

**MIDDLE COUNTRY CENTRAL
SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Middle Country Central School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Middle Country Central School District, as of and for the fiscal year ended June 30, 2020, 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, each major fund and the fiduciary fund of the Middle Country Central School District, as of June 30, 2020, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 14 and 61 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Middle Country Central School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial information is the responsibility of management and was derived from and relates 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 other supplementary financial information is 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 October 9, 2020 on our consideration of the Middle Country Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Middle Country Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Middle Country Central School District's internal control over financial reporting and compliance.

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP

Islandia, NY

October 9, 2020

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The following is a discussion and analysis of the Middle Country Central School District's (the "District") financial performance for the fiscal year ended June 30, 2020. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Based Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- On June 16, 2020, the proposed 2020-2021 budget in the amount of \$265,011,296 was approved by over 67 % of the District's residents who voted. The election was completed entirely by mail in ballot due to the COVID pandemic. The property tax levy did not exceed the property tax cap.
- On November 18, 2014 the proposed Bond Referendum in the amount of \$125,158,351 was approved by the District's residents. The Bond is for district wide facility improvements, bus and equipment acquisitions, Science, Technology, Engineering, & Math (STEM) labs, cafeterias and playground upgrades. Bonds were issued on August 24, 2016, August 15, 2017, January 23, 2019, and September 4, 2019 in the amounts of \$32,000,000, \$47,000,000, \$28,150,000 and \$18,005,000, respectively. The District currently has authorized but unissued debt in the amount of \$ 3,351 at June 30,2020.
- The 2019/20 school year presented many challenges for the District due to the COVID-19 virus and the closure of school buildings beginning March 16, 2020. Utilizing the Smart School Bond Act funds the District delivered Chromebooks to any home that did not have computer access and expanded the program to ensure all students grades 5-8 had a Chromebook to assist in remote learning. The District plans to expand the program to the entire student body grades K-12 for the 20/21 school year.
- During the 2019/20 school year, the District incurred approximately \$350,000 in COVID-19 related expenses for PPE, cleaning, disinfectants, social distancing expenses and hazard pay. It is expected that during the 2020/21 school year the COVID-19 expenses for PPE, staffing and other expenses will be incurred and the District has applied for funds from FEMA and the NYS CARES funding to recoup some of the expenses.
- The District utilized only 66% of the budgeted reserves during the fiscal year ended June 30, 2020. Actual expenses in the areas of BOCES, and NYS retirement expenses were lower than anticipated.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

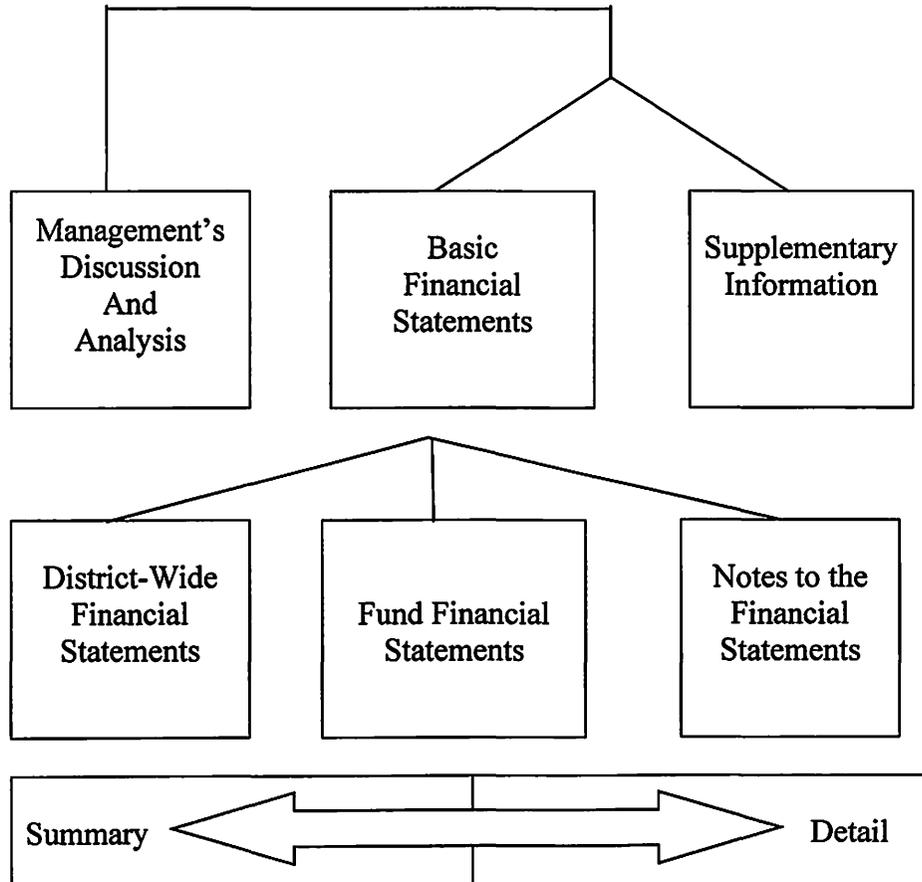
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial 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 Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

