

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 tax 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 be designated or deemed designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.



\$1,141,341
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
ALBANY AND SCHOHARIE COUNTIES, NEW YORK
GENERAL OBLIGATIONS

\$1,141,341 Bond Anticipation Notes, 2022
(the "Notes")

Dated: July 14, 2022

Due: July 14, 2023

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, the Notes will be issued as registered notes payable to the purchaser 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, a single note certificate will be issued for the Notes.

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 July 14, 2022.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on June 29, 2022 by no later than 10:30 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 __, 2022

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

2021-2022 BOARD OF EDUCATION

PAMELA STANDHART

President



BECKY BINDER

Vice President

DEBRA A. BECHTOLD

VICKI HOERZ

SCOTT VANKUREN

* * * * *

BRIAN P. DUNN⁽¹⁾

Superintendent of Schools

FRANCIS RIELLY

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

⁽¹⁾ As of July 1, 2022, Jeff Zeigler will be Interim Superintendent of Schools.

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



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OFFICIAL STATEMENT
of the
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
ALBANY AND SCHOHARIE COUNTIES, NEW YORK
Relating To
\$1,141,341 Bond Anticipation Notes, 2022

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 \$1,141,341 principal amount of Bond Anticipation Notes, 2022 (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 are general obligations of the District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2: Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "TAX LEVY LIMITATION LAW" herein.

The Notes are dated July 14, 2022 and mature, without option of prior redemption, on July 14, 2023. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued at the option of the purchaser in either (i) registered form registered in the name of the purchaser, with a single note certificate issued for the Notes, and the School District will act as paying agent; or (ii) 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 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, and various bond resolutions adopted by the Board of Education authorizing the issuance of bonds for the acquisition of school buses.

The Notes are being issued, along with \$346,300 available funds of the District, to partially redeem and renew the \$1,159,100 bond anticipation notes maturing July 15, 2022 and provide \$328,541 of new money for the purchase of school buses.

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, except for one necessary odd denomination which is or includes \$6,341. 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. The apartment units are still in the construction process however the District currently has a PILOT agreement.

Source: District officials.

Population

The current estimated population of the District is 6,036. (Source: 2020 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, are 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>2016-2020</u>	<u>2000</u>	<u>2006-2010</u>	<u>2016-2020</u>
Towns of:						
Berne	\$ 22,095	\$ 28,780	\$ 36,542	\$ 55,685	\$ 71,680	\$ 79,423
Rensselaerville	20,921	27,708	43,318	51,607	69,177	110,859
Blenheim	20,993	20,865	24,944	44,821	53,393	54,583
Broome	16,383	29,244	32,962	40,167	55,357	73,333
Cobleskill	17,246	22,269	29,808	46,875	71,000	69,020
Conesville	16,236	27,031	31,681	37,344	60,000	70,417
Fulton	13,565	20,881	32,027	39,167	54,268	62,222
Middleburgh	17,560	25,353	40,689	42,056	64,458	64,739
Schoharie	19,676	30,258	27,552	50,000	69,107	72,557
Summit	16,778	24,643	31,978	40,139	52,500	74,840
Wright	19,711	28,375	34,698	46,667	72,969	81,319
County of:						
Schoharie	17,778	25,105	32,352	43,118	61,828	71,211
Albany	23,345	30,863	38,592	56,724	76,159	95,923
State of						
New York	23,389	30,948	40,898	51,691	67,405	87,270

Note: 2017-2021 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 2016-2020 American Community Survey data.

Larger Employers

<u>Name</u>	<u>Type</u>	<u>Number Employed</u>
Middleburgh Central School District	School District	155
Middleburgh Telephone Company	Utility	35
Valley Market	Grocery Store	31
Carver Sand and Gravel	Construction Materials	25
Shaul Farms	Farm	25

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Albany County	4.3%	4.1%	4.2%	3.7%	3.5%	6.9%	4.4%
Schoharie County	5.8%	5.4%	5.5%	4.8%	4.5%	6.8%	4.5%
New York State	5.3%	4.9%	4.7%	4.1%	3.8%	9.9%	6.9%

	<u>2022 Monthly Figures</u>					
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
Albany County	3.3%	3.5%	3.3%	2.7%	N/A	N/A
Schoharie County	4.2%	4.6%	4.2%	3.0%	N/A	N/A
New York State	5.3%	5.1%	4.7%	4.2%	N/A	N/A

Note: Unemployment rates for May and June 2022 are unavailable as of the date of this Official Statement.

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 a detailed statement of estimated sums necessary for the various expenditures of the District for the ensuing fiscal year (tentative budget) and distributes that statement not less than fourteen days prior to the date on which the District's annual meeting is conducted, at which time such tentative budget is voted upon. Notice of the annual meeting is published as required by statute with a first publication not less than forty-five days prior to the day of such meeting. If the qualified voters at the annual meeting approve the tentative budget, the Board of Education, by resolution, adopts it as the budget of the District for the ensuing fiscal year.

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 "Tax Cap") plus exclusions, then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the District to exceed the Tax Cap also 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 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 remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for no total tax levy increase, which was below the District tax levy limit of 1.76%.

The budget for the 2022-23 fiscal year was approved by the qualified voters on May 17, 2022 by a vote of 233 to 120. The District’s adopted budget for the 2022-23 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a 0.50% tax levy increase, which is below the District tax levy limit of 2.31%.

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 2022-2023 fiscal year, approximately 54.03% 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 District expects to receive \$1,965,621 in American Rescue Plan funding and \$602,674 in Coronavirus Response and Relief Supplemental Appropriations Act funding.

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.

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 2022-2023 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 State 2016-17 Enacted 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.

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 approximately \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State’s 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflected then 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.

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 included the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which included, 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 were allocated to expand full-day kindergarten programs. Under the budget, school districts were 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 also received full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding, and full restoration of \$10.3 million in proposed Video Lottery Terminal (VLT) aid cuts, where applicable.

School district fiscal year (2022-2023): The State's 2022-23 Enacted Budget provides \$31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of \$2.1 billion or 7.2 percent compared to the 2021-22 school year and includes a \$1.5 billion or 7.7 percent Foundation Aid increase. The State's 2022-23 Enacted Budget also programs \$14 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2022-23 Enacted Budget allocates \$100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State's 2022-23 Enacted Budget increases federal funds by \$125 million to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2022-23 school year.

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. On October 14, 2021 Governor Kathy Hochul announced that New York State has reached an agreement to settle and discontinue the *New Yorkers for Students' Educational Rights v. New York State* case, following through on the State's commitment to fully fund the current Foundation Aid formula to New York's school districts over three years and ending the State's prior opposition to providing this much-needed funding to our students. The litigation, which has been ongoing since 2014, sought to require New York State to fully fund the Foundation Aid formula that was put into place following the historic *Campaign for Fiscal Equity* cases, and had been previously opposed by the State. Foundation Aid was

created in 2007, and takes school district wealth and student need into account to create an equitable distribution of state funding to schools. However, New York State has never fully funded Foundation Aid. The new settlement requires New York State to phase-in full funding of Foundation Aid by the FY 2024 budget. In the FY 2022 Enacted State Budget approved in April, the Executive and Legislature agreed to fully fund Foundation Aid by the FY 2024 budget and enshrined this commitment into law. A breakdown of currently anticipated Foundation Aid funding is available below:

- FY 2022: \$19.8 billion, covering 30% of the existing shortfall
- FY 2023: Approximately \$21.3 billion, covering 50% of the anticipated shortfall
- FY 2024: Approximately \$23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school districts

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 2021-2022 and 2022-2023 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>
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	22,495,587	11,968,683	53.21
2021-2022 (Budgeted)	22,557,137	12,120,291	53.73
2022-2023 (Budgeted)	22,889,292	12,367,547	54.03

Source: Audited financial statements for the 2016-2017 fiscal year through and including the 2020-2021 fiscal year, and the budgets of the District for the 2021-2022 and 2022-2023 fiscal years. This table is not audited.

Enrollment Trends

<u>School Year</u>	<u>Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2017-18	710	2022-23	660
2018-19	675	2023-24	660
2019-20	662	2024-25	650
2020-21	651 ⁽¹⁾	2025-26	650
2021-22	658	2026-27	650

⁽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 149 full time and 8 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	68	NYSUT
Middleburgh Central School Administrators' Association	07/01/19-6/30/23	3	MCAA
Middleburgh Central School Managerial Confidential	07/01/21-06/30/24	4	MCAA

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 2021-2022 and 2022-2023 fiscal years are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
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	293,721	632,890
2021-2022 (Budgeted)	330,000	760,000
2022-2023 (Budgeted)	250,000	830,000

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 savings of approximately \$150,000-\$200,000 as a result. The District did not offer a retirement incentive in the 2019-2020 through 2021-2022 fiscal year and does not reasonably expect to in the 2022-2023 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 (2017-18 to 2022-23) is shown below:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2017-18	15.3%	9.80%
2018-19	14.9	10.62
2019-20	14.6	8.86
2020-21	14.6	9.53
2022-23	11.6	10.29*

*Estimated.

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. As of June 30, 2021, the District contributed \$275,670 to the 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 table on the following page outlines the changes to the Total OPEB Liability during the fiscal years ending June 30, 2020 and June 30, 2021, by source.

Fiscal Year Ending June 30:	<u>2020</u>	<u>2021</u>
Balance Beginning of Fiscal Year:	\$ 51,486,361	\$ 112,707,272
<u>Changes for the year:</u>		
Service cost	\$ 1,355,014	\$ 3,029,018
Interest	1,808,501	2,527,061
Differences between expected and actual experience	32,129,706	6,681
Changes of benefit terms	133,723	0
Changes in assumptions	28,451,151	983,229
Benefit payments	<u>(2,567,181)</u>	<u>(2,794,542)</u>
Net Changes	<u>\$ 61,220,911</u>	<u>\$ 3,751,447</u>
Balance at End of Fiscal Year:	<u>\$ 112,707,272</u>	<u>\$ 116,458,719</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 renewal portion of the Notes as provided in Title 6 of Article 2 of the Local Finance Law. The District is in the process of complying with the procedure for the publication of the estoppel notice with respect to the new money portion of 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, 2021 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>
2021	No Designation	0.0%
2020	No Designation	0.0%
2019	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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Towns of:					
Berne	\$ 9,212,634	\$ 9,316,265	\$ 9,290,965	\$ 9,324,529	\$ 9,392,286
Rensselaerville	45,587,752	45,827,237	45,793,420	46,000,661	46,102,481
Blenheim	3,209,999	3,197,048	3,178,497	3,203,643	3,263,442
Broome	83,358,958	83,540,479	87,655,566	88,444,835	89,029,048
Cobleskill	152,383	152,334	152,398	152,420	152,502
Conesville	3,768,236	3,767,133	3,976,084	3,979,385	3,940,389
Fulton	63,958,664	63,555,110	64,081,193	64,233,410	64,807,840
Middleburgh	119,940,073	120,165,291	122,274,425	124,290,995	126,232,273
Schoharie	173,210	188,156	188,141	188,210	188,203
Summit	1,607,172	1,606,828	1,628,147	1,623,542	1,662,579
Wright	<u>21,692</u>	<u>21,683</u>	<u>21,672</u>	<u>21,644</u>	<u>21,663</u>
Totals	\$ 330,990,773	\$ 331,337,564	\$ 338,240,507	\$ 341,463,274	\$ 344,883,706

New York State Equalization Rates

Towns of:					
Berne	64.00%	63.00%	59.00%	54.00%	54.00%
Rensselaerville	61.85%	60.00%	57.00%	56.20%	55.20%
Blenheim	80.00%	72.29%	75.00%	74.00%	71.00%
Broome	100.00%	100.00%	100.00%	100.00%	100.00%
Cobleskill	76.50%	81.00%	81.00%	78.50%	72.00%
Conesville	100.00%	99.00%	100.00%	100.00%	100.00%
Fulton	68.00%	65.00%	62.00%	62.00%	59.00%
Middleburgh	70.00%	70.00%	67.75%	65.75%	63.15%
Schoharie	97.00%	96.75%	95.75%	92.40%	88.00%
Summit	63.50%	61.00%	61.00%	61.00%	58.00%
Wright	80.00%	78.00%	76.00%	73.00%	70.00%
Total Full Valuation	\$ 447,577,064	\$ 455,420,926	\$ 478,874,242	\$ 491,599,881	\$ 511,681,732

Tax Rates Per \$1,000 (Assessed)

<u>Years Ending June 30:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Towns of:					
Berne	\$ 33.66	\$ 34.35	\$ 35.24	\$ 37.86	\$ 36.41
Rensselaerville	34.92	36.07	36.47	36.38	35.58
Blenheim	27.00	29.94	27.60	27.63	27.69
Broome	21.59	21.64	20.79	20.44	19.65
Cobleskill	28.24	26.72	25.67	26.04	27.30
Conesville	21.60	21.86	20.79	20.44	19.66
Fulton	31.75	33.29	33.55	32.97	33.32
Middleburgh	30.84	30.90	30.67	31.13	31.13
Schoharie	22.27	22.37	21.71	22.12	22.34
Summit	34.02	35.48	34.08	33.51	33.89
Wright	27.00	27.74	27.35	28.01	28.08

Tax Levy and Collection Record

<u>Years Ending June 30:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Tax Levy	\$ 9,663,692	\$ 9,855,827	\$ 9,954,385	\$10,053,929	\$10,053,929
Amount Uncollected ⁽¹⁾	1,257,345	1,228,519	1,179,897	1,162,246	1,102,350
% Uncollected	13.01%	12.46%	11.85%	11.56%	10.96%

⁽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 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. Tax sales are held annually by said Counties.

