwise be affected by the ownership or disposition of the Notes and/or Notes. The nature and extent of these other consequences will depend upon the Note holder's other items of income or deduction. Bond Counsel has expressed no opinion regarding any such other tax consequences. Each purchaser of the Notes should consult its tax advisor regarding the impact of the foregoing and other provisions of the Code on its individual tax position.

The Notes will not be designated or deemed designated by the District as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinion of Bond Counsel set forth above with respect to the Federal income tax treatment of interest paid on the Notes is based upon the current provisions of the Code. Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law and could affect the market price for, or the marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding the foregoing matters. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Barclay Damon LLP, Bond Counsel, Albany, New York to the effect that the Notes are valid and legally binding obligations of the District, that all the taxable real property therein will be subject to the levy of ad valorem taxes to pay the Notes and the interest thereon without limitation as to rate or amount, that interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and that interest on the Notes is exempt from personal income taxes imposed by New York State or any political subdivision thereof, including The City of New York. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District will covenant to comply with all such requirements. Failure to comply with all such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. Such opinion also will state that: (a) the rights of the owners of the Notes and the enforceability of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity; (b) Bond Counsel expresses no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Notes; and (c) such opinion is given as of its dated date and that Bond Counsel assumes no obligation to update or supplement their opinion to reflect any facts or circumstances that may thereafter come to their attention or any changes in law that may occur thereafter.

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 Material Event Notices, the form of which is attached hereto as "APPENDIX – C".

Historical Compliance

The District is in 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 financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial 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 Fiscal Advisors 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. The purchaser of the Notes may choose to have a rating completed after the sale at the expense of the purchaser pending the approval of the District, including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA which is required by the District's Continuing Disclosure Undertakings. (See "APPENDIX – C", attached hereto).

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.

Barclay Damon, LLP, Albany, 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: Terry Gillooley, School Business Manager, Middleburgh Central School District, 295 Main Street, P.O. Box 400, Middleburgh, New York 12122, Phone: (518) 827-3620x 5504, Telefax: (518) 827-5636, Email: terry.gillooley@middleburghcsd.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., telephone number (315) 752-0051, or at www.fiscaladvisors.com

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

Dated: June 8, 2021

**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	\$ 4,220,694	\$ 4,243,509	\$ 4,387,124	\$ 4,769,779	\$ 3,749,262
Restricted Cash	146,200	146,229	146,258	146,288	1,523,738
Other Receivable	87,888	74,935	90,657	12,300	1,696
Due from Federal and State Governments	497,111	432,746	567,374	664,475	591,204
Due from Other Funds	7,900,179	9,394,816	11,056,608	389,740	654,869
Due from Other Governments	-	-	-	-	-
Prepaid Expenditures	16,022	-	-	2,180	1,798
TOTAL ASSETS	<u>\$ 12,868,094</u>	<u>\$ 14,292,235</u>	<u>\$ 16,248,021</u>	<u>\$ 5,984,762</u>	<u>\$ 6,522,567</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable and Accrued Liabilities	\$ 323,027	\$ 566,688	\$ 727,100	\$ 646,395	\$ 327,946
Due to Other Funds	7,612,607	8,580,318	10,556,849	-	477,770
Due to Other Governments	-	-	-	-	2,501
Notes Payable	-	-	-	-	-
Due to Teachers' Retirement System	952,431	856,926	736,510	756,785	649,181
Due to Employees' Retirement System	85,376	76,421	73,961	73,201	68,734
Deferred Revenues	-	37,877	-	-	118,241
Compensated Absences	-	-	-	-	-
TOTAL LIABILITIES	<u>\$ 8,973,441</u>	<u>\$ 10,118,230</u>	<u>\$ 12,094,420</u>	<u>\$ 1,476,381</u>	<u>\$ 1,644,373</u>
<u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,083,219	1,083,219	1,448,068	1,379,068	1,523,738
Assigned	768,710	682,170	768,010	780,143	832,169
Unassigned	2,042,724	2,408,616	1,937,523	2,349,170	2,522,287
TOTAL FUND EQUITY	<u>3,894,653</u>	<u>4,174,005</u>	<u>4,153,601</u>	<u>4,508,381</u>	<u>4,878,194</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 12,868,094</u>	<u>\$ 14,292,235</u>	<u>\$ 16,248,021</u>	<u>\$ 5,984,762</u>	<u>\$ 6,522,567</u>