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 District’s budget for the year. The table below shows how the various parts of this annual report are arranged and relate to one another.

Organization of the District’s Annual Financial Report



**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The table below summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
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 Revenues, 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 measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A) District-Wide Financial Statements

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

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

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base 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 (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format 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 program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets*;
 - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
 - *Unrestricted net position* is net position that does not meet any of the above restrictions.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

B) Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

i) Governmental funds

Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in separate reconciliation schedules explains the relationship (or differences) between them. In summary, the governmental fund statements focus primarily on the sources, uses and balance of current financial resources and often have a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

ii) Fiduciary funds

The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The 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 District excludes these activities from the 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. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net deficit increased by \$20,875,287 in the fiscal year ended June 30, 2020 as detailed below.

Condensed Statement of Net Position-Governmental Activities

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Fiscal Year 2020	Fiscal Year 2019*	Increase (Decrease)	Total Percentage Change
Current assets	\$ 82,597,219	\$ 81,481,540	\$ 1,115,679	1.37%
Capital assets, net	187,668,453	164,696,259	22,972,194	13.95%
Net pension asset - proportionate share	15,571,567	10,690,204	4,881,363	45.66%
Total assets	<u>285,837,239</u>	<u>256,868,003</u>	<u>28,969,236</u>	11.28%
Deferred outflows of resources	<u>133,120,190</u>	<u>81,675,819</u>	<u>51,444,371</u>	62.99%
Total assets and deferred outflows of resources	<u>418,957,429</u>	<u>338,543,822</u>	<u>80,413,607</u>	23.75%
Other liabilities	17,264,969	18,729,682	(1,464,713)	-7.82%
Long-term liabilities	<u>635,424,015</u>	<u>550,127,537</u>	<u>85,296,478</u>	15.50%
Total liabilities	<u>652,688,984</u>	<u>568,857,219</u>	<u>83,831,765</u>	14.74%
Deferred inflows of resources	<u>107,994,914</u>	<u>90,537,785</u>	<u>17,457,129</u>	19.28%
Total liabilities and deferred inflows of resources	<u>760,683,898</u>	<u>659,395,004</u>	<u>101,288,894</u>	15.36%
Net position (deficit)				
Net investment in capital assets	48,033,668	40,548,196	7,485,472	18.46%
Restricted	27,645,999	34,423,423	(6,777,424)	-19.69%
Unrestricted (deficit)	<u>(417,406,136)</u>	<u>(395,822,801)</u>	<u>(21,583,335)</u>	-5.45%
Total net position (deficit)	<u>\$ (341,726,469)</u>	<u>\$ (320,851,182)</u>	<u>\$ (20,875,287)</u>	-6.51%

*Reclassifications have been made to the 2019 information to conform to the 2020 reporting.