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 2021-2022 and 2022-2023 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>
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	22,495,587	10,094,210	44.87
2021-2022 (Budgeted)	22,557,137	10,061,846	44.61
2022-2023 (Budgeted)	22,889,292	10,183,745	44.49

Source: Audited financial statements for the 2016-2017 fiscal year through and including the 2020-2021 fiscal year, and the budgets of the District for the 2021-2022 and 2022-2023 fiscal years. This table is not audited.

Larger Taxpayers – 2021 Assessment Roll for 2021-2022 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
State of New York	State Land	\$ 15,301,374
Niagara Mohawk Power Corp	Utility	6,752,093
Middleburgh Telephone Company	Utility	2,881,719
Meadows MHC LLC	Mobile Home	2,529,970
New York State Lands	State Land	1,958,679
Shaul Farms Inc.	Farm	1,218,539
Time Warner of Albany	Utility	1,074,502
Cliff Side Apartments	Housing	1,043,000
Stewarts Shops Corp	Market-Grocery	949,571
Central Hudson Gas & Electric	Utility	931,453

The larger taxpayers listed above have a total estimated full valuation of \$34,640,900 which represents 10.05% of the tax base of the School District.

As of the date of this Official Statement, the District currently does not reasonably believe that there are any pending or outstanding tax certioraris that, if decided adversely to the District, 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.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities (“STAR Adjusted Gross Income”) of \$88,050 or less for 2020 benefits and \$90,550 or less for 2021 benefits, increased annually according to a Cost-of-Living adjustment, are eligible for an “enhanced” exemption. Other homeowners with household STAR Adjusted Gross income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a “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 makes 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 has been 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 2020-21 State Budget further modified the STAR program. Under such legislation, property owners with property tax delinquencies greater than one year are not eligible for the Basic STAR exemption or the Basic STAR credit. Recipients of the Enhanced STAR exemption and credits are not impacted by this program; they may continue to receive their STAR benefits even if their property taxes are delinquent. While various Executive Orders were issued in response to the COVID-19 pandemic that temporarily precluded the State Tax Department from disallowing STAR exemptions or credits, the most recent of such Executive Orders expired on July 5, 2021.

The 2022-23 Enacted Budget provides \$2.2 billion in State funding for a new property tax relief credit, the Homeowner Tax Rebate Credit, for eligible low- and middle-income households, as well as eligible senior households. Under this program, basic STAR exemption and credit beneficiaries with incomes below \$250,000 and Enhanced STAR recipients are eligible for the property tax rebate where the benefit is a percentage of the homeowners’ existing STAR benefit.

The below table lists the basic and enhanced exemption amounts that will apply to the 2022-23 school district tax roll for the municipalities applicable to the District:

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Berne	\$ 40,450	\$ 16,200	4/7/2022
Rensselaerville	41,340	16,560	4/7/2022
Blenheim	53,180	21,300	4/7/2022
Broome	74,900	30,000	4/7/2022
Cobleskill	53,930	21,600	4/7/2022
Conesville	74,900	30,000	4/7/2022
Fulton	44,190	17,700	4/7/2022
Middleburgh	47,300	18,950	4/7/2022
Schoharie	65,910	26,400	4/7/2022
Summit	43,440	17,400	4/7/2022
Wright	52,430	21,000	4/7/2022

\$1,079,609 of the District’s \$10,061,846 school tax levy for 2021-2022 was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2022.

A similar amount of the District’s \$10,104,199 school tax levy for 2022-2023 is expected to be exempt by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State in January, 2023.

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.

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

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

Statutory Procedure

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

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

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

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

- (1) Such obligations are authorized for a purpose for which the District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations

and an action contesting such validity is commenced within twenty days after the date of such publication or,

- (3) Such obligations are authorized in violation of the provisions of the Constitution.

It is a procedure that is recommended by bond counsel but is not legally required.

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

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

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30th:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Bonds	\$ 7,055,000	\$ 5,655,000	\$ 4,200,000	\$ 2,640,000	\$ 1,040,000
Bond Anticipation Notes	790,500	818,900	875,700	2,132,900	25,753,300
Revenue Anticipation Notes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$ 7,845,500</u>	<u>\$ 6,473,900</u>	<u>\$ 5,075,700</u>	<u>\$ 4,772,900</u>	<u>\$ 26,793,300</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District as of June 21, 2022:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2022-2037	\$ 14,110,000 ⁽¹⁾
<u>Bond Anticipation Notes</u>		
Capital Project	June 28, 2022	\$ 14,770,000 ⁽¹⁾
Purchase of Buses	July 15, 2022	491,000 ⁽²⁾
Purchase of Buses	July 15, 2022	<u>668,100 ⁽²⁾</u>
Total Indebtedness		<u>\$ 30,039,100</u>

⁽¹⁾ On June 15, 2022, the District closed on \$13,320,000 serial bonds issued through the Dormitory Authority of the State of New York ("DASNY") which, along with \$495,000 available funds of the District, will be used to partially redeem and permanently finance the bond anticipation notes maturing June 28, 2022.

⁽²⁾ To be partially redeemed and renewed at maturity with the proceeds of the Notes and \$346,300 available funds of the District.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 21, 2022:

Full Valuation of Taxable Real Property	\$ 511,537,789
Debt Limit 10% thereof	51,153,779

Inclusions:

Bonds.....	\$ 14,110,000
Bond Anticipation Notes ⁽¹⁾	15,116,300
Principal of this Issue	<u>1,141,341</u>
Total Inclusions	<u>\$ 30,367,641</u>

Exclusions:

State Building Aid ⁽²⁾	\$ <u>0</u>
Total Exclusions	<u>\$ 0</u>

Total Net Indebtedness\$ 30,367,641

Net Debt-Contracting Margin.....\$ 20,786,138

The percent of debt contracting power exhausted is 59.37%

⁽¹⁾ On June 15, 2022, the District closed on \$13,320,000 serial bonds issued through the Dormitory Authority of the State of New York ("DASNY") which, along with \$495,000 available funds of the District, will be used to partially redeem and permanently finance the bond anticipation notes maturing June 28, 2022.

⁽²⁾ Based on preliminary 2022-2023 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 was completed 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 the \$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. The District issued \$14,770,000 bond anticipation notes on June 28, 2021, the proceeds of which, along with \$30,000 available funds of the District, partially redeemed and renewed the \$10,000,000 bond anticipation notes that matured on June 29, 2021 and the \$1,200,000 bond anticipation notes that matured on July 16, 2021 and provided \$3,600,000 new money for the aforementioned purpose. On June 15, 2022, the District closed on \$13,320,000 serial bonds through DASNY which, along with \$495,000 available funds of the District, permanently financed this project.

The District issues bond anticipation notes annually for the purchase of school buses. On May 17, 2022 the District voters the approved the issuance of \$328,541 of obligations to finance the purchase of school buses. The Notes are being issued to finance and refinance the purchase of school buses.

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

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	12/31/2020	\$ 341,000,000	\$ 40,000,000	\$ 301,000,000	0.35%	\$ 1,053,500
Schoharie	12/31/2020	34,430,531	840,531	33,590,000	16.31%	5,478,529
Town of:						
Berne	12/31/2020	931,858	-	931,858	5.49%	51,159
Blenheim	12/31/2020	198,681	-	198,681	9.11%	18,100
Broome	12/31/2020	65,000	-	65,000	84.51%	54,932
Cobleskill	12/31/2020	1,599,085	907,500	691,585	0.06%	415
Conesville	12/31/2020	-	-	-	3.68%	-
Fulton	12/31/2020	-	-	-	85.60%	-
Middleburgh	12/31/2020	165,265	-	165,265	90.14%	148,970
Rensselaerville	12/31/2020	522,843	23,500	499,343	33.22%	165,882
Schoharie	12/31/2020	108,001	-	108,001	0.11%	119
Summit	12/31/2020	-	-	-	2.48%	-
Wright	12/31/2020	137,611	-	137,611	0.03%	41
Village of:						
Middleburgh	5/31/2021	1,993,415	1,118,849	874,566	100.00%	874,566
					Total:	<u>\$ 7,846,212</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 2020 for counties and towns and for fiscal year ending 2021 for villages. (Most recent available).

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 21, 2022:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 30,367,641	\$ 5,031.09	5.94%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	38,213,853	6,330.99	7.47

(a) The 2019 estimated population of the District is 6,036. (See "THE SCHOOL DISTRICT - Population" herein.)

(b) The District's full value of taxable real estate for 2021-2022 is \$511,537,789. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

(c) See "Debt Statement Summary" herein.

(d) Estimated net overlapping indebtedness is \$7,846,212. (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. COVID-19, a respiratory disease caused by a new strain of coronavirus, spread globally, including to the United States, and was declared a pandemic by the World Health Organization. The outbreak of the disease affected travel, commerce and financial markets globally and was widely expected to affect economic growth worldwide. The current outbreak caused the Federal government to declare a national state of emergency. The State also declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Schools and non-essential businesses have since reopened and efforts to contain the spread of COVID-19 have reduced the spread of the virus and the restrictions put in place following the initial outbreak have been relaxed. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the State to address the pandemic 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 taxes 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 Noteholder's federal, state and local tax liability may otherwise be affected by the ownership or disposition of the Notes. The nature and extent of these other consequences will depend upon the Noteholder'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 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. The District is currently subject of a Child Victim Act claim, the outcome of which is not available as of the date of this Official Statement.

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: Francis Rielly, 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: francis.rielly@mcsdny.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 ____, 2022

**PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER**

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 4,243,509	\$ 4,387,124	\$ 4,769,779	\$ 3,749,262	\$ 4,019,322
Restricted Cash	146,229	146,258	146,288	1,523,738	2,110,536
Investments in Securities	-	-	-	-	395,772
Other Receivable	74,935	90,657	12,300	1,696	-
Accounts Receivable	-	-	-	-	474
Due from Federal and State Governments	432,746	567,374	664,475	591,204	801,245
Due from Other Funds	9,394,816	11,056,608	389,740	654,869	3,416,985
Due from Other Governments	-	-	-	-	-
Prepaid Expenditures	-	-	2,180	1,798	6,649
	<u>-</u>	<u>-</u>	<u>2,180</u>	<u>1,798</u>	<u>6,649</u>
TOTAL ASSETS	<u>\$ 14,292,235</u>	<u>\$ 16,248,021</u>	<u>\$ 5,984,762</u>	<u>\$ 6,522,567</u>	<u>\$ 10,750,983</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable and Accrued Liabilities	\$ 566,688	\$ 727,100	\$ 646,395	\$ 327,946	\$ 377,635
Due to Other Funds	8,580,318	10,556,849	-	477,770	3,220,008
Due to Other Governments	-	-	-	2,501	19,374
Notes Payable	-	-	-	-	-
Due to Teachers' Retirement System	856,926	736,510	756,785	649,181	668,199
Due to Employees' Retirement System	76,421	73,961	73,201	68,734	83,344
Other Liabilities	-	-	-	-	80,324
Deferred Revenues	37,877	-	-	118,241	62,418
Compensated Absences	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 10,118,230</u>	<u>\$ 12,094,420</u>	<u>\$ 1,476,381</u>	<u>\$ 1,644,373</u>	<u>\$ 4,511,302</u>
<u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 6,649
Restricted	1,083,219	1,448,068	1,379,068	1,523,738	2,034,979
Assigned	682,170	768,010	780,143	832,169	864,483
Unassigned	2,408,616	1,937,523	2,349,170	2,522,287	3,333,570
	<u>4,174,005</u>	<u>4,153,601</u>	<u>4,508,381</u>	<u>4,878,194</u>	<u>6,239,681</u>
TOTAL FUND EQUITY	<u>4,174,005</u>	<u>4,153,601</u>	<u>4,508,381</u>	<u>4,878,194</u>	<u>6,239,681</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 14,292,235</u>	<u>\$ 16,248,021</u>	<u>\$ 5,984,762</u>	<u>\$ 6,522,567</u>	<u>\$ 10,750,983</u>