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>
<u>REVENUES</u>					
Real Property Taxes	\$ 8,225,151	\$ 8,251,287	\$ 8,381,619	\$ 8,616,475	\$ 8,764,786
Other Tax Items	1,323,734	1,305,027	1,301,799	1,292,491	1,238,259
Charges for Services	182,645	201,180	233,199	134,422	123,906
Use of Money & Property	2,838	1,996	22,629	78,915	47,479
Sale of Property and					
Compensation for Loss	6,493	-	10,392	4,032	12,774
Miscellaneous	259,513	204,900	170,894	130,315	131,078
Revenues from State Sources	10,916,696	10,791,697	11,145,267	11,478,229	11,465,523
Revenues from Federal Sources	16,033	37,514	87,559	90,044	89,125
Total Revenues	<u>\$ 20,933,103</u>	<u>\$ 20,793,601</u>	<u>\$ 21,353,358</u>	<u>\$ 21,824,923</u>	<u>\$ 21,872,930</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 20,933,103</u>	<u>\$ 20,793,601</u>	<u>\$ 21,353,358</u>	<u>\$ 21,824,923</u>	<u>\$ 21,872,930</u>
<u>EXPENDITURES</u>					
General Support	\$ 1,638,540	\$ 1,840,681	\$ 1,952,143	\$ 1,913,940	\$ 1,940,740
Instruction	8,659,020	9,373,286	9,721,185	9,523,520	10,067,919
Pupil Transportation	946,733	916,853	1,030,863	968,091	1,009,626
Community Services	-	-	-	-	-
Employee Benefits	6,449,968	6,284,715	6,502,099	6,815,310	6,369,241
Debt Service	1,833,644	1,921,505	1,992,471	1,936,211	1,993,481
Total Expenditures	<u>\$ 19,527,905</u>	<u>\$ 20,337,040</u>	<u>\$ 21,198,761</u>	<u>\$ 21,157,072</u>	<u>\$ 21,381,007</u>
Other Uses:					
Interfund Transfers	<u>160,000</u>	<u>177,208</u>	<u>175,000</u>	<u>313,071</u>	<u>122,110</u>
Total Expenditures and Other Uses	<u>\$ 19,687,905</u>	<u>\$ 20,514,248</u>	<u>\$ 21,373,761</u>	<u>\$ 21,470,143</u>	<u>\$ 21,503,117</u>
Excess (Deficit) Revenues Over					
Expenditures	<u>1,245,198</u>	<u>279,353</u>	<u>(20,403)</u>	<u>354,780</u>	<u>369,813</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	2,649,455	3,894,652	4,174,005	4,153,601	4,508,381
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 3,894,653</u>	<u>\$ 4,174,005</u>	<u>\$ 4,153,601</u>	<u>\$ 4,508,381</u>	<u>\$ 4,878,194</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	2022
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes	\$ 9,954,385	\$ 9,954,385	\$ 8,764,786	\$ 10,061,846	\$ 10,061,846
Other Tax Items	40,917	40,917	1,238,259	33,000	-
Charges for Services	175,000	175,000	123,906	175,000	168,000
Use of Money & Property	46,000	46,000	47,479	21,000	11,000
Sale of Property and Compensation for Loss	-	-	12,774	-	-
Miscellaneous	170,000	170,000	131,078	120,000	136,000
Revenues from State Sources	11,632,407	11,632,407	11,465,523	11,869,862	12,120,291
Revenues from Federal Sources	60,000	60,000	89,125	60,000	60,000
Total Revenues	<u>\$ 22,078,709</u>	<u>\$ 22,078,709</u>	<u>\$ 21,872,930</u>	<u>\$ 22,340,708</u>	<u>\$ 22,557,137</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 22,078,709</u>	<u>\$ 22,078,709</u>	<u>\$ 21,872,930</u>	<u>\$ 22,340,708</u>	<u>\$ 22,557,137</u>
EXPENDITURES					
General Support	\$ 1,991,527	\$ 2,103,331	\$ 1,940,740	\$ 2,010,205	\$ 2,075,862
Instruction	10,104,118	10,525,755	10,067,919	10,485,550	10,655,666
Pupil Transportation	1,101,221	1,101,221	1,009,626	1,205,643	1,264,329
Community Services	-	-	-	-	-
Employee Benefits	7,121,169	6,964,670	6,369,241	6,927,838	6,848,892
Debt Service	2,003,878	2,003,878	1,993,481	2,013,907	1,917,491
Total Expenditures	<u>\$ 22,321,913</u>	<u>\$ 22,698,855</u>	<u>\$ 21,381,007</u>	<u>\$ 22,643,143</u>	<u>\$ 22,762,240</u>
Other Uses:					
Interfund Transfers	<u>160,000</u>	<u>160,000</u>	<u>122,110</u>	<u>160,000</u>	<u>160,000</u>
Total Expenditures and Other Uses	<u>\$ 22,481,913</u>	<u>\$ 22,858,855</u>	<u>\$ 21,503,117</u>	<u>\$ 22,803,143</u>	<u>\$ 22,922,240</u>
Excess (Deficit) Revenues Over Expenditures	<u>(403,204)</u>	<u>(780,146)</u>	<u>369,813</u>	<u>(462,435)</u>	<u>(365,103)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	403,204	780,146	4,508,381	462,435	365,103
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,878,194</u>	<u>\$ -</u>	<u>\$ -</u>