Current assets increased \$1,115,679 from 2019 to 2020 primarily due to increases in state and federal aid receivable offset by decreases in cash of the general fund and debt service fund. Capital assets (net of depreciation) increased by \$22,972,194 primarily due to the acquisition of assets and construction in progress with capital projects exceeding depreciation. The District reported a net pension asset of \$15,571,567 for the Teachers' Retirement System as a result of the actuarial valuation provided by the State. This amount increased \$4,881,363 over the prior year.

Deferred outflows of resources increased by \$51,444,371, and represents contributions to the retirement plans subsequent to the measurement dates and actuarial determined amounts that will be amortized in future years, relating to pensions and other post-employment benefits obligation, as well as amortization of the deferred charges on refundings.

Other liabilities decreased by \$1,464,713. This was primarily attributed to a decrease in the amount due to the teacher' retirement system. Long-term liabilities increased by \$85,296,478. This is primarily due to the issuance of a bond for the 2014 bond project in the amount of \$18,005,000, the issuance of an energy performance contract in the amount of \$18,746,916, and an increase in total other post-employment benefits obligation of \$46,111,519.

The change in deferred inflows of resources represents amortization of actuarial determined information relating to pensions and other post-employment benefits obligation.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number increased from the prior year by \$7,485,472 primarily due to an increase in capital outlays related to the 2014 bond project, offset by depreciation.

The restricted net position in the amount of \$27,645,999 relates to the District's reserves: workers' compensation, unemployment insurance, insurance, property loss, liability, retirement contribution, and employee benefit accrued liability, as well as the fund balance of the debt service fund. The decrease of \$6,777,424 can be attributed to the utilization of the workers' compensation reserve of \$606,074, the employee benefit accrued liability reserve for \$1,590,735, the retirement contribution reserve of \$3,000,000, and the utilization of the debt service fund of \$2,275,000, offset by the allocation of interest to the reserve funds of \$216,591, and revenues from interest and premiums received in the debt service fund of \$477,794.

The unrestricted net deficit relates to the balance of the District's net position. The deficit of (\$417,406,136) increased by \$21,583,335, primarily due to the increase in the other post-employment benefits obligation.

B) Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2020 and 2019 is as follows:

Change in Net Position from Operating Results – Governmental Activities Only

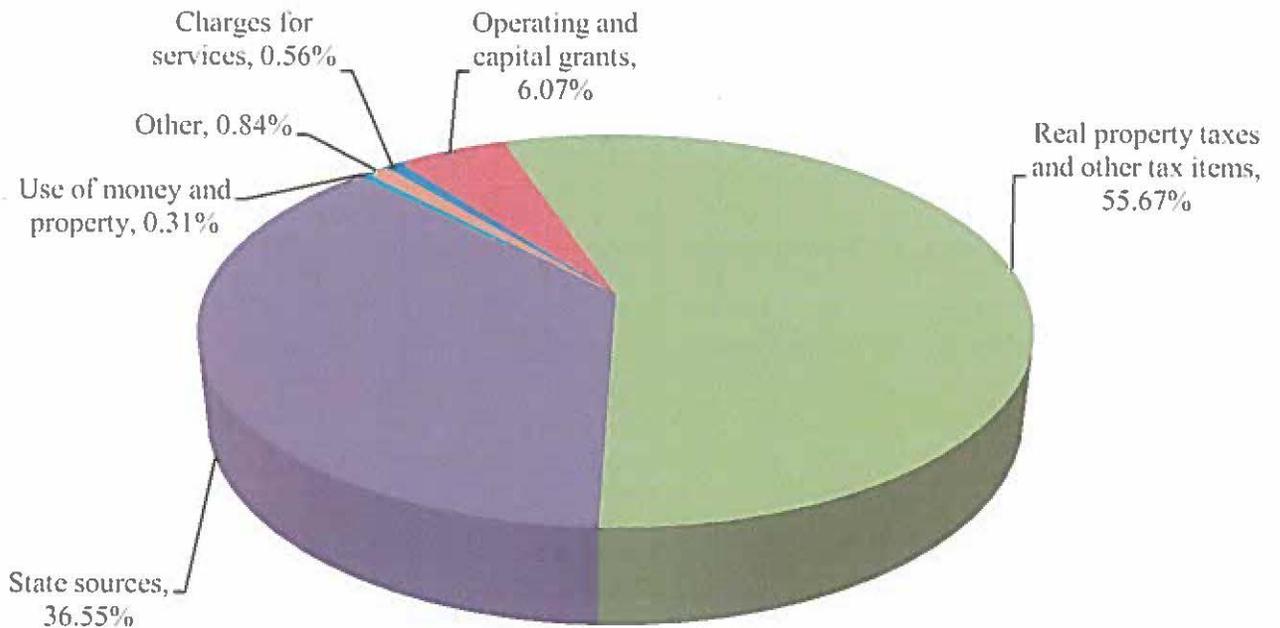
	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 1,433,709	\$ 1,787,055	\$ (353,346)	-19.77%
Operating and capital grants	15,563,357	12,551,267	3,012,090	24.00%
General revenues				
Real property taxes and other tax items	142,676,563	139,380,040	3,296,523	2.37%
State sources	93,679,573	91,563,212	2,116,361	2.31%
Use of money and property	786,539	1,382,598	(596,059)	-43.11%
Other	2,145,930	2,065,050	80,880	3.92%
Total revenues	<u>256,285,671</u>	<u>248,729,222</u>	<u>7,556,449</u>	3.04%
Expenses				
General support	31,219,979	29,313,097	1,906,882	6.51%
Instruction	219,345,623	199,372,860	19,972,763	10.02%
Pupil transportation	18,508,244	16,164,160	2,344,084	14.50%
Debt service - interest	4,546,205	4,293,950	252,255	5.87%
Food service program	3,540,907	3,479,032	61,875	1.78%
Total expenses	<u>277,160,958</u>	<u>252,623,099</u>	<u>24,537,859</u>	9.71%
Increase (decrease) in net position	<u>\$ (20,875,287)</u>	<u>\$ (3,893,877)</u>	<u>\$ (16,981,410)</u>	-436.11%