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
REVENUES					
Real Property Taxes	\$ 8,251,287	\$ 8,381,619	\$ 8,616,475	\$ 8,764,786	\$ 8,923,188
Other Tax Items	1,305,027	1,301,799	1,292,491	1,238,259	1,171,022
Charges for Services	201,180	233,199	134,422	123,906	158,254
Use of Money & Property	1,996	22,629	78,915	47,479	10,626
Sale of Property and Compensation for Loss	-	10,392	4,032	12,774	2,004
Miscellaneous	204,900	170,894	130,315	131,078	109,880
Revenues from State Sources	10,791,697	11,145,267	11,478,229	11,465,523	11,968,683
Revenues from Federal Sources	37,514	87,559	90,044	89,125	151,930
Total Revenues	<u>\$ 20,793,601</u>	<u>\$ 21,353,358</u>	<u>\$ 21,824,923</u>	<u>\$ 21,872,930</u>	<u>\$ 22,495,587</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 20,793,601</u>	<u>\$ 21,353,358</u>	<u>\$ 21,824,923</u>	<u>\$ 21,872,930</u>	<u>\$ 22,495,587</u>
EXPENDITURES					
General Support	\$ 1,840,681	\$ 1,952,143	\$ 1,913,940	\$ 1,940,740	\$ 1,883,821
Instruction	9,373,286	9,721,185	9,523,520	10,067,919	9,716,020
Pupil Transportation	916,853	1,030,863	968,091	1,009,626	1,053,323
Community Services	-	-	-	-	-
Employee Benefits	6,284,715	6,502,099	6,815,310	6,369,241	6,281,977
Debt Service	1,921,505	1,992,471	1,936,211	1,993,481	2,080,777
Total Expenditures	<u>\$ 20,337,040</u>	<u>\$ 21,198,761</u>	<u>\$ 21,157,072</u>	<u>\$ 21,381,007</u>	<u>\$ 21,015,918</u>
Other Uses:					
Interfund Transfers	<u>177,208</u>	<u>175,000</u>	<u>313,071</u>	<u>122,110</u>	<u>118,182</u>
Total Expenditures and Other Uses	<u>\$ 20,514,248</u>	<u>\$ 21,373,761</u>	<u>\$ 21,470,143</u>	<u>\$ 21,503,117</u>	<u>\$ 21,134,100</u>
Excess (Deficit) Revenues Over Expenditures	<u>279,353</u>	<u>(20,403)</u>	<u>354,780</u>	<u>369,813</u>	<u>1,361,487</u>
FUND BALANCE					
Fund Balance - Beginning of Year	3,894,652	4,174,005	4,153,601	4,508,381	4,878,194
Prior Period Adjustments (net)	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,174,005</u>	<u>\$ 4,153,601</u>	<u>\$ 4,508,381</u>	<u>\$ 4,878,194</u>	<u>\$ 6,239,681</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:	2021			2022	2023
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Adopted Budget
<u>REVENUES</u>					
Real Property Taxes	\$ 10,053,929	\$ 10,053,929	\$ 8,923,188	\$ 10,061,846	\$ 10,104,199
Other Tax Items	40,917	40,917	1,171,022	-	79,546
Charges for Services	175,000	175,000	158,254	168,000	145,000
Use of Money & Property	21,000	21,000	10,626	11,000	7,000
Sale of Property and Compensation for Loss	-	-	2,004	-	-
Miscellaneous	120,000	120,000	109,880	136,000	126,000
Revenues from State Sources	11,869,862	11,869,862	11,968,683	12,120,291	12,367,547
Revenues from Federal Sources	60,000	60,000	151,930	60,000	60,000
Total Revenues	<u>\$ 22,340,708</u>	<u>\$ 22,340,708</u>	<u>\$ 22,495,587</u>	<u>\$ 22,557,137</u>	<u>\$ 22,889,292</u>
Other Sources:					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>\$ 22,340,708</u>	<u>\$ 22,340,708</u>	<u>\$ 22,495,587</u>	<u>\$ 22,557,137</u>	<u>\$ 22,889,292</u>
<u>EXPENDITURES</u>					
General Support	\$ 2,033,780	\$ 2,310,080	\$ 1,883,821	\$ 2,075,862	\$ 2,211,800
Instruction	10,826,156	10,799,856	9,716,020	10,655,666	11,327,039
Pupil Transportation	1,211,196	1,236,196	1,053,323	1,264,329	1,371,000
Community Services	-	-	-	-	-
Employee Benefits	6,927,838	6,652,838	6,281,977	6,848,892	6,883,892
Debt Service	2,013,907	2,013,907	2,080,777	1,917,491	1,857,646
Total Expenditures	<u>\$ 23,012,877</u>	<u>\$ 23,012,877</u>	<u>\$ 21,015,918</u>	<u>\$ 22,762,240</u>	<u>\$ 23,651,377</u>
Other Uses:					
Interfund Transfers	<u>160,000</u>	<u>160,000</u>	<u>118,182</u>	<u>160,000</u>	<u>160,000</u>
Total Expenditures and Other Uses	<u>\$ 23,172,877</u>	<u>\$ 23,172,877</u>	<u>\$ 21,134,100</u>	<u>\$ 22,922,240</u>	<u>\$ 23,811,377</u>
Excess (Deficit) Revenues Over Expenditures	<u>(832,169)</u>	<u>(832,169)</u>	<u>1,361,487</u>	<u>(365,103)</u>	<u>(922,085)</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	832,169	832,169	4,878,194	365,103	922,085
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u># \$ -</u>	<u>\$ 6,239,681</u>	<u>\$ -</u>	<u>\$ -</u>

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2022	\$ 250,000	\$ 41,600.00	\$ 291,600.00
2023	665,000	893,700.00	1,558,700.00
2024	960,000	666,850.00	1,626,850.00
2025	1,005,000	621,500.00	1,626,500.00
2026	750,000	574,000.00	1,324,000.00
2027	790,000	536,500.00	1,326,500.00
2028	825,000	497,000.00	1,322,000.00
2029	870,000	455,750.00	1,325,750.00
2030	910,000	412,250.00	1,322,250.00
2031	960,000	366,750.00	1,326,750.00
2032	1,005,000	318,750.00	1,323,750.00
2033	1,055,000	268,500.00	1,323,500.00
2034	1,110,000	215,750.00	1,325,750.00
2035	1,165,000	160,250.00	1,325,250.00
2036	1,220,000	102,000.00	1,322,000.00
2037	820,000	41,000.00	861,000.00
TOTALS	\$ 14,360,000	\$ 6,172,150.00	\$ 20,532,150.00

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2020 Refunding of 2010 Bonds			2022 DASNY Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 250,000	\$ 41,600.00	\$ 291,600.00	\$ -	\$ -	\$ -
2023	250,000	31,600	281,600	415,000	862,100.00	1,277,100.00
2024	265,000	21,600	286,600	695,000	645,250.00	1,340,250.00
2025	275,000	11,000	286,000	730,000	610,500.00	1,340,500.00
2026	-	-	-	750,000	574,000.00	1,324,000.00
2027	-	-	-	790,000	536,500.00	1,326,500.00
2028	-	-	-	825,000	497,000.00	1,322,000.00
2029	-	-	-	870,000	455,750.00	1,325,750.00
2030	-	-	-	910,000	412,250.00	1,322,250.00
2031	-	-	-	960,000	366,750.00	1,326,750.00
2032	-	-	-	1,005,000	318,750.00	1,323,750.00
2033	-	-	-	1,055,000	268,500.00	1,323,500.00
2034	-	-	-	1,110,000	215,750.00	1,325,750.00
2035	-	-	-	1,165,000	160,250.00	1,325,250.00
2036	-	-	-	1,220,000	102,000.00	1,322,000.00
2037	-	-	-	820,000	41,000.00	861,000.00
TOTALS	\$ 1,040,000	\$ 105,800.00	\$1,145,800.00	\$ 13,320,000	\$6,066,350.00	\$ 19,386,350.00

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.

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 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.

Subject to the receipt of a bond counsel opinion, 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, 2021

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	F6

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Middleburgh Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Middleburgh Central School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

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

Opinions

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

Change in Accounting Principle

As described in Note 8 to the financial statements, in 2020/2021, the District adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Correction of an Error

As described in Note 9 to the financial statements, the District discovered an error in the reporting of bond anticipation notes payable and bonds payable, in prior years, which was corrected during the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1 - A12, budgetary comparison information on pages C1 and C2, schedule of changes in total OPEB liability on page C3, schedules of proportionate share of net pension liability (asset) on page C4 and schedules of District contributions on page C5 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 Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middleburgh Central School District's basic financial statements. The supplemental information on pages D1 - D3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

These supplemental schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, on our consideration of the 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 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 District's internal control over financial reporting and compliance.

Marvin and Company, P.C.

Latham, NY

November 1, 2021

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2021. 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 2020-2021 budget was approved by the voters for \$22,803,143 and actual expenditures for the fiscal year were \$21,134,100, equating to a favorable difference of \$1,539,397 net of encumbrances. These results are primarily due to carefully monitoring of expenditures and reduction of cost associated with special education and employee benefits. The favorable difference approximates 7% of the total budget.
- In May 2021, the 2021-2022 budget proposal of \$22,922,240 was voter approved.
- The School District applied \$365,103 of its fund balance to balance the 2021-2022 budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

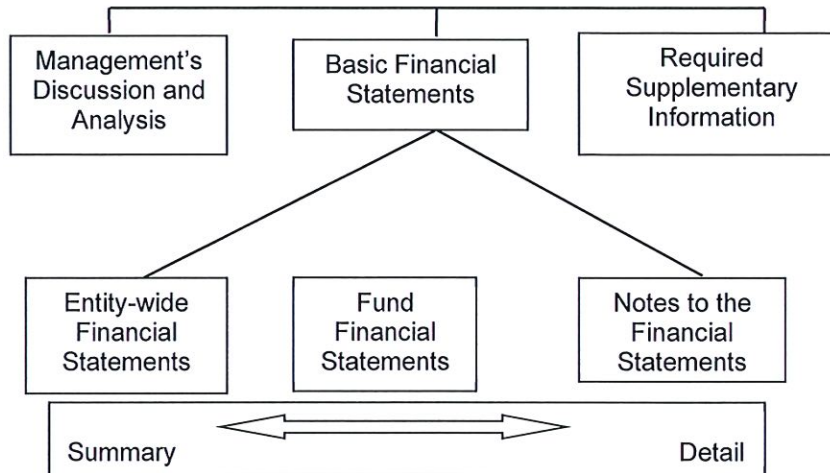
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- 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.
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. 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, 2021 is detailed in Tables A-3 and A-4

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

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>	Percent <u>Change</u>
Current Assets	\$22.6	\$8.5	-166%
Capital Assets, net	\$26.2	\$1.1	-2282%
Pension Asset	\$0.0	\$15.2	100%
Total Assets	<u>\$48.8</u>	<u>\$24.8</u>	<u>-2348%</u>
Deferred Outflows of Resources	\$44.2	\$55.5	-1130%
Total Assets and Deferred Outflows of Resources	<u>\$93.0</u>	<u>\$80.3</u>	<u>-3478%</u>
Current Liabilities	\$27.7	\$5.5	2220%
Long-term liabilities	\$119.1	\$116.6	250%
Total Liabilities	<u>\$146.8</u>	<u>\$122.1</u>	<u>2470%</u>
Deferred Inflows of Resources	\$3.4	\$2.8	60%
Total Liabilities and Deferred Inflows of Resources	<u>\$150.2</u>	<u>\$124.9</u>	<u>2530%</u>
Net Position:			
Investments in Capital Assets, Net of Related Debt	\$12.6	\$10.9	170%
Restricted for Debt, Employee Benefits & Taxes	\$2.4	\$1.6	80%
Unrestricted	(\$72.1)	(\$57.0)	-1510%
Total Net Position	<u>(\$57.1)</u>	<u>(\$44.5)</u>	<u>-1260%</u>

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 2020-2021 revenue was \$24,216,648 (See Table A-4). Property taxes and New York State aid accounted for the majority of revenue by contributing 42% and 49% 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 \$36,936,685 for 2020-2021. These expenses (86%) are predominately for the education, supervision, and transportation of students (see Table A-6). The School District's administrative and business activities accounted for 15% of total costs.