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2021	\$ 1,600,000	\$ 80,375.00	\$ 1,680,375.00
2022	250,000	41,600.00	291,600.00
2023	250,000	31,600.00	281,600.00
2024	265,000	21,600.00	286,600.00
2025	275,000	11,000.00	286,000.00
TOTALS	\$ 2,640,000	\$ 186,175.00	\$ 2,826,175.00

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2010*			2020		
	Capital Project - Refunding of 2001 Bonds			Refunding of 2010 Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,355,000	\$ 33,875.00	\$1,388,875.00	\$ 245,000	\$ 46,500.00	\$ 291,500.00
2022	-	-	-	250,000	41,600.00	291,600.00
2023	-	-	-	250,000	31,600.00	281,600.00
2024	-	-	-	265,000	21,600.00	286,600.00
2025	-	-	-	275,000	11,000.00	286,000.00
TOTALS	\$ 1,355,000	\$ 33,875.00	\$1,388,875.00	\$ 1,285,000	\$ 152,300.00	\$1,437,300.00

* Last principal and interest payments made August 15, 2020.

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 Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, the School 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 Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the SEC 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 securities, 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 securities, or other material events affecting the tax status of the Notes
- (g) modifications to rights of security holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the securities
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the School District
- (m) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School 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 by 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 noteholders, 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 financial difficulties.

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 School District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

With respect to event (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School 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 government authority has assumed jurisdiction over substantially all of the assets or business of the School 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 School District.

The School 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 School District determines that any such other event is material with respect to the Notes; but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

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 School District reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the School District no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The School 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 School District’s obligations under its material event notices undertaking and any failure by the School 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 School 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 School District; provided that the School 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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**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
ALBANY AND SCHOHARIE COUNTIES, NEW YORK**

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

JUNE 30, 2020

Such Financial Report and opinions 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.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

Bonadio & Co., LLP
Certified Public Accountants

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REQUIRED REPORT

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INDEPENDENT AUDITOR'S REPORT

October 15, 2020

To the Board of Education of
Middleburgh Central School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Middleburgh Central School District (School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2020. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It considers both the government-wide and fund-based financial statements. The results of the current year are analyzed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

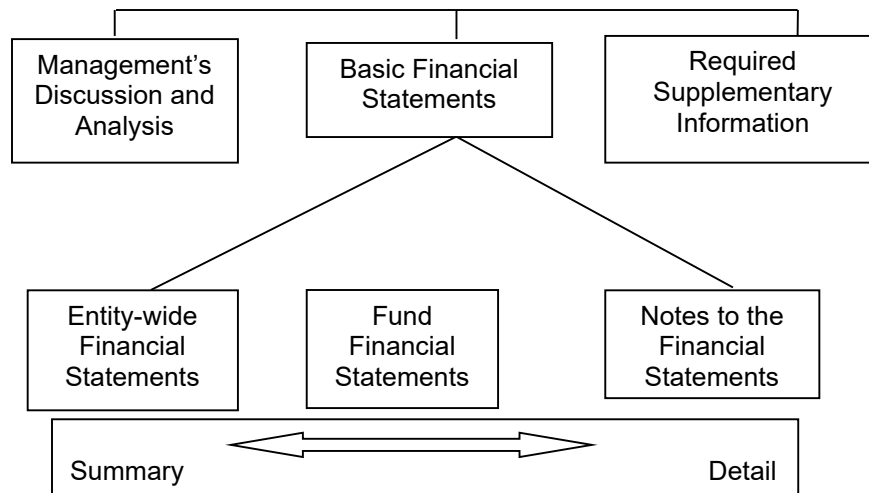
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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



OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

School District-Wide Statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

School District-Wide Statements (Continued)

- For assessment of the overall health of the School District, additional non-financial factors such as changes in property tax bases and the condition of buildings and other facilities should be considered.

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

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

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

Fund Financial Statements

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

The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the School District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

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

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

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

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

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

Changes in Net Position (Continued)

The School District's 2019-2020 revenue was \$23,031,388 (See Table A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 43% and 48% of the total revenue raised, respectively (see Table A-5). The remainder of revenue came from fees for services, use of money and property, operating grants, and other miscellaneous sources.