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The District's total fiscal year 2020 revenues totaled \$256,285,671. Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 55.67% and 36.55%, respectively of total revenue. The remainder came from fees charged for services, operating and capital grants, use of money and property, and other miscellaneous sources.

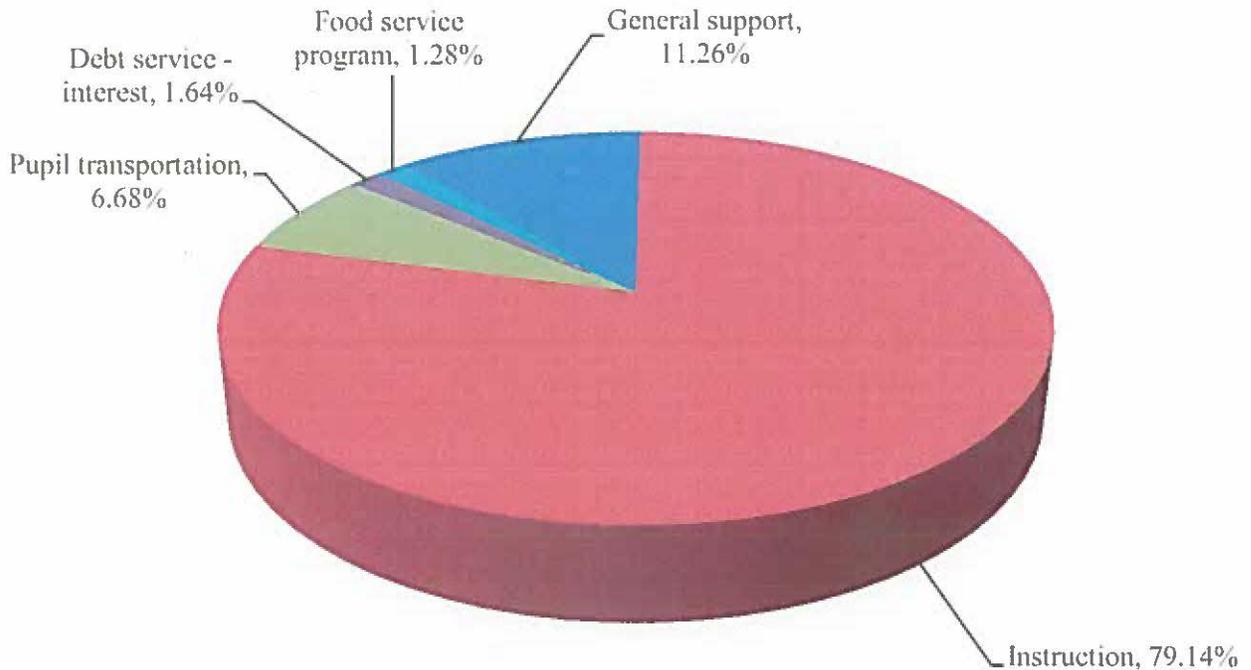
The cost of all programs and services totaled \$277,160,958 for fiscal year 2020. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 85.82% of district expenses. The District's general support activities accounted for 11.26% of total costs.