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

	Fiscal Year 2021	Fiscal Year 2020	Percent Change
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$0.2	\$0.2	0%
Operating Grants	\$0.9	\$1.0	-10%
Capital Grants	\$0.8	\$0.0	80%
Total Program Revenues	<u>\$1.9</u>	<u>\$1.2</u>	<u>70%</u>
General Revenues			
Real Property Taxes	\$10.1	\$10.0	10%
Use of Money and Real Property	\$0.0	\$0.1	-9%
Sale of Property & Compensation for Loss	\$0.0	\$0.0	2%
Miscellaneous	\$0.3	\$0.1	20%
State Sources	\$11.8	\$11.2	60%
Federal Sources	\$0.1	\$0.5	-40%
Total General Revenues	<u>\$22.3</u>	<u>\$21.9</u>	<u>43%</u>
Total All Revenues	<u>\$24.2</u>	<u>\$23.1</u>	<u>113%</u>
<u>Gross Expenses:</u>			
General Support	\$4.8	\$4.5	30%
Instruction	\$28.4	\$27.5	90%
Pupil Transportation	\$3.3	\$2.9	40%
Debt Service Interest Expense	\$0.1	\$0.3	-20%
Capital & Other Expenditures	\$0.0	\$0.0	0%
School Lunch	\$0.3	\$0.3	0%
Total Expenses	<u>\$36.9</u>	<u>\$35.5</u>	<u>140%</u>
<u>Change in Accounting Principle:</u>			
Cumulative Effect of Change in Accounting Principle	\$0.1	\$0.0	10%
Change in Net Position	<u>(\$12.6)</u>	<u>(\$12.4)</u>	<u>-17%</u>

The significant decrease in net position for 2021 was largely the result of recognizing approximately changes in other post-employment benefits.

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

Table A-5 Sources of Revenue for 2021

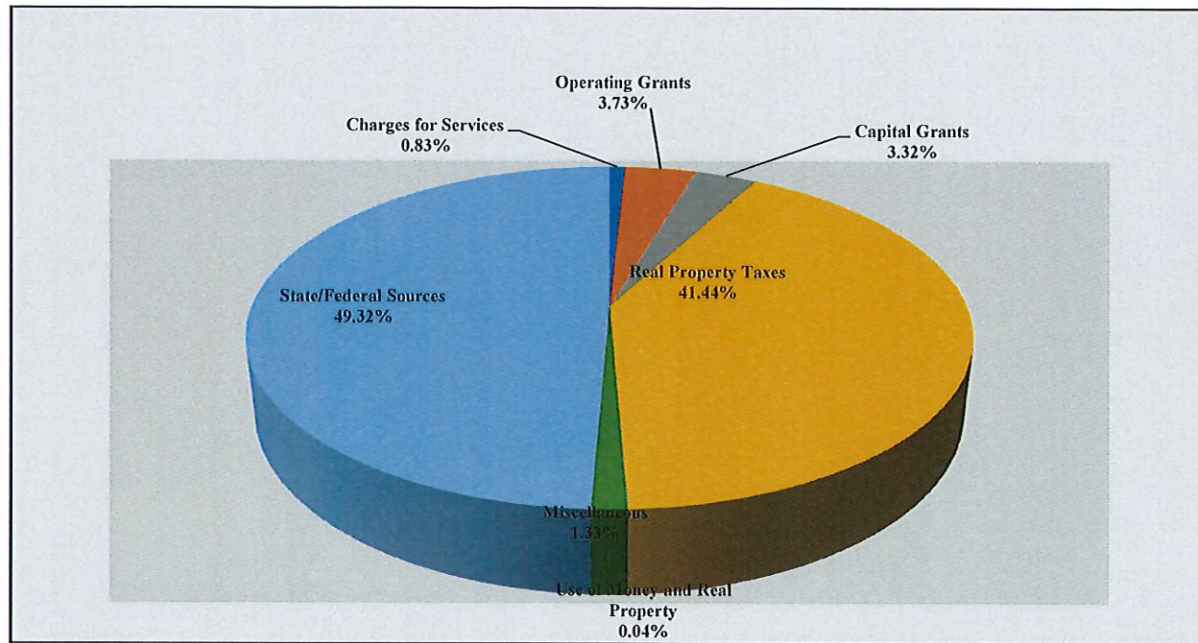
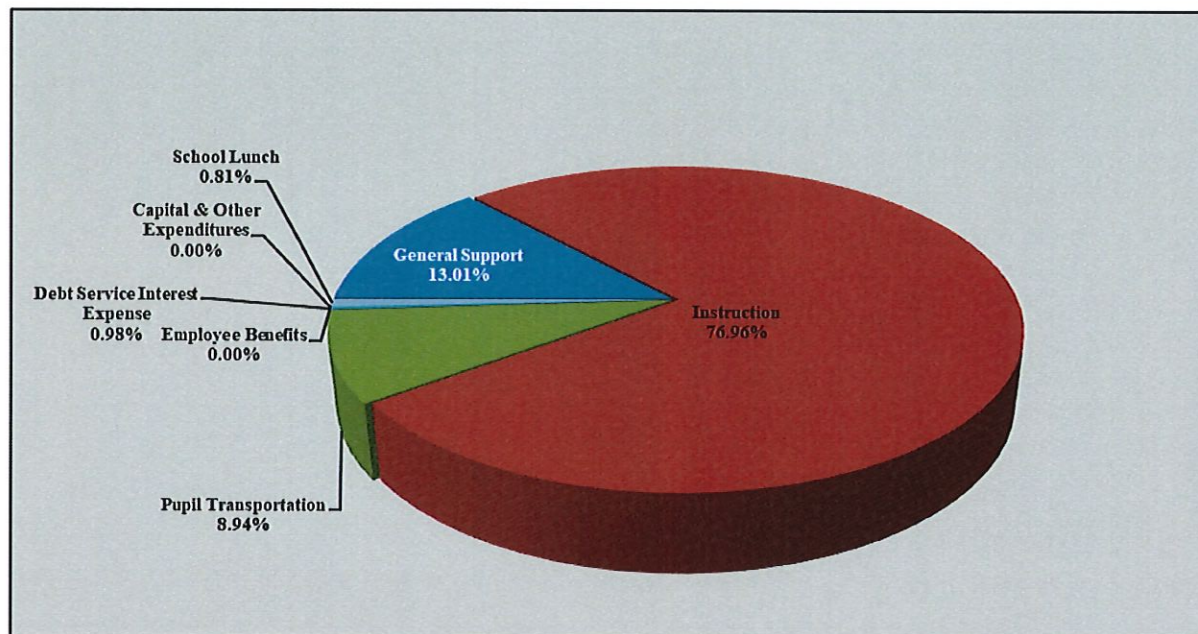


Table A-6 Sources of Expenses for 2021



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

Governmental Activities

Revenue for the School District's governmental activities totaled \$24,216,648, while total expenses were \$36,936,685, accordingly, net position decreased \$12,720,037. The net result of the change in the School District's financial condition can be credited to:

- Recognition of \$15 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 2021	Total Cost of Services 2020	Percent Change	(Net) Cost of Services 2021	(Net) Cost of Services 2020	Percent Change
Gross Expenses:						
General Support	\$4.8	\$4.5	30%	(\$4.8)	(\$4.4)	-40%
Instruction	\$28.4	\$27.5	90%	(\$27.6)	(\$26.6)	-100%
Pupil Transportation	\$3.3	\$2.9	40%	(\$3.3)	(\$2.9)	-40%
Debt Service Interest Expense	\$0.1	\$0.3	-20%	(\$0.1)	(\$0.3)	20%
Capital & Other Expenditures	\$0.0	\$0.0	0%	\$0.8	\$0.0	80%
School Lunch	\$0.3	\$0.3	0%	\$0.0	\$0.0	1%
Total Expenses	\$36.9	\$35.5	140%	(\$35.0)	(\$34.2)	-79%

- The cost of all governmental activities for the year was \$36,936,685.
- The users of the School District's programs financed \$178,334 of the cost.
- The federal and state government financed \$1,641,572 of the cost.
- The majority of costs, \$35,116,779, 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 2021:

General Fund: Revenue exceeded expenditures by \$1,361,487 in the 2020-2021 year.

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 \$587,000 was received for state and federal grants in this fund.

School Lunch Fund: The school lunch fund ended 2020-2021 fiscal year with an operating income of \$18,134 compared to an operating income of \$2,769 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.

Special Revenue Fund: This fund is used to account for the scholarships of the District. The fund ended the year with \$133,391 in restricted fund balance.

Capital Projects Fund: \$11,335,846 was expended for capital projects for the year ended June 30, 2021. The capital projects fund ended 2020-2021 fiscal year with a deficit fund balance of \$11,143,646. 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 \$231,812 fund balance.

General Fund Budgetary Highlights

For the 2020-2021 school year, the voters of the School District approved a budget of \$22,803,143. That budget was subsequently increased by \$369,734 due to encumbrances carried over from 2019-2020.

Through the careful monitoring and control of general fund expenditures for 2020-2021, the School District had a favorable variance of \$1,694,276 budget vs. actual for fiscal 2021.

The School District considers the results achieved regarding the 2020-2021 finances to be very satisfactory. The School District also met its target to have \$365,103 in fund balance available on June 30, 2021 to support the 2021-22 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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Actual</u>
Revenues					
Real Property Taxes	\$ 10,053,929	\$ 10,053,929	\$ 8,923,188	\$ -	\$ (1,130,741)
Real Property Tax Items	40,917	40,917	1,171,022	-	1,130,105
Charges for Services	175,000	175,000	158,254	-	(16,746)
Use of Money and Property	21,000	21,000	10,626	-	(10,374)
Sale of Property and Compensation for Loss	-	-	2,004	-	2,004
Miscellaneous	120,000	120,000	109,880	-	(10,120)
State Sources	11,869,862	11,869,862	11,968,683	-	98,821
Federal Sources	60,000	60,000	151,930	-	91,930
Total Revenue and Other Sources	<u>22,340,708</u>	<u>22,340,708</u>	<u>22,495,587</u>	<u>-</u>	<u>154,879</u>
Expenditures					
Board of Education	\$ 28,500	\$ 28,500	\$ 21,106	\$ 131	\$ 7,263
Central Administration	271,129	271,129	230,126	-	41,003
Finance	322,405	322,405	311,547	-	10,858
Staff	97,086	97,086	81,291	-	15,795
Central Services	1,137,615	1,413,915	1,075,308	277,957	60,650
Special Items	177,045	177,045	164,443	-	12,602
Instruction, Administration and Improvement	623,419	589,794	510,100	-	79,694
Teaching - Regular School	5,671,696	5,550,696	5,059,178	118,309	373,209
Programs for Students with Disabilities	2,372,391	2,527,016	2,367,104	553	159,359
Occupational Education	446,013	446,013	409,441	-	36,572
Instructional Media	964,822	914,522	679,551	69,527	165,444
Pupil Services	747,815	771,815	690,646	32,903	48,266
Pupil Transportation	1,211,196	1,236,196	1,053,323	-	182,873
Employee Benefits	6,927,838	6,652,838	6,281,977	-	370,861
Debt Service	2,013,907	2,013,907	2,080,777	-	(66,870)
Interfund Transfer	160,000	160,000	118,182	-	41,818
	<u>\$ 23,172,877</u>	<u>\$ 23,172,877</u>	<u>21,134,100</u>	<u>\$ 499,380</u>	<u>\$ 1,539,397</u>
Net Change in Fund Equity			\$ 1,361,487		
Fund equity - beginning			4,878,194		
Fund equity - ending			<u>\$ 6,239,681</u>		

As noted above in the results vs. budget table, the School District has an overall favorable budgetary surplus of \$1,694,276. This was a result of decrease in cost of instruction related expenses, special education related expenses, pupil transportation and employee benefits. These related expenses were impacted by COVID-19 and the district was able to carefully monitor these and other expenditures.

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

Capital Assets

As of June 30, 2021, the School District had \$26,154,540 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>Asset Description</u>	<u>Net Book Value</u> <u>Fiscal Year 2021</u>	<u>Net Book Value</u> <u>Fiscal Year 2020</u>
Land	\$120	\$120
Construction in progress	11,128	539
Building and improvements	12,828	12,860
Equipment, furniture and vehicles	2,078	1,661
Total	<u>\$26,154</u>	<u>\$15,180</u>

As of June 30, 2021, the School District had \$119.1 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>Debt Description</u>	<u>Fiscal Year</u> <u>2021</u>	<u>Fiscal Year</u> <u>2020</u>
General obligation bonds, with premiums	\$1,141	\$2,768
Net pension liability	1,156	1,803
Compensated Absences	311	251
Other Post-Employment Benefits (OPEB)	116,459	112,707
Total	<u>\$119,067</u>	<u>\$117,529</u>

During 2021, the School District paid down its debt by retiring \$1,600,000 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.
- 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.
- 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.

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, 2021

ASSETS

Current Assets	
Cash - Unrestricted	\$ 4,055,819
Cash - Restricted	15,616,090
Investments in Securities - Unrestricted	395,772
Accounts Receivable	1,142
State and Federal Aid Receivable	2,537,870
Inventories	7,407
Prepaid Expenditures	6,649
Capital Assets, net	26,154,540
Total Assets	<u>48,775,289</u>
Deferred Outflows of Resources	
Pensions	5,472,972
Other Post Employment Benefits	38,761,057
Total Deferred Outflows of Resources	<u>44,234,029</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 93,009,318</u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 192,860
Accrued Liabilities	276,574
Retainage Payable	480,010
Due to Other Governments	19,374
Bond Interest Accrued	125,454
Due to Teachers' Retirement System	668,199
Due to Employees' Retirement System	83,344
Other Liabilities	80,324
Refundable Advances	2,209
Bond Anticipation Notes	25,753,300
Long-Term Liabilities - Due and Payable Within One Year	
Bonds	250,000
Long-Term Liabilities - Due and Payable After One Year	
Bonds	790,000
Unamortized Bond Premium	101,332
Compensated Absences	310,997
Other Post Employment Benefits Payable	116,458,719
Net Pension Liability, Proportionate Share	1,156,463
Total Liabilities	<u>146,749,159</u>
Deferred Inflows of Resources	
Deferred Receipts of Health Insurance	62,418
Pensions	2,505,068
Other Post Employment Benefits	825,180
Total Deferred Inflows of Resources	<u>3,392,666</u>

NET POSITION

Net Investment in Capital Assets	12,632,054
Restricted	2,400,182
Unrestricted	<u>(72,164,743)</u>
Total Net Position	<u>(57,132,507)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 93,009,318</u>

See accompanying notes to financial statements.