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

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

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

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

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

Table A-5 Sources of Revenue for 2020

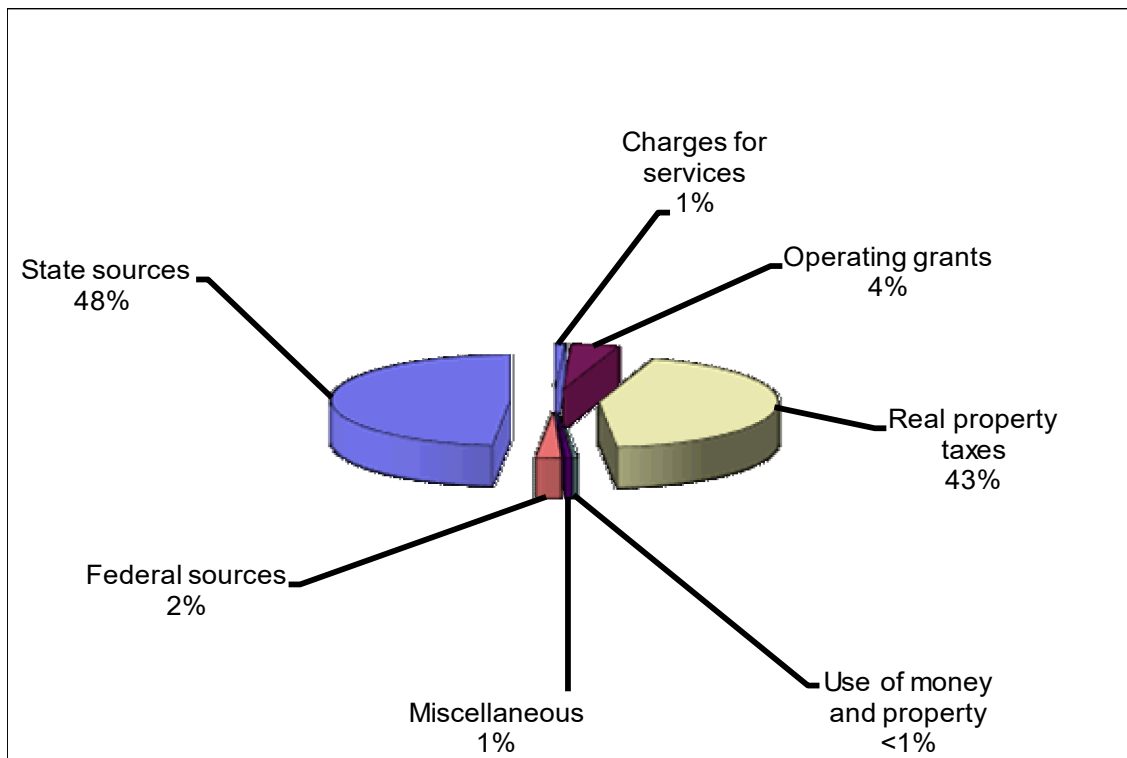
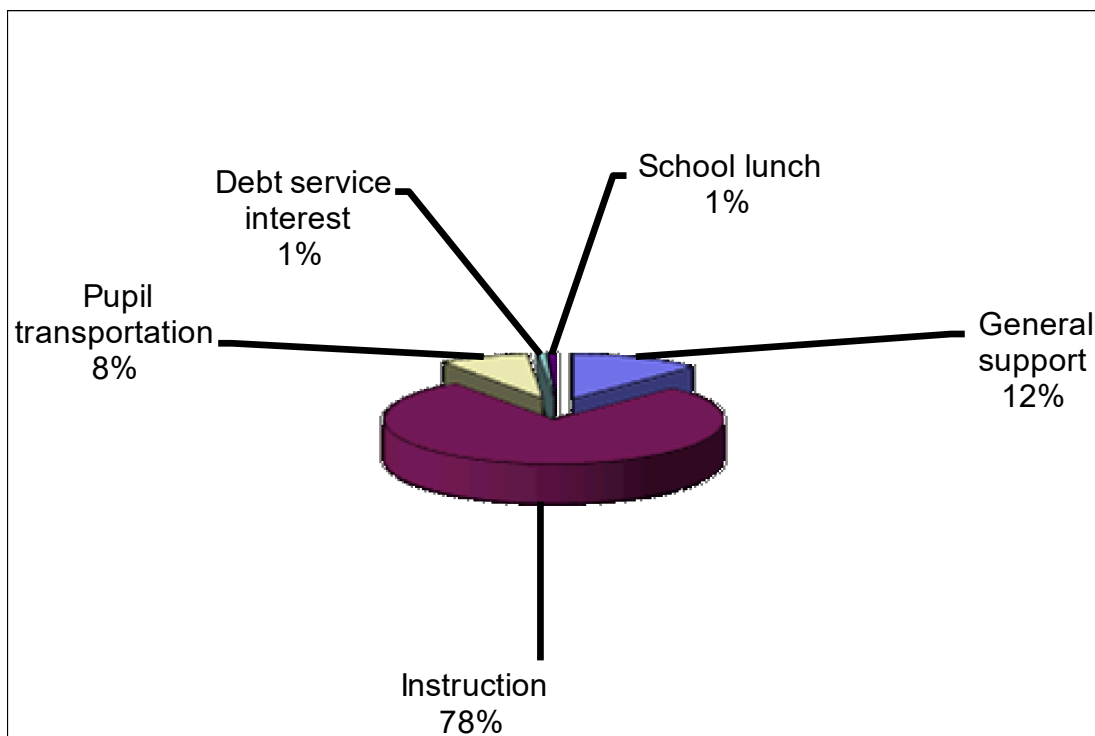


Table A-6 Sources of Expenses for 2020



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

Governmental Activities

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

- Recognition of \$13 million other post-employment benefits.