Revenues for Fiscal Year 2020



**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Expenses for Fiscal Year 2020



4. FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Variations between years for the governmental Fund Financial Statements are not the same as variations between years for the District-Wide Financial Statements. The District’s governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds’ projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2020, the District’s combined governmental funds reported a total fund balance of \$65,049,886 which is an increase of \$2,948,568 from the prior year. This increase is due to the increase in the capital projects fund of \$8,820,830, primarily due to the proceeds from the issuance of serial bonds and the energy performance contract. The fund balance is offset by a decrease in the in the general fund from operations of \$3,713,380 and a decrease in the school lunch fund of \$357,937, and decreases in the debt service and special aid funds of \$1,800,945. The decrease in the general fund balance was primarily due to lower than budgeted revenues in state aid. The decrease in the school lunch fund is directly related to the loss of revenue due to the closure of schools because of the COVID-19 pandemic. The decrease in the debt service fund is attributable to the utilization of funds to pay prior bond obligations.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A summary of the change in fund balance for all funds are as follows:

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted for workers' compensation	\$ 3,241,228	\$ 3,821,814	\$ (580,586)	-15.19%
Restricted for unemployment insurance	160,352	159,290	1,062	0.67%
Restricted for insurance	1,310,176	1,301,495	8,681	0.67%
Restricted for property loss and liability	1,257,712	1,249,378	8,334	0.67%
Restricted for retirement contribution	6,557,648	9,494,330	(2,936,682)	-30.93%
Restricted for employee benefit accrued liability	14,968,905	16,449,932	(1,481,027)	-9.00%
Assigned - designated for subsequent year's expenditures	2,400,000	2,400,000	-	0.00%
Assigned - general support	283,642	153,351	130,291	84.96%
Assigned - instruction	645,341	466,214	179,127	38.42%
Assigned - transportation	13,581	29,069	(15,488)	-53.28%
Assigned - employee benefits	43,214	4,122	39,092	
Unassigned	9,346,026	8,412,210	933,816	11.10%
Total fund balance - general fund	<u>40,227,825</u>	<u>43,941,205</u>	<u>(3,713,380)</u>	-8.45%
Special Aid Fund				
Assigned unappropriated	12,410	16,149	(3,739)	-23.15%
Total fund balance - special aid fund	<u>12,410</u>	<u>16,149</u>	<u>(3,739)</u>	-23.15%
School Lunch Fund				
Nonspendable - inventory	56,155	13,798	42,357	306.98%
Assigned unappropriated	274,261	674,555	(400,294)	-59.34%
Total fund balance - school lunch fund	<u>330,416</u>	<u>688,353</u>	<u>(357,937)</u>	-52.00%
Debt Service Fund				
Restricted	149,978	1,947,184	(1,797,206)	-92.30%
Total fund balance - debt service fund	<u>149,978</u>	<u>1,947,184</u>	<u>(1,797,206)</u>	-92.30%
Capital Projects Fund				
Unspent debt proceeds	24,229,257	15,676,842	8,552,415	54.55%
Unassigned	100,000	(168,415)	268,415	159.38%
Total fund balance-capital projects fund	<u>24,329,257</u>	<u>15,508,427</u>	<u>8,820,830</u>	56.88%
Total fund balance - all funds	<u>\$ 65,049,886</u>	<u>\$ 62,101,318</u>	<u>\$ 2,948,568</u>	4.75%