B1.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

		<u>Program Revenues</u>			<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Grants</u>	<u>Changes in</u>
					<u>Net Position</u>
FUNCTIONS AND PROGRAMS					
General Support	\$ 4,794,693	\$ -	\$ -	\$ -	\$ (4,794,693)
Instruction	28,370,003	158,254	587,740	-	(27,624,009)
Pupil transportation	3,274,599	-	-	-	(3,274,599)
Community Service	19,537	-	-	-	(19,537)
Debt service - interest	160,518	-	-	-	(160,518)
Capital Outlay	-	-	-	755,360	755,360
School lunch program	317,335	20,080	298,472	-	1,217
Total Functions and Programs	\$ <u>36,936,685</u>	\$ <u>178,334</u>	\$ <u>886,212</u>	\$ <u>755,360</u>	<u>(35,116,779)</u>
GENERAL REVENUES					
Real property taxes					10,094,210
Investment earnings					9,631
Use of money and property					6,739
Sale of property and compensation for loss					2,004
State sources					11,850,440
Federal sources					151,930
Miscellaneous					281,788
Total General Revenues					<u>22,396,742</u>
Change in Net Position					<u>(12,720,037)</u>
Total Net Position - Beginning of Year, as Previously Reported					(44,564,279)
Cumulative Effect of Change in Accounting Principle (Note 8)					<u>151,809</u>
Total Net Position - Beginning of Year, as Restated					<u>(44,412,470)</u>
Total Net Position - End of Year					\$ <u>(57,132,507)</u>

See accompanying notes to financial statements.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Special Aid Fund	School Lunch Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Assets							
Cash - Unrestricted	\$ 4,019,322	\$ 8,119	\$ 28,378	\$ -	\$ -	\$ -	\$ 4,055,819
Cash - Restricted	2,110,536	-	-	133,408	13,372,146	-	15,616,090
Investments in Securities	395,772	-	-	-	-	-	395,772
State and Federal Receivable	801,245	518,182	67,547	-	1,150,896	-	2,537,870
Due From Other Funds	3,416,985	614,268	271,410	983	2,198,616	231,812	6,734,074
Accounts Receivable	474	-	668	-	-	-	1,142
Inventories	-	-	7,407	-	-	-	7,407
Prepaid Expenditures	6,649	-	-	-	-	-	6,649
Total Assets	\$ 10,750,983	\$ 1,140,569	\$ 375,410	\$ 134,391	\$ 16,721,658	\$ 231,812	\$ 29,354,823
Liabilities							
Accounts Payable	\$ 105,061	\$ 1,241	\$ 74	\$ -	\$ 86,484	\$ -	\$ 192,860
Accrued Liabilities	272,574	4,000	-	-	-	-	276,574
Due to Other Funds	3,220,008	1,135,321	352,225	1,000	2,025,520	-	6,734,074
Due to Other Governments	19,374	-	-	-	-	-	19,374
Due to Teachers' Retirement System	668,199	-	-	-	-	-	668,199
Due to Employees' Retirement System	83,344	-	-	-	-	-	83,344
Other Liabilities	80,324	-	-	-	-	-	80,324
Refundable Advances	-	-	2,209	-	-	-	2,209
Bond Anticipation Notes	-	-	-	-	25,753,300	-	25,753,300
Total Liabilities	4,448,884	1,140,562	354,508	1,000	27,865,304	-	33,810,258
Deferred Inflows of Resources	62,418	-	-	-	-	-	62,418
Fund Equity (Deficiency)							
Fund Equity (Deficiency):							
Non-spendable	6,649	-	7,407	-	-	-	14,056
Restricted	2,034,979	-	-	133,391	-	231,812	2,400,182
Assigned	864,483	7	13,495	-	-	-	877,985
Unassigned	3,333,570	-	-	-	(11,143,646)	-	(7,810,076)
Total Fund Equity (Deficiency)	6,239,681	7	20,902	133,391	(11,143,646)	231,812	(4,517,853)
Total Liabilities, Deferred Inflows of Resources, and Fund Equity (Deficiency)	\$ 10,750,983	\$ 1,140,569	\$ 375,410	\$ 134,391	\$ 16,721,658	\$ 231,812	\$ 29,354,823

Amounts reported for governmental activities in the statement of net position are different due to the following:

Fund equity of the governmental funds	\$ (4,517,853)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	26,154,540
Accrued interest expense is reported under the accrual basis	(125,454)
Net pension liability	(1,156,463)
Net Deferred (inflows)/outflows related to net pension asset/liability adjustments	2,967,904
Net Deferred (inflows)/outflows related to other post employment benefits	37,935,877
Long-term liabilities, including bonds payable and retainage payable, are not due and payable in the current period and therefore are not reported in the funds	(118,391,058)
Net Position of Governmental Activities	\$ (57,132,507)

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Aid Fund	School Lunch Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues							
Real Property Taxes and Tax Items	\$ 10,094,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,094,210
Charges for Services	158,254	-	-	-	-	-	158,254
Use of Money and Property	10,626	-	-	119	4,620	-	15,365
Sale of Property and Compensation for Loss	2,004	-	-	-	-	-	2,004
Miscellaneous	109,880	-	6,717	1,000	-	-	117,597
State Sources	11,968,683	224,312	7,209	-	755,380	-	12,955,564
Federal Sources	151,930	363,428	291,263	-	-	-	806,621
Sales	-	-	20,080	-	-	-	20,080
Total Revenues	22,495,587	587,740	325,269	1,119	759,980	-	24,169,695
Expenditures							
General Support	1,883,821	-	-	-	-	-	1,883,821
Instruction	9,716,020	597,215	-	-	-	-	10,313,235
Pupil Transportation	1,053,323	8,700	-	-	-	-	1,062,023
Community Services	-	-	-	19,537	-	-	19,537
Employee Benefits	6,281,977	-	-	-	-	-	6,281,977
Debt Service - Principal	1,942,600	-	-	-	-	-	1,942,600
Debt Service - Interest	138,177	-	-	-	-	-	138,177
Cost of Sales	-	-	307,135	-	-	-	307,135
Capital Outlay	-	-	-	-	11,335,846	-	11,335,846
Total Expenditures	21,015,918	605,915	307,135	19,537	11,335,846	-	33,284,351
Excess (Deficiency) of Revenues Over Expenditures	1,479,669	(18,175)	18,134	(18,418)	(10,575,866)	-	(9,114,656)
Other Sources And (Uses)							
Interfund Transfers, net	(118,182)	18,182	-	-	100,000	-	-
Premium on Issuance	-	-	-	-	-	165,194	165,194
BANs Redeemed From Appropriations	-	-	-	-	342,600	-	342,600
Total Other Sources (Uses)	(118,182)	18,182	-	-	442,600	165,194	507,794
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	1,361,487	7	18,134	(18,418)	(10,133,266)	165,194	(8,606,862)
Fund Equity, Beginning of Year, as Originally Reported	4,878,194	-	2,768	-	(77,480)	66,618	4,870,100
Prior Period Adjustment - Correction of an Error (Note 9)	-	-	-	-	(932,900)	-	(932,900)
Cumulative Effect of Change in Accounting Principle (Note 8)	-	-	-	151,809	-	-	151,809
Fund Equity, Beginning of Year as Restated	4,878,194	-	2,768	151,809	(1,010,380)	66,618	4,089,009
Fund Equity, End of Year	\$ 6,239,681	\$ 7	\$ 20,902	\$ 133,391	\$ (11,143,646)	\$ 231,812	\$ (4,517,853)

See accompanying notes to financial statements.

B4.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND EQUITY OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Net changes in fund equity - total governmental funds	\$ (8,606,862)
Capital outlays for the purchase of capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their useful lives as depreciation expense in the statement of activities.	
Depreciation expense	\$ (1,019,954)
Capital outlays (excluding retainage)	<u>11,513,966</u>
	10,494,012
Interest is recognized as an expense in the governmental funds when paid. For governmental activities, interest expense is recognized as it accrues.	(47,674)
Bond anticipation notes redeemed from appropriations is revenue in governmental funds, but not in the statement of activities.	(342,600)
Repayments of short-term and long-term debt are recorded as expenditures in the governmental funds but are recorded as payments of liabilities in the statement of net position.	1,942,600
Excess cost aid and BOCES aid expected to be received after the availability period are reported as deferred inflows in the governmental funds. However, in the statement of activities these amounts are recognized as revenue when awarded	(118,241)
Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Other Post Employment Benefits	(15,199,635)
Compensated Absences	(59,561)
Adjustments for net pension liability - ERS	149,510
Adjustments for net pension asset - TRS	(956,919)
Amortization of bond premium, issuance costs and loss on refunding bonds is an adjustment to interest expense in the statement of activities.	<u>25,333</u>
Change in net position - governmental activities	\$ <u><u>(12,720,037)</u></u>

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

	Private Purpose Trusts
ASSETS	
Cash - unrestricted	\$ -
Cash - restricted	-
	<hr/>
Total Assets	\$ -
	<hr/> <hr/>
LIABILITIES	
Due to other funds	-
Other liabilities	-
	<hr/>
Total Liabilities	\$ -
	<hr/>
NET POSITION	
Reserved for scholarships	\$ -
	<hr/> <hr/>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

	Private Purpose Trusts
ADDITIONS	
Gifts and contributions	\$ -
Investment earnings	-
	<hr/>
Total Additions	-
	<hr/>
DEDUCTIONS	
Scholarships and awards	-
	<hr/>
Change in Net Position	-
	<hr/>
Net Position - Beginning of Year, as Originally Reported	151,809
Cumulative Effect of Change in Accounting Principle (Note 8)	(151,809)
	<hr/>
Net Position - Beginning of Year, as Restated	-
	<hr/>
Net Position - End of year	\$ -
	<hr/> <hr/>

See accompanying notes to financial statements.

B6.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Middleburgh Central School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A. Reporting Entity

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

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

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

The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities for accounting and reporting purposes. As a result of applying this guidance and due to the administrative involvement defined in footnote 1 to paragraph 8b of GASB 84, the District accounts for these student organization funds within the General Fund.

The Extraclassroom Activity Fund

The extraclassroom activity fund of the District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity fund can be found at the District's business office, located at 291 Main Street, Middleburgh, NY 12122.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

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

BOCES are organized under Section 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 Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

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

During the year ended June 30, 2021, the District was billed \$1,639,457 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$874,910. Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

District-wide statements

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The accounts of the District are organized into funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types and account groups used by the District are as follows:

The following are the District governmental funds:

1. General Fund

The General Fund is the principal operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of special revenue sources that are legally restricted to expenditure for specified purposes. Special Revenue Funds include the following funds:

a. 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 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.

b. School Lunch Fund

The school lunch fund is used to account for child nutrition activities whose funds are restricted as to use.

c. Special Revenue Fund

Used to account for revenues legally restricted to expenditure for specified purposes such as scholarships.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

3. Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities, or equipment.

4. Debt Service Fund

This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

Other Fund Type:

Fiduciary Funds

During the fiscal year ended June 30, 2021, the District adopted provisions of GASB Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to improve the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. See Note 8 of the financial statements for the impact of the implementation on the financial statements. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included the District-wide financial statements because their resources do not belong to the District and are not available to be used. There are no activities that meet the criteria to be reported as fiduciary funds.

D. Basis of Accounting/Measurement Focus

General Information

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes 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.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety 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, post-employment benefits, pensions 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.

E. Refundable Advances

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenues are recognized.

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 5, 2020. Taxes are collected during the period September 1 to October 31, 2020.

II. Enforcement

Uncollected real property taxes are subsequently enforced by the County Treasurer of Schoharie County in which the District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement, is paid by the County to the District later than the following April 1.

G. Restricted Resources

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the program line-item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the fiscal year end 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 by the Board of Education as a result of selected new revenue sources not located in the original budget (when permitted by law). Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. There were no supplemental appropriations during the year.
- e. 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.
- f. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the 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.