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

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

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

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

Governmental Fund Highlights

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

General Fund: Revenue exceeded expenditures by \$369,813 in the 2019-2020 year. The favorable result was caused by savings in projected costs related to employee benefits.

Special Aid Fund: By the nature of the fund, special aid does not generate a fund balance. Revenue is recognized as expenditures are made. Approximately \$781,000 was received for state and federal grants in this fund.

School Lunch Fund: The school lunch fund ended 2019-2020 fiscal year with an operating income of \$2,769 compared to an operating income of \$53,396 for the previous year. Beginning with the 2018-2019 school year the School District outsourced the school lunch program with a food service management company. Due to this change the School District was able to reduce the operating loss of the program. In prior years, the loss was subsidized by transfer from general funds. The decrease in operating income is due to a transfer of \$55,095 in 2018-2019 to subsidize the historical loss in the school district lunch program. A transfer was not necessary in the current year since the school lunch program was self-supporting.

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

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

General Fund Budgetary Highlights

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

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

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

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

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

Table A-8 General Fund Budgetary Highlights

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

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

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

Capital Assets

As of June 30, 2020, the School District had \$15,180,518 invested in a broad range of capital assets including land, buildings, buses, athletic facilities, computers, and other educational equipment.

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

<u>Category</u>	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Land	\$ 120	\$ 120	0%
Construction in progress	539	-	
Buildings and improvements	12,860	13,288	-3%
Equipment, furniture and vehicles	<u>1,661</u>	<u>1,434</u>	16%
Total	<u>\$ 15,181</u>	<u>\$ 14,843</u>	2%

Long-Term Liabilities

As of June 30, 2020, the School District had \$118 million in general obligation bonds and other long-term liabilities outstanding. More detailed information about the School District's long-term liabilities is included in the notes to the financial statements.

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

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

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

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- Health insurance and other post-retirement costs continue to increase and could potentially affect the School District's financial health. The School District continues to pursue opportunities for efficiencies in health insurance and other post-retirement costs.
- A property tax cap will affect how future budgets are developed. The 2020-2021 budget process and future budget processes will incorporate analysis of this property tax cap on future budgets.
- Due to the Public Health Emergency related to COVID-19 it is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be on the School District.
- The current economic climate of New York State and the nation as a whole will continue to diminish the state's ability to adequately fund the public education system.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2020****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES****CURRENT ASSETS:**

Cash - unrestricted	\$ 3,853,211
Cash - restricted	3,092,825
Due from other funds	187,246
State and federal aid receivable	1,404,943
Prepaid expenditures	1,798
Other receivables	1,696
Total current assets	<u>8,541,719</u>

NON-CURRENT ASSETS:

Net pension asset - TRS	1,075,406
Capital assets, net	<u>15,180,518</u>
Total non-current assets	<u>16,255,924</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - OPEB	50,647,201
Deferred outflows of resources - pensions ERS	1,154,398
Deferred outflows of resources - pensions TRS	<u>3,694,132</u>
Total deferred outflows of resources - pensions	<u>55,495,731</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES 80,293,374

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**CURRENT LIABILITIES:**

Accounts payable and accrued liabilities	427,747
Due to other governments	2,676
Due to Teachers' Retirement System	649,181
Due to Employees' Retirement System	68,734
Unearned revenue	5,040
Bond anticipation notes	2,400,000
Bonds payable due within one year	1,912,600
Bond interest accrued	<u>77,780</u>
Total current liabilities	<u>5,543,758</u>

LONG-TERM LIABILITIES:

Bond premium, net	126,665
Bonds payable, net of current portion	1,660,300
Compensated absences	251,436
Net pension liability - ERS	1,802,899
Total other postemployment benefits	<u>112,707,272</u>
Total long-term liabilities	<u>116,548,572</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred Inflow-OPEB	1,263,136
Deferred inflows of resources - pensions ERS	64,439
Deferred inflows of resources - pensions TRS	<u>1,437,748</u>
Total deferred inflows of resources - pensions	<u>2,765,323</u>

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 124,857,653

NET POSITION

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

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

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	
REVENUE:						
Real property taxes	\$ 8,764,786	\$ -	\$ -	\$ -	\$ -	\$ 8,764,786
Other tax items	1,238,259	-	-	-	-	1,238,259
Charges for services	123,906	-	-	-	-	123,906
Use of money and property	47,479	-	3	4,896	-	52,378
Sale of property and compensation for loss	12,774	-	-	-	-	12,774
Miscellaneous	131,078	-	7,660	-	-	138,738
State sources	11,465,523	324,476	6,737	-	-	11,796,736
Federal sources	89,125	434,870	196,412	-	-	720,407
Sales - School Lunch	-	-	59,677	-	-	59,677
Total revenue	<u>21,872,930</u>	<u>759,346</u>	<u>270,489</u>	<u>4,896</u>	<u>-</u>	<u>22,907,661</u>
EXPENDITURES:						
General support	1,940,740	-	-	-	-	1,940,740
Instruction	10,067,919	759,728	-	-	-	10,827,647
Pupil transportation	1,009,626	21,728	-	-	-	1,031,354
Employee benefits	6,369,241	-	-	-	-	6,369,241
Debt service - Principal	1,826,800	-	-	-	-	1,826,800
Debt service - Interest	166,681	-	-	-	-	166,681
Capital outlays	-	-	-	995,810	-	995,810
Cost of sales	-	-	267,720	-	-	267,720
Total expenditures	<u>21,381,007</u>	<u>781,456</u>	<u>267,720</u>	<u>995,810</u>	<u>-</u>	<u>23,425,993</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>491,923</u>	<u>(22,110)</u>	<u>2,769</u>	<u>(990,914)</u>	<u>-</u>	<u>(518,332)</u>
OTHER SOURCES AND (USES):						
Proceeds from issuance of bonds/premium	-	-	-	354,000	1,290,000	1,644,000
Premium on issuance of debt	-	-	-	-	132,151	132,151
Payment to escrow agent	-	-	-	-	(1,397,300)	(1,397,300)
Operating transfers in	-	22,110	-	100,000	-	122,110
Operating transfers (out)	<u>(122,110)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,110)</u>
Total other sources (uses)	<u>(122,110)</u>	<u>22,110</u>	<u>-</u>	<u>454,000</u>	<u>24,851</u>	<u>378,851</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>369,813</u>	<u>-</u>	<u>2,769</u>	<u>(536,914)</u>	<u>24,851</u>	<u>(139,481)</u>
FUND BALANCE - beginning of year	<u>4,508,381</u>	<u>-</u>	<u>(1)</u>	<u>459,434</u>	<u>41,767</u>	<u>5,009,581</u>
FUND BALANCE - end of year	<u>\$ 4,878,194</u>	<u>\$ -</u>	<u>\$ 2,768</u>	<u>\$ (77,480)</u>	<u>\$ 66,618</u>	<u>\$ 4,870,100</u>

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

Net change in fund balance - Total governmental funds	\$ (139,481)
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net assets	1,175,793
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(838,208)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(1,089,450)
Proceeds from issuance of debt is not recognized as revenue in the statement of activities	(1,644,000)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net assets	3,146,800
Proceeds of bonds premium are recorded as other sources in the governmental funds, but are recorded as additions of liabilities in the statement of net position	(126,665)
State aid revenue in the statement of activities is recognized as revenue in the government-wide statements, but is not recognized as revenue under the modified accrual basis of accounting in the fund financial statements	118,241
Other postemployment benefits liability are not due and payable in the current period and are, therefore not reported in the funds	(12,880,173)
Accrued compensated absences do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds	(14,713)
Accrued interest expense does not require the expenditure of current resources and is, therefore, not reported as an expenditure in the governmental funds	<u>(13,833)</u>
Change in net position - Governmental activities	<u>\$ (12,305,689)</u>

The accompanying notes are an integral part of these statements.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020**

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

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

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

1. NATURE OF OPERATIONS

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

The Middleburgh Central School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as Chief Fiscal Officer and the Superintendent is the Chief Executive Officer. The Board of Education has authority to make decisions, power to appoint management and accountability for all fiscal matters.

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

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

Extraclassroom Activity Funds

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Venture

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

BOCES are organized under §1950 of the New York State Education Law. A BOCES board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES board as a corporation (§1950(6)).

In addition, BOCES boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

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

Basis of Presentation

The School District's financial statements consist of School District-wide financial statements, including a statement of net position and a statement of activities, and fund level financial statements which provide more detailed information.

Government-Wide Statements

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

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

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

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

Special Aid Fund: These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, school lunch operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties. The School District uses two special revenue type funds – special aid and school lunch.

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

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

Debt Service Fund: This fund accounts for the accumulation of resources and payment of principal and interest on long-term general obligation debt of the governmental activities.

Fiduciary Fund Types

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types (Continued)

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

There are two classes of fiduciary funds:

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

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

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

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

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

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

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

The School District participates in the New York Cooperative Liquid Assets Securities System (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2020, the School District held \$2,395,024 in investments consisting of various investments in securities issued by the United States and its agencies. NYCLASS is rated 'AAAm' by S&P Global Ratings. The investments are highly liquid and the amount held represents the amortized cost of the investment pool shares, which are considered to approximate fair value. Due to the highly liquid nature of these investments, they are classified as cash equivalents in the financial statements. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

Restricted Cash

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

Property Taxes

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

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

Accounts Receivable

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Interfund Transactions

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

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

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

Capital Assets

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

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

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

Deferred Outflows and Inflows of Resources

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

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (Continued)

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

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

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

Vested Employee Benefits

Compensated absences:

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

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

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

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

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

Other benefits:

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

Other Postemployment Benefits

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-Term Debt

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

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

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

Encumbrances

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

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

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the School District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

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

Restricted Resources

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

Equity Classifications

School District-Wide Statements

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

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

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

Restricted net position consist of the following:

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

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

Governmental Fund Statements

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

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form legally or contractually are required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund.