II. Encumbrances

Encumbrance accounting is used for budget 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.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

III. Budget Basis of Accounting

Under GASB No. 34, budgetary comparison information is required to be presented for the General Fund and each major Special Revenue Fund with a legally adopted budget. The District is not legally required to adopt a budget for its Special Revenue Funds. Therefore, budget comparison information for special revenue funds is not included in the District's financial statements.

I. Cash and Investments

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

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and School Districts. Investments are stated at fair value.

J. Accounts Receivable

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

K. Inventories and Prepaid Items

Inventories of food and/or supplies in the School Lunch Fund are recorded at cost using the first-in, first-out basis or, in the case of surplus food, at stated value, which approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Interfund Transactions

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

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

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

M. Short-Term Debt

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

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

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

N. Fund Equity - Reservations and Designations

District-wide statements

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

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

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

Fund statements:

In the governmental funds statements there are five classifications of fund equity:

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the inventory recorded in the School Lunch Fund of \$7,407 and \$6,649 of prepaid expenditures in the General Fund.

Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of all other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund equity. The District has established the following restricted fund equity:

Reserve for Employee Benefit Accrued Liability

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

Unemployment Insurance Reserve

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. This reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

Insurance Reserve

The Insurance Reserve (GML §6-n) is used to fund certain uninsured losses, claims, actions, or judgments for which the local government is authorized or required to purchase or maintain insurance, with a number of exceptions. An insurance reserve fund may also be used to pay for expert or professional services in connection with the investigation, adjustment, or settlement of claims, actions, or judgments.

Retirement Contributions

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. The portion of the reserve for TRS is \$415,901 and \$451,107 for ERS.

Repairs

According to General Municipal Law §6-d, must be 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 used 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.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

Property Loss and Liability

According to Education Law §1709 (8)(C), these reserve funds are used to cover property loss and liability claims incurred. The reserve may be established by board action, and is funded by budgetary appropriations. The total amount of reserves cannot exceed 3 percent of the annual budget (exclusive of any planned balance presently authorized) or \$15,000, whichever is larger.

Special Revenue Fund

Restricted for scholarships for students that meet donor specified criteria.

Debt Service

Used to account for unspent proceeds of debt restricted for debt service.

Restricted fund equity includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 621,994
Retirement Contributions ERS	451,107
Retirement Contributions - TRS Sub-fund	415,901
Unemployment Insurance	145,613
Insurance	125,348
Repairs	275,000
Property Loss and Liability	<u>16</u>
Total General Fund	2,034,979
Special Revenue Fund - Scholarships	133,391
Debt Service Fund	<u>231,812</u>
Total Restricted Funds	<u>\$ 2,400,182</u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund equity as of June 30, 2021.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund equity represents the residual amount of fund equity. Assigned fund equity also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Equity in the General Fund. Encumbrances reported in the General Fund amounted to \$499,380. Appropriated fund equity in the General Fund amounted to \$365,103. The remaining fund equity in the other funds is also reported as assigned.

Reserve for 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.

Purpose of Encumbrances

General Fund	
General support	\$ 278,088
Instruction	<u>221,292</u>
	<u>\$ 499,380</u>

Unassigned - Includes all other General Fund net amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. In funds other than the General Fund, the unassigned classification is used to report a deficit fund equity resulting from overspending for specific purposes for which amounts had been restricted or assigned.

NYS Real Property Tax Law Section 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity 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. The District exceeded the 4% limitation by \$2,416,680 at June 30, 2021.

Net Position/Fund Equity:

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Fund Equity - Reservations and Designations

Fund Equity Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund equity). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund equity in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Equity:

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

O. Post-Employment Benefits

In addition to providing the retirement benefits described in Note 4.B.I, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contract negotiated between the District and its employee groups as governed by Board of Education Policy. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-employment benefits is shared between the District and the retired employee. See Note 6.

P. Payables, Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, 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 District's future obligations or future economic outflows. The liabilities are reported as due in one year or due and payable after one year in the Statement of Net Position.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Capital Assets

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

Land and construction in process are not depreciated. 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 District-wide statements are as follows:

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

R. Use of Estimates

The preparation of financial statements in conformity with GAAP 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 compensated absences, other post-employment benefits, potential contingent liabilities, actuarial calculation of net pension asset/liability, deferred inflows/outflows, and useful lives of long-term assets.

S. Vested Employee Benefits

District employees are granted vacation in varying amounts, based principally on length of service and service 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. Sick leave use is based on a last-in, first-out (LIFO) basis.

Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-wide financial statements at year-end. The compensated absences liability is calculated based on the applicable contract rates in effect at year-end.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. *Vested Employee Benefits*

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

T. *Implementation of New Accounting Standards*

The District has adopted all current Statements of the GASB that are applicable. At June 30, 2021, the District implemented the following new standards issued by GASB:

GASB issued Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2021. See Note 8 for the impact of this statement.

GASB has issued Statement 90, *Accounting and Financial Reporting for Majority Equity Interest*, effective for the year ending June 30, 2021. This statement had no impact on the District.

U. *Future Changes in Accounting Standards*

GASB has issued Statement 87, *Leases*, effective for the year ending June 30, 2022.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending June 30, 2022.

GASB has issued Statement 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023.

GASB has issued Statement 92, *Omnibus 2020*, effective for the year ending June 30, 2022.

GASB has issued Statement 93, *Replacement of Interbank Offered Rates*, effective dates vary based on specific paragraphs of the statement from the year ending June 30, 2022 and 2023.

GASB has issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023.

GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023.

GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for the year ending June 30, 2022.

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the 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 and changes in net position compared with the current financial resources focus of the governmental funds.

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

Total fund equity of the 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, as applied to the reporting of capital assets and long-term liabilities, including pensions.

Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities and Changes in Net Position

Differences between the governmental funds statement of revenues, expenditures and changes in fund equity and the statement of activities and changes in net position fall into one of five broad categories. The differences 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 and changes in net position 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 in the statement of activities and changes in net position.

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 in the statement of activities and changes in net position, 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 and changes in net position.

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 and changes in net position as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Statement of Revenues, Expenditures and Changes in Fund Equity vs. Statement of Activities and Changes in Net Position

Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the 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 District's total OPEB liability and differences between the District's contributions and OPEB expense.

3. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Deficit Fund Equity

There was a deficit fund equity in the capital projects fund of \$11,143,646. This deficit is caused by financing the project with bond anticipation notes. When the bond anticipation notes are refinanced with bonds, this deficit will be removed.

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2021 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of New York State and its localities

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies
- Obligations issued or fully insured or guaranteed by New York State and its localities
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in active markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the District's investments are valued based on Level 2 of the hierarchy.

The District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2021, the District held \$395,772 in these investments consisting of various investments in securities issued by the United States and its agencies.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

Total investments of the cooperative as of June 30, 2021 are \$3,351,078,688, which consisted of \$353,203,694 in repurchase agreements, \$195,701,995 in FDIC insured bank deposits, \$860,892,115 in collateralized bank deposits and \$1,941,279,884 in U.S. Government Treasury Securities.

The following valuation inputs are included as investments.

Investments in Securities at Value	Level 1	Valuation Inputs Level 2	Level 3	Total
General Fund	\$ -	\$ 395,772	\$ -	\$ 395,772

The above amounts represent the fair value of the investment pool shares. For the year ended June 30, 2021, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Risks and Uncertainties with Investments

The District invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the statement of net position.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Restricted Cash and Investments

Restricted cash and investments represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at year-end consists of the following:

<u>Fund</u>	<u>Amount</u>	<u>Restriction</u>
General Fund	\$ 145,613	Unemployment Insurance Reserve
	451,107	Retirement Contributions Reserve
	415,901	Retirement Contributions Reserve - TRS
	621,994	Employee Benefit Accrued Liability Reserve
	125,348	Insurance Reserve
	275,000	Repair Reserve
	16	Property Loss Reserve
	<u>75,557</u>	Student Deposits
Total General Fund	<u>\$ 2,110,536</u>	
Capital Projects Fund	<u>\$ 13,372,146</u>	Capital Projects
Special Revenue Fund	<u>\$ 133,408</u>	Scholarships

II. Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

During 2020-21, the General fund transferred \$18,182 to the Special Aid Fund for the Districts share of the special education summer school program its students attended and \$100,000 to the Capital Projects Fund for state approved projects.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. DETAIL NOTES ON ALL FUNDS

A. Assets

II. Interfund Transactions

Interfund transactions and balances at June 30, 2021 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 3,416,985	\$ 3,220,008	\$ -	\$ 118,182
Special Aid Fund	614,268	1,135,321	18,182	-
School Lunch Fund	271,410	352,225	-	-
Debt Service Fund	231,812	-	-	-
Special Revenue	9,983	1,000	-	-
Capital Projects Fund	<u>2,198,616</u>	<u>2,025,520</u>	<u>100,000</u>	<u>-</u>
Totals	<u>\$ 6,734,074</u>	<u>\$ 6,734,074</u>	<u>\$ 118,182</u>	<u>\$ 118,182</u>

III. Capital Assets

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

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Governmental Activities				
Capital assets that are not depreciated:				
Construction in progress	\$ 538,968	\$ 10,599,956	\$ 11,245	\$ 11,127,680
Land	<u>120,400</u>	<u>-</u>	<u>-</u>	<u>120,400</u>
Total Non-depreciable Capital Assets	<u>659,368</u>	<u>10,559,956</u>	<u>11,245</u>	<u>11,248,080</u>
Capital assets that are depreciated:				
Buildings and improvements	23,412,137	531,216	-	23,943,353
Vehicles	3,080,714	360,540	319,126	3,122,128
Furniture and equipment	<u>2,308,730</u>	<u>513,508</u>	<u>-</u>	<u>2,822,238</u>
Total Depreciable Capital Assets	<u>28,801,581</u>	<u>1,405,264</u>	<u>319,126</u>	<u>29,887,719</u>
Less accumulated depreciation:				
Buildings and improvements	10,551,664	563,073	-	11,114,737
Vehicles	1,895,859	281,381	319,126	1,858,114
Furniture and equipment	<u>1,832,908</u>	<u>175,500</u>	<u>-</u>	<u>2,008,408</u>
Total Accumulated Depreciation	<u>14,280,431</u>	<u>1,019,954</u>	<u>319,126</u>	<u>14,981,259</u>
Total Depreciable Cost, Net	<u>\$ 15,180,518</u>	<u>\$ 10,985,266</u>	<u>\$ 11,245</u>	<u>\$ 26,154,540</u>

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. DETAIL NOTES ON ALL FUNDS

A. Assets

Depreciation expenses for the year ended June 30, 2021, was allocated to specific function as follows:

General	\$ 560,974
Instruction	142,794
Pupil Transportation	305,986
School Lunch Program	<u>10,200</u>
	<u>\$ 1,019,954</u>

IV. 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 (expense/expenditure) until then. The District may have four items that qualify for reporting in this category. First is the deferred loss on refunding reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The fourth item relates to the OPEB and pension systems reporting in the District Wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience and change in assumptions.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District may have two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportionate share of the collective net pension liability (TRS and ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to the OPEB and pension systems report in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

General Information

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

Plan Descriptions

Teachers' Retirement System

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

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. This is a cost-sharing multiple-employer retirement system. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Employees' Retirement System

Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php.

Contributions

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

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

		<u>ERS</u>		<u>TRS</u>
2020-21	\$	293,721	\$	632,890
2019-20		274,581		733,762
2018-19		293,354		712,999

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Pension Liabilities

At June 30, 2021, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of the dates noted below.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Pension Liabilities

The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2020	June 30, 2019
Net pension asset/(liability)	\$(6,390)	\$(1,150,073)
District's portion of the Plan's total net pension asset/(liability)	0.006%	0.042%

Pension Expense (Credit)

For the year ended June 30, 2021, the District recognized its proportionate share of pension expense of \$148,390 for ERS and \$1,551,516 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

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

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experiences	\$ 78,044	\$ 1,007,694	\$ -	\$ 58,939
Changes of assumptions	1,174,981	1,454,575	22,160	518,480
Net difference between projected and actual earnings on pension plan investments	-	751,099	1,835,687	-
Changes in proportion and differences between contributions and proportionate share of contributions	22,966	232,070	58,528	11,274
Contributions subsequent to the measurement date	<u>83,344</u>	<u>668,199</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,359,335</u>	<u>\$ 4,113,637</u>	<u>\$ 1,916,375</u>	<u>\$ 588,693</u>

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Deferred Outflows and Inflows of Resources Related to Pensions

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2021 for ERS and June 30, 2021 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2021	\$ -	\$ 501,801
2022	(119,245)	958,179
2023	(50,144)	792,344
2024	(110,758)	498,021
2025	(360,237)	51,820
Thereafter	-	54,580

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.9%	7.10%
Salary scale	4%	1.90% - 4.72%
Decrement tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.7%	2.20%
Cost of Living Adjustments	1.4% annually	1.3% annually

For ERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries MP-2020. For TRS, annuitant mortality rates are based on July 1, 2009 - June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2019.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

For ERS, the actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to 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.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date are summarized below:

<u>ERS</u>	<u>Target Allocation 2021</u>	<u>Long-term Expected Real Rate of Return* 2021</u>
Asset Class:		
Domestic equities	32%	4.05%
International equities	15	6.30
Private equity	10	6.75
Real estate	9	4.95
Opportunistic ARS portfolio (1)	3	4.50
Opportunistic portfolio	4	4.65
Real assets	3	5.95
Fixed income	23	0.00
Cash	<u>1</u>	0.50
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.0% for 2021.