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

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

Capital

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

Repair

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

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

Unemployment Insurance

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

Tax Reduction

Reserve for tax reduction (Education Law §1604(36) and §1709(37)) is used for the gradual use of the proceeds of the sale of School District real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the School District is permitted to retain the proceeds of the sale for a period not to exceed ten years, and to use them during that period for tax reduction. The reserve is accounted for in the general fund under restricted fund balance.

Debt Service

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

Insurance

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

Liability Claims and Property Loss

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

Tax Certiorari

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

Insurance Recoveries

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

Employee Benefit Accrued Liability

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

Encumbrances

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

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2020.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. As of June 30, 2020, the School District's encumbrances were classified as follows:

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Statements (Continued)

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

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

Order of Fund Balance Spending Policy

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

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

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

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

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

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

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

Long-Term Revenue and Expense Differences

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

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

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

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

Pension Differences

Pension differences occur as a result of changes in the School District's proportion of the collective net pension asset/liability and differences between the School District's contributions and its proportionate share of the total contributions to the pension systems.

OPEB Differences

OPEB differences occur as a result of changes in the School District's total OPEB liability and differences between the School District's contributions and OPEB expense.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

Appropriations are adopted at the program line item level.

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

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets (Continued)

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

Fund Balance

The School District's unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the School District's budget for the upcoming school year. The School District plans to address this issue by reducing future tax levies and financing capital project debt service payments.

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

Fund Deficit

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

5. CASH

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

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

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

5. CASH (Continued)

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

General fund:

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

Fiduciary funds:

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

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

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

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

7. CAPITAL ASSETS

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

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

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

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

8. SHORT-TERM DEBT

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

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

9. LONG-TERM DEBT

Interest on all debt for the year was composed of:

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

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

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

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

9. LONG-TERM DEBT (Continued)

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

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

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

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

10. INTERFUND BALANCES AND ACTIVITY

The following is a summary of interfund activity:

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

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

11. PENSION PLANS

New York State Employee Retirement System

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

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

Contributions

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27th, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

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

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

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

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

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

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

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

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

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

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

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

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

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

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

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

Plan's Year Ended March 31:

2021	\$ 171,210
2022	255,884
2023	329,228
2024	<u>264,903</u>
	<u>\$ 1,021,225</u>

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

Actuarial Assumptions

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

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	4.2 percent indexed by service
Cost of living adjustments	1.30%
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2018
Investment Rate of Return	6.80% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic Equity	36.0%	4.05%
International Equity	14.0%	6.15%
Private Equity	10.0%	6.75%
Real Estate	10.0%	4.95%
Absolute Return Strategies	2.0%	3.25%
Opportunistic Portfolio	3.0%	4.65%
Real Asset	3.0%	5.95%
Bonds & Mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation-Indexed Bonds	4.0%	0.50%
	<u>100.0%</u>	

11. PENSION PLANS (Continued)

New York State Employee Retirement System (Continued)

Discount Rate

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

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (5.8%) or 1 percent higher (7.8%) than the current rate:

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

Pension Plan Fiduciary Net Position

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

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

New York State Teachers Retirement System

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

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Contributions

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

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

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

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

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

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

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

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

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

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

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

Plan's Year Ended June 30:

2020	\$	537,843
2021		82,186
2022		536,080
2023		371,133
2024		78,359
Thereafter		1,602
	\$	<u>1,607,203</u>

Actuarial Assumptions

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

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

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

Projected COLAs	1.3% compounded annually
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale MP-2018, applied on a generational basis. Active member mortality rates are based on plan member experience.

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

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2019 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2019 was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from School Districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the School Districts calculated using the discount rate of 7.10 percent, as well as what the School Districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

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

11. PENSION PLANS (Continued)

New York State Teachers Retirement System (Continued)

Pension Plan Fiduciary Net Position

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

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

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

The plan is a single-employer defined benefit OPEB plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

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

Total OPEB Liability

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

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

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

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

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

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

Changes in the Total OPEB Liability

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

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.40%) or 1 percentage point higher (6.40%) than the current healthcare cost trend rate:

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

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

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

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

13. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

Self-Insured Pharmacy

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

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

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

Risks of Losses of Unemployment and Worker's Compensation

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

The activity for the unemployment insurance reserve for the year ended June 30, 2020, is as follows:

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

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

14. CONTINGENCIES AND COMMITMENTS

Other Contingencies

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

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

15. COVID-19 PANDEMIC

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

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

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

REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

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

(Continued)

See independent auditor's report.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

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

See independent auditor's report.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