(1) Excludes equity-oriented and long-only funds for investment management purposes, these funds are included in domestic equity and international equity, respectively.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

<u>TRS</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
	<u>2020</u>	<u>2020</u>
Asset Class:		
Domestic equity	33%	7.1%
International equity	16	7.7
Global equity	4	7.4
Real estate equity	11	6.8
Private equity	8	10.4
Domestic fixed income	16	1.8
Global bonds	2	1.0
High-yield bonds	1	3.9
Private debt	1	5.2
Real estate debt	7	3.6
Cash equivalents	<u>1</u>	0.7
Total	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.2% for 2020.

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.9% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the 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 asset/(liability).

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2021 calculated using the discount rate of 5.9% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is one percentage point lower (4.9% for ERS and 6.10% for TRS) or one percentage point higher (6.9% for ERS and 8.10% for TRS) than the current rate:

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

ERS	1% Decrease <u>(4.9%)</u>	Current Assumption <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (1,773,717)	\$ (6,390)	\$ 1,623,498
TRS	1% Decrease <u>(6.10%)</u>	Current Assumption <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
Employer's proportionate share of the net pension asset/(liability)	\$ (7,264,618)	\$ (1,150,073)	\$ 3,981,579

Changes in Assumptions

Changes in assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Collective Pension Expense

Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2021 is \$140,034 for ERS and \$1,602,188 for TRS.

Payables to Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$83,344.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021 amounted to \$668,199.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Other Benefits

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

II. Indebtedness

1. Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

Transactions in short-term debt are summarized below:

	<u>Restated Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN Maturing 07/18/2020 at 2.25%	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -
BAN Maturing 06/29/2021 at 0.94%	1,200,000	-	1,200,000	-
BAN Maturing 07/17/2020 at 2.25%	932,900	-	932,900	-
BAN Maturing 07/16/2021 at 0.60%	-	-	-	363,000
		363,000		
BAN Maturing 07/16/2021 at 0.5%	-	10,620,300	-	10,620,300
BAN Maturing 06/28/2022 at 0.24%	-	14,770,000	-	14,770,000
	<u>\$ 3,332,900</u>	<u>\$25,753,300</u>	<u>\$ 3,332,900</u>	<u>\$25,753,300</u>

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

Interest paid	\$ 57,802
Less interest accrued in the prior year	(77,780)
Plus interest accrued in the current year	<u>123,517</u>
Total Expense	<u>\$ 103,539</u>

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

2. Long-Term Debt

a. Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Interest on long-term debt for the year was composed of:

Interest paid	\$ 80,375
Less interest accrued in the prior year	-
Plus current year accrued interest	1,937
Less amortization of deferred amounts on refunding deferred expenses and bond premium	<u>(25,333)</u>
Total Expense	<u>\$ 56,979</u>

Long-Term Obligations

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

b. Other Long-Term Debt

In addition to the above long-term debt, the District had the following noncurrent liabilities:

Compensated Absences - Represent the value of the earned and unused portion of the liability for employees' vacation and sick pay which has not been accrued in the General Fund.

Other Post-employment Benefits - Represents the net liability for other post-employment benefits calculated in accordance with GASB 75 (See Note 6).

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

3. Changes

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

<u>Fund/Type</u>	<u>Restated Balance July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30</u>
Serial bonds	\$ 2,640,000	\$ -	\$ 1,600,000	\$ 1,040,000
Bond premium, net of amortization	126,665	-	25,333	101,332
Net Pension Liability	1,802,899	1,156,463	1,802,899	1,156,463
Compensated absences	251,436	59,561	-	310,997
Other-post employment benefits	<u>112,707,272</u>	<u>6,545,989</u>	<u>2,794,542</u>	<u>116,458,719</u>
Total other liabilities	<u>\$ 117,525,272</u>	<u>\$ 7,762,013</u>	<u>\$ 6,222,774</u>	<u>\$ 119,067,511</u>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

The above liabilities are liquidated by the general fund.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

4. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

4. Maturity

The following is a summary of maturity of indebtedness:

<u>Description of Issue</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2021</u>
Serial Bond 2020	2020	2025	0.85%-0.90%	<u>\$ 1,040,000</u>

The following is a summary of maturing debt service requirements for bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>	<u>Total</u>
2022	\$ 250,000	\$ 41,600	\$ 25,333	\$ 266,267
2023	250,000	31,600	25,333	256,267
2024	265,000	21,600	25,333	261,267
2025	275,000	11,000	25,333	260,667
2026	-	-	-	-
Total	<u>\$ 1,040,000</u>	<u>\$ 105,800</u>	<u>\$ 101,332</u>	<u>\$ 1,044,468</u>

As of June 30, 2021, the District had authorized the issuance of \$491,000 for purchases of busses, which remained unissued.

5. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit do not exceed 10% of the average full valuation of taxable real estate within such District. At June 30, 2021 the District has exhausted 58.91% of its constitutional debt limit.

III. Deferred Inflows of Resources

Deferred inflows of resources on the balance sheet - governmental funds arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. This includes amounts received from retirees in advance of payment of insurance premiums. The District has established a ninety-day availability period.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

5. COMMITMENTS AND CONTINGENCIES

A. Litigation

The District has been named as defendant in various actions. A review of these actions by District management indicates that they are either fully covered by insurance or not substantial enough to materially affect the financial position of the District.

B. Federal and State Grants

The District receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies or expenditures disallowed under the terms of the grant.

C. Risk Financing and Related Insurance

General Information

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

Self-Insured Pharmacy

All of the 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, 2021, have been recorded as an 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 District does not purchase insurance for the risk of losses of unemployment and workers compensation claims. Instead, the District manages its risk for these losses internally and accounts for these in the District's general fund, including provisions for unexpected and unusual claims.

The activity for the unemployment insurance reserve for the year ended June 30, 2021, 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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

5. COMMITMENTS AND CONTINGENCIES

C. Risk Financing and Related Insurance

Risks of Losses of Unemployment and Worker's Compensation

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, 2021, management estimates there are no outstanding liabilities.

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Plan Description

The District administers the post-employment benefits as a single-employer defined benefit plan (the Plan), through which retirees and their spouses receive benefits. The Plan provides for continuation of medical and/or dental/vision benefits for certain retirees and their survivors and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in trust that meet the criteria in paragraph 4 of Statement No. 75.

Funding Policy

The obligations of the Plan members, employers and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are eligible for the retiree health benefits upon meeting the following 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 District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis.

The contribution requirements of Plan members and the District are established by the Board of Education. Until changes are made in the NYS law to permit funding, there is no legal authority to fund other post-employment benefit, other than "pay as you go".

Benefits Provided

The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under, retirees and their spouses receive benefits for the lifetime of the retired employee. The specifics of each contract are on file at the District offices and are available upon request.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Employees Covered by Benefit Terms

At the valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	144
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>148</u>
Total plan members	<u>292</u>

Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2021; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumption and Other Inputs

The total OPEB liability at June 30, 2021 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary increases	Vary by pension retirement membership
Discount Rate	2.16%
Healthcare cost trend rates	
Medical/RX	5.40% for 2020 decreasing to an ultimate rate of 3.94% by 2075.
Part B	3.73% for 2020 increasing to an ultimate rate of 3.94% by 2075.

Mortality rates were based Pub-2010 General Employees Headcount-Weighted table projected fully generationally using MP-2019 for employees participating in NYS ERS and TRS.

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Changes in the Net OPEB Liability

Changes in the District's net OPEB liability were as follows:

	Total OPEB Liability [a]	Plan Fiduciary Net Position [b]	Net OPEB Liability [a] - [b]
Balances at June 30, 2020	<u>\$ 112,707,272</u>	<u>\$ -</u>	<u>\$ 112,707,272</u>
Changes for the year:			
Service cost	3,029,018	-	3,029,018
Interest	2,527,061	-	2,527,061
Difference between expected and actual experience	6,681	-	6,681
Contributions – employer	-	-	-
Net investment income	-	-	-
Changes of assumptions or other inputs (change in discount rate)	983,229	-	983,226
Benefit payments	(2,794,542)	-	(2,794,542)
Administrative expense	-	-	-
Net changes	<u>3,751,447</u>	<u>-</u>	<u>3,751,447</u>
Balances, June 30, 2021	<u>\$ 116,458,719</u>	<u>\$ -</u>	<u>\$ 116,458,719</u>

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$138,867,478	\$116,458,719	\$98,846,112

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.40% decreasing to 2.94%) or 1 percentage point higher (6.40% decreasing to 4.94%) than the current healthcare cost trend rate:

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

6. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

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

	1% Decrease (4.40% Decreasing to <u>2.94%</u>)	Healthcare Cost Trend Rate (5.40% Decreasing to <u>3.94%</u>)	1% Increase (6.40% Decreasing to <u>4.94%</u>)
Total OPEB Liability	\$96,082,653	\$116,458,719	\$143,021,583

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$17,994,177. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,283,166	\$ -
Changes of assumptions	19,477,891	(825,180)
Contributions subsequent to the measurement period	-	-
Total	<u>\$ 38,761,057</u>	<u>\$ (825,180)</u>

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

Year Ending <u>June 30,</u>	
2022	\$ 12,438,098
2023	12,488,830
2024	12,810,967
2025	197,982
2026	-
Thereafter	-

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

7. CONTINGENCY

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a respiratory disease, to be a pandemic. It is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future operations. The District's operations are heavily dependent on real property taxes and state aid. Additionally, access to grants, funding and contracts from federal, state, and local governments may decrease or may not be available depending on appropriations. The outbreak will likely have a continued material adverse impact on the economy and cost of education. The full impact of the COVID-19 outbreak continues to evolve as of the date these financial statements were available to be issued.

8. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

As of July 1, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The Statement establishes new criteria for identifying fiduciary activities for accounting and reporting purposes. As a result of applying this guidance many items previously reported as fiduciary in nature have been reclassified. The District's fund equity and District-wide net position were restated as a result of the implementation of GASB No. 84 as follows:

Fiduciary Fund - Private Purpose Trust Fund:

Net position at beginning of year, as previously stated	\$ 151,809
GASB Statement No. 84 implementation	<u>(151,809)</u>
Net position at beginning of year, as restated	<u>\$ -</u>

Special Revenue Fund:

Fund Equity at beginning of year, as previously stated	\$ -
GASB Statement No. 84 implementation	<u>151,809</u>
Fund Equity at beginning of year, as restated	<u>\$ 151,809</u>

Statement of Activities:

Net position at beginning of year, as previously stated	\$ (44,513,879)
GASB Statement No. 84 implementation	<u>151,809</u>
Net position at beginning of year, as restated	<u>\$ (44,362,070)</u>

9. CORRECTION OF AN ERROR

During the year ended June 30, 2021, the District discovered an error in the recording of Bond Anticipation Notes Payable (BANs) and Bonds Payable. Upon reviewing the outstanding obligations, it was noted that BANs Payable were understated by \$932,900, and Bonds Payable were overstated by \$932,900. As a result, the opening Fund Equity of the Capital Projects Fund was overstated by \$932,900. The opening balances on the Statement of Revenues, Expenditures, and Changes in Fund Equity – Governmental Funds, have been adjusted to reflect this correction. There was no impact on the Statement of Activities.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

10. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 1, 2021, which is the date these financial statements were issued. All subsequent events requiring recognition as of June 30, 2021, have been incorporated into these statements herein.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

Revenues	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
Local Sources				
Real Property Taxes	\$ 10,053,929	\$ 10,053,929	\$ 8,923,188	\$ (1,130,741)
Real Property Tax Items	40,917	40,917	1,171,022	1,130,105
Charges for Services	175,000	175,000	158,254	(16,746)
Use of Money and Property	21,000	21,000	10,626	(10,374)
Sale of Property and Compensation for Loss	-	-	2,004	2,004
Miscellaneous	120,000	120,000	109,880	(10,120)
Total Local Sources	10,410,846	10,410,846	10,374,974	(35,872)
State Sources	11,869,862	11,869,862	11,968,683	98,821
Federal Sources	60,000	60,000	151,930	91,930
Total Revenue and Other Sources	22,340,708	22,340,708	22,495,587	154,879
Appropriated Fund Balance				
Prior Year Encumbrances	369,734	369,734	-	-
Appropriated Fund Balance	462,435	462,435	-	-
Total Appropriated Fund Balance	832,169	832,169	-	-
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 23,172,877	\$ 23,172,877	\$ 22,495,587	

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

Expenditures	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual and Encumbrances
General Support					
Board of Education	\$ 28,500	\$ 28,500	\$ 21,106	\$ 131	\$ 7,263
Central Administration	271,129	271,129	230,126	-	41,003
Finance	322,405	322,405	311,547	-	10,858
Staff	97,086	97,086	81,291	-	15,795
Central Services	1,137,615	1,413,915	1,075,308	277,957	60,650
Special Items	177,045	177,045	164,443	-	12,602
Total General Support	2,033,780	2,310,080	1,883,821	278,088	146,171
Instruction					
Instruction, Administration and Improvement	623,419	589,794	510,100	-	79,694
Teaching - Regular School	5,671,696	5,550,696	5,059,178	118,309	373,209
Programs for Students with Disabilities	2,372,391	2,527,016	2,367,104	553	159,359
Occupational Education	446,013	446,013	409,441	-	36,572
Instructional Media	964,822	914,522	679,551	69,527	165,444
Pupil Services	747,815	771,815	690,646	32,903	48,266
Total Instruction	10,826,156	10,799,856	9,716,020	221,292	862,544
Pupil Transportation	1,211,196	1,236,196	1,053,323	-	182,873
Employee Benefits	6,927,838	6,652,838	6,281,977	-	370,861
Debt Service					
Debt Service Principal	1,912,600	1,912,600	1,942,600	-	(30,000)
Debt Service Interest	101,307	101,307	138,177	-	(36,870)
Total other	10,152,941	9,902,941	9,416,077	-	486,864
Total Expenditures	23,012,877	23,012,877	21,015,918	499,380	1,497,579
Other Uses					
Interfund Transfer	160,000	160,000	118,182	-	41,818
Total Expenditures and Other Uses	\$ 23,172,877	\$ 23,172,877	21,134,100	\$ 499,380	\$ 1,539,397
Net Change in Fund Equity					
Fund equity - beginning			\$ 1,361,487		
Fund equity - ending			4,878,194		
			<u>6,239,681</u>		

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	Fiscal Year Ending *			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Measurement date	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Service cost	\$ 3,029,018	\$ 1,355,014	\$ 1,167,442	\$ 1,229,622
Interest	2,527,061	1,808,501	1,893,617	1,898,289
Changes in benefit terms	-	133,723	-	-
Difference between expected and actual experience in the measurement of the total OPEB liability	6,681	32,129,703	-	-
Changes in assumptions and other inputs	983,229	28,451,151	3,306,320	(2,577,004)
Benefit payments	<u>(2,794,542)</u>	<u>(2,657,181)</u>	<u>(5,238,781)</u>	<u>(3,217,965)</u>
Net Change in Total OPEB Liability	3,751,447	61,220,911	1,128,598	(2,667,058)
Total OPEB Liability - beginning	<u>112,707,272</u>	<u>51,486,361</u>	<u>50,357,763</u>	<u>53,024,821</u>
Total OPEB Liability - ending	<u>\$ 116,458,719</u>	<u>\$ 112,707,272</u>	<u>\$ 51,486,361</u>	<u>\$ 50,357,763</u>
Covered-employee payroll	8,470,700	8,534,798	8,363,249	8,507,795
Total OPEB Liability as a percentage of covered-employee payroll	1374.84%	1320.56%	615.63%	591.90%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of the measurement date.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2021**

ERS Pension Plan Last 10 Fiscal Years							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0064%	0.0068%	0.0073%	0.0075%	0.0077%	0.0075%	0.0080%
Proportionate share of the net pension liability (asset)	\$ 6,390	\$ 1,802,900	\$ 513,400	\$ 241,600	\$ 718,400	\$ 1,207,400	\$ 271,100
Covered-employee payroll	\$ 2,027,125	\$ 1,904,600	\$ 1,906,500	\$ 1,989,200	\$ 2,018,000	\$ 1,870,500	\$ 1,954,500
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	0%	95%	27%	12%	36%	65%	13%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
TRS Pension Plan Last 10 Fiscal Years							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.0416%	0.0414%	0.0447%	0.0450%	0.0454%	0.0479%	0.0479%
Proportionate share of the net pension liability (asset)	\$ 1,150,073	\$ (1,075,400)	\$ (807,700)	\$ (342,000)	\$ 486,300	\$ (4,750,300)	\$ (5,430,400)
Covered-employee payroll	\$ 7,011,533	\$ 7,064,300	\$ 6,909,200	\$ 6,301,600	\$ 7,006,700	\$ 6,869,900	\$ 7,081,700
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	16%	-15%	-12%	-5%	7%	-69%	-75%
Plan fiduciary net position as a percentage of the total pension liability	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available. Additionally, the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021**

ERS Pension Plan
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 274,934	\$ 277,500	\$ 292,000	\$ 293,300	\$ 303,100	\$ 318,800	\$ 386,000
Contributions in relation to the contractually required contribution	<u>(274,934)</u>	<u>(277,500)</u>	<u>(292,000)</u>	<u>(293,300)</u>	<u>(303,100)</u>	<u>(318,800)</u>	<u>(386,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,027,125	\$ 1,904,600	\$ 1,906,500	\$ 1,989,200	\$ 2,018,000	\$ 1,870,500	\$ 1,954,500
Contributions as a percentage of covered-employee payroll	13.56%	14.57%	15.32%	14.74%	15.02%	17.04%	19.75%

TRS Pension Plan
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 625,891	\$ 625,900	\$ 756,800	\$ 835,600	\$ 929,100	\$ 1,204,300	\$ 1,150,800
Contributions in relation to the contractually required contribution	<u>(625,891)</u>	<u>(625,900)</u>	<u>(756,800)</u>	<u>(835,600)</u>	<u>(929,100)</u>	<u>(1,204,300)</u>	<u>(1,150,800)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,011,533	\$ 7,064,300	\$ 6,909,200	\$ 6,301,600	\$ 7,006,700	\$ 6,869,900	\$ 7,081,700
Contributions as a percentage of covered-employee payroll	8.93%	8.86%	10.95%	13.26%	13.26%	17.53%	16.25%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled this presentation will only include information for those years for which information is available. Additionally the amounts presented for each fiscal year were determined as of each plans measurement date as disclosed in the footnotes.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET AND
SCHEDULE OF SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 22,803,143
Add: Prior year's encumbrances	<u>369,734</u>
Original Budget	23,172,877
Additions: Budget Amendments	<u>-</u>
Final Budget	\$ <u><u>23,172,877</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 [subsequent year's] voter-approved expenditure budget	\$ 22,922,240
Maximum allowed (4% of 2021-22 [subsequent year's] budget)	916,890

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

Unrestricted Fund Balance:	
Committed Fund Balance	\$ -
Assigned Fund Balance	864,483
Unassigned Fund Balance	<u>3,333,570</u>
Total Unrestricted Fund Balance	<u>4,198,053</u>

Less:	
Appropriated Fund Balance	365,103
Encumbrances included in Committed and Assigned Fund Balance	<u>499,380</u>
Total Adjustments	<u>864,483</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ <u><u>3,333,570</u></u>
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Actual percentage	14.54%
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- * 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
FOR THE YEAR ENDED JUNE 30, 2021

Project	Expenditures and Transfers to Date				Methods of Financing					Transfer to Debt Service Fund	Fund Balance (Deficit) at June 30, 2021
	Authori- zation	Prior Years	Current Year	Totals	Unexpended Balance	Proceeds of Obligations	Federal Aid	State Aid	Local Sources		
Misc. Prior Projects	\$ 621,306	\$ 778,946	\$ 100,000	\$ 878,946	\$ (257,640)	\$ 215,524	\$ -	\$ 355,599	\$ 285,504	\$ -	\$ (22,319)
Reconstruction/Additions Project	4,123,271	4,070,758	-	4,070,758	52,513	3,376,959	-	733,328	125,000	-	164,529
Bus Purchases	1,283,440	1,213,098	360,540	1,573,638	(280,198)	-	-	-	590,338	-	(983,300)
Flood Remediation	2,743,391	2,743,391	-	2,743,391	-	-	1,810,371	910,807	455,318	-	433,105
Reconstruction Project	15,000,000	845,715	10,119,946	10,965,661	4,034,339	-	-	-	230,000	-	(10,735,661)
Smart Schools Bond Act	922,936	-	755,360	755,360	167,576	-	-	755,360	-	-	-
Totals	\$ 24,704,344	\$ 9,651,908	\$ 11,335,846	\$ 20,987,754	\$ 3,716,590	\$ 3,592,483	\$ 1,810,371	\$ 2,755,094	\$ 1,686,160	\$ -	\$ (11,143,646)

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2021**

Capital Assets, Net		\$	26,154,540
Add:			
Restricted Cash	\$	<u>13,372,146</u>	13,372,146
Deduct:			
Bond anticipation notes payable	\$	(25,753,300)	
Short-term portion of bonds payable		(250,000)	
Long-term portion of bonds payable		(790,000)	
Unamortized bond premium		<u>(101,332)</u>	<u>(26,894,632)</u>
Net Investment in Capital Assets		\$	<u><u>12,632,054</u></u>

**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**

To the President and Members
of 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 and each major fund of the Middleburgh Central School District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters 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 2021-001.

District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

Marvin and Company, P.C.

Latham, NY
November 1, 2021

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

To the President and Members
of the Board of Education of
Middleburgh Central School District

Report on Compliance for Each Major Federal Program

We have audited the Middleburgh Central School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Marohn and Company, P.C.

Latham, NY
November 1, 2021

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Cluster Title/ Program Title	Assistance Listing/ Federal CFDA Number	Pass- Through Entity Identifying Number	Pass- Through To Subrecipient	Total Federal Expenditures
<u>U.S. Department of Education</u>				
Indirect Awards - Passed Through New York State Education Department:				
Special Education Cluster				
Special Education - Grants to States	84.027	0032-20-0841	-	\$ 683
Special Education - Grants to States	84.027	0032-21-0841	-	204,697
Special Education Preschool Grants	84.173	0033-21-0841	-	11,794
Total Special Education Cluster				217,174
Title I Grants to Local Educational Agencies - A&D	84.010	0021-21-2780	-	115,957
Improving Teacher Quality State Grants	84.367	0147-21-2780	-	16,688
Title IV	84.938C	0204-21-2780	-	12,060
COVID-19 CARES Act - ESSERF	84.425D	5890-21-2780	-	106,583
COVID-19 CARES Act - GEER	84.425C	5895-21-2780	-	17,476
COVID-19 CARES Act - ARP-ESSER	84.425U	5880-21-2780	-	1,549
Total COVID-19 CARES Act				125,608
Total Indirect Awards - Passed Through New York State Education Department:				487,487
Total U.S. Department of Education				487,487
<u>U.S. Department of Agriculture</u>				
Passed Through New York State Education Department:				
Child Nutrition Cluster				
COVID-19 Summer Food Service Program	10.559	Not Applicable	-	275,820
Food Distribution	10.555	Not Applicable	-	15,443
Total Child Nutrition Cluster				291,263
Total U.S. Department of Agriculture				291,263
Total Expenditures of Federal Awards				\$ 778,750

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021**

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of federal award programs administered by the Middleburgh Central School District (the District), which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District financial statements. Federal awards that are included in the Schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Schedule only presents a selected portion of the operations of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The federal expenditures are recognized under the Uniform Guidance.

3. SCOPE OF AUDIT

The Middleburgh Central School District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

4. NON-CASH ASSISTANCE

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2021, the District received food commodities totaling \$15,443.

5. INDIRECT COST RATE

The Middleburgh Central School District did not elect to use the 10% de minimus cost rate.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District's policy is not to charge federal award programs with indirect costs.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____yes X no
____yes X none reported

Noncompliance material to financial statements noted?

X yes ____no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____yes X no
____yes X none reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

____yes X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.555 and 10.559
84.027 and 84.173

Child Nutrition Cluster
Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

____yes X no

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Noncompliance Material to the Financial Statements

2021-001 Compliance with New York State Real Property Tax Law

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 2021/2022 general fund budget.

Criteria: NYS Real Property Tax Law 1318 limits the amount of unassigned fund balance a District can have to no more than 4% of the general fund budget for the ensuing fiscal year.

Cause: The cumulative effect of expenditures being significantly under budget.

Effect of Condition: The District was not in compliance with Real Property Tax Law.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II: Financial Statement Findings

2021-001 Compliance with New York State Real Property Tax Law

Context: As part of audit procedures the compliance the NYS Real Property Tax Law 1318 limits is reviewed.

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

Views of responsible officials and planned corrective actions: The District's management will ensure the excess fund balance is considered when preparing next year's budget. The District anticipates to use a portion of fund balance to balance the budget and keep the tax levy increase at 0%.

Section III: Federal Award Findings and Questioned Costs

Findings and questioned costs related to Federal awards which are required to be reported in accordance with 2 CFR 200.516(a):

None

Summary Schedule of Prior Audit Findings

2020-001 Stewardship and Compliance

Status: This item is repeated as finding 2021-001.