				Last 10 Fiscal Years (Dollar amounts displayed in thousands)						
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	\$ 1,355,014	\$ 1,167,442	\$ 1,229,622							
Interest	1,808,501	1,893,617	1,898,289							
Changes of benefit terms	133,723	-	-							
Differences between expected and actual experience	32,129,703	-	-							
Changes in assumptions	28,451,151	3,306,320	(2,577,004)							
Benefit payments	(2,657,181)	(5,238,781)	(3,217,965)							
Total change in total OPEB liability	61,220,911	1,128,598	(2,667,058)							
Total OPEB liability - beginning	51,486,361	50,357,763	53,024,821							
Total OPEB liability - ending	\$ 112,707,272	\$ 51,486,361	\$ 50,357,763							
 Covered-employee payroll	 \$ 8,534,798	 \$ 8,363,249	 \$ 8,507,795							
 Total OPEB liability as a percentage of covered-employee payroll	 1320.6%	 615.6%	 591.9%							

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

Notes to schedule:

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

Discount rate	2.21%	3.51%	3.58%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

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

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

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Proportion of the net pension liability (asset)	0.0068084%	0.0072464%	0.0074866%	0.0076456%	0.0075228%	0.0080258%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.			
Proportionate share of the net pension liability (asset)	\$ 1,802.9	\$ 513.4	\$ 241.6	\$ 718.4	\$ 1,207.4	\$ 271.1				
Covered-employee payroll	\$ 1,904.6	\$ 1,906.5	\$ 1,989.2	\$ 2,018.0	\$ 1,870.5	\$ 1,954.5				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	94.7%	26.9%	12.1%	35.6%	64.6%	13.9%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.4%	96.3%	86.4%	94.7%	90.7%	97.9%				

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Proportion of the net pension liability (asset)	0.0413940%	0.0446650%	0.0449910%	0.0454070%	0.0479410%	0.0479410%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.			
Proportionate share of the net pension liability (asset)	\$ (1,075.4)	\$ (807.7)	\$ (342.0)	\$ 486.3	\$ (4,750.3)	\$ (5,430.4)				
Covered-employee payroll	\$ 7,064.3	\$ 6,909.2	\$ 6,301.6	\$ 7,006.7	\$ 6,869.9	\$ 7,081.7				
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-15.2%	-11.7%	-5.4%	6.9%	-69.1%	-76.7%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.2%	101.5%	102.2%	99.0%	110.5%	111.5%				

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

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

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

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

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

OTHER INFORMATION (UNAUDITED)

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2020

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

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

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance	Methods of Financing					Fund Balance June 30, 2020
			Prior Years	Current Year	Total		Proceeds of Obligations	Federal Aid	State Aid	Local Sources	Total	
Capital project #1: Misc Prior Year Projects	\$ 215,524	\$ 621,306	\$ 678,946	\$ 100,000	\$ 778,946	\$ (157,640)	\$ 215,524	\$ -	\$ 355,599	\$ 182,315	\$ 753,438	\$ (25,508)
Capital project #2: Reconstruction/Additions Project	4,123,271	4,123,271	4,070,758	-	4,070,758	52,513	3,376,959	-	733,328	125,000	4,235,287	164,529
Capital project #3: Bus Purchase	932,900	932,900	856,256	356,842	1,213,098	(280,198)	1,220,452	-	-	-	1,220,452	7,354
Capital project #4: Flood remediation	2,724,931	2,743,391	2,743,391	-	2,743,391	-	-	1,810,371	910,807	455,318	3,176,496	433,105
Capital project #5: Reconstruction	15,000,000	15,000,000	317,992	527,723	845,715	14,154,285	-	-	-	200,000	200,000	(645,715)
Capital project #6: Smart Schools Bond Act	<u>922,936</u>	<u>922,936</u>	<u>-</u>	<u>11,245</u>	<u>11,245</u>	<u>911,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(11,245)
Totals	<u>\$ 23,919,562</u>	<u>\$ 24,343,804</u>	<u>\$ 8,667,343</u>	<u>\$ 995,810</u>	<u>\$ 9,663,153</u>	<u>\$ 14,680,651</u>	<u>\$ 4,812,935</u>	<u>\$ 1,810,371</u>	<u>\$ 1,999,734</u>	<u>\$ 962,633</u>	<u>\$ 9,585,673</u>	<u>\$ (77,480)</u>

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

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

REQUIRED REPORT

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

October 15, 2020

To the Board of Education of
Middleburgh Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Middleburgh Central School District (School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 15, 2020

Internal Control over Financial Reporting

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

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

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

(Continued)

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

School District's Response to Finding

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

Purpose of this Report

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

Section I—Summary of Auditors' Results

Financial Statements

Type of independent auditor's report issued (GAAP)

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

___ Yes X None reported

Noncompliance material to financial statements noted?

X Yes ___ No

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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

Section II—Financial Statement Findings

Finding #2020-001 – Stewardship and Compliance

Criteria

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

Condition

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

Questioned Costs

None

Cause and Effect

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

Recommendation

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

Response/Corrective Action Plan

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