The decrease in the general fund balance is primarily due to a decrease in revenue from state aid because of building aid deferment, increase in payroll and benefit costs, offset by less than budgeted BOCES and retirement expenses.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The decrease in the fund balance of the school lunch fund is the result of an operating loss in the food service program due to a loss of revenue during the COVID-19 school closures.

The decrease in the fund balance for the debt service fund is due to a transfer to the general fund for payment of bond payments, offset by premiums received on debt proceeds during the year and interest income.

The increase in the fund balance for the capital projects fund is primarily due to the issuance of bonds for various bond projects, the issuance of the energy performance contract debt, and Smart Schools Bond Act revenues exceeding capital outlay.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2019-2020 Budget

The District’s voter approved general fund adopted budget for the year ended June 30, 2020 was \$257,435,446. This amount was increased by encumbrances carried forward from the prior year in the amount of \$652,756 which resulted in a final budget of \$258,088,202. The majority of the funding was real property taxes and other tax items budget of \$142,653,688.

B) Change in the General Fund Unassigned Fund Balance (Budget to Actual)

The general fund’s unassigned fund balance is a component of total fund balance that is the residual of prior years’ excess revenues over expenditures, net of transfers to reserves and designations to fund subsequent years’ budgets. It is this balance that is commonly referred to as “fund balance”. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, unassigned fund balance	\$ 8,412,210
Revenues under budget	(4,229,318)
Expenditures and encumbrances under budget	11,616,502
Assigned, appropriated for June 30, 2021 budget	(2,400,000)
Interest allocated to reserves	(216,591)
Unused appropriated reserves	(3,836,777)
Closing, unassigned fund balance	<u>\$ 9,346,026</u>

The opening, unassigned fund balance of \$8,412,210 represents the fund balance from June 30, 2019 that was retained.

The revenues under budget of \$4,229,318 were primarily related to state aid due to building aid deferment (See Supplemental Schedule # 1 for detail).

The expenditures and encumbrances under budget of \$11,616,502 were primarily in teaching – regular school, programs for children with handicapping conditions, BOCES, benefits and retirement expenses (see Supplemental Schedule #1 for detail).

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The assigned, appropriated fund balance of \$2,400,000 for the June 30, 2020 budget is the amount the District has chosen to partially fund its operating budget for 2020-2021.

Interest of \$216,591 was allocated to the reserves as follows: \$25,488 to the workers' compensation reserve, \$1,062 to the unemployment insurance reserve, \$8,681 to the insurance reserve, \$4,167 to the property loss reserve, \$4,167 to the liability reserve, \$63,318 to the retirement contribution reserve, and \$109,708 to the employee benefit accrued liability reserve.

The District appropriated \$9,033,586 of reserves for the 2019-2020 budget to reduce the tax levy. Only \$5,196,809 of this amount was utilized as the expenditures for BOCES, retirement and benefit expenses were under budget during the 2019-2020 year.

The closing, unassigned fund balance of \$9,346,026 represents the fund balance retained by the district that is not restricted or assigned for subsequent years' taxes. This amount is limited to 4% of the 2020-2021 budget. The District's unassigned fund balance is within this limit. Supplemental Schedule #5 includes the calculation for this limitation.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2020. A summary of the District's capital assets, net of depreciation, is as follows:

Capital Assets (Net of Depreciation)

Category	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Percentage Change
Land	\$ 4,328,276	\$ 4,328,276	\$ -	0.00%
Construction in progress	70,768,597	60,299,954	10,468,643	17.36%
Buildings & building improvements	199,504,751	178,933,366	20,571,385	11.50%
Furniture & equipment	10,719,456	10,582,054	137,402	1.30%
Land improvement	3,455,554	3,455,554	-	0.00%
Vehicles	8,792,624	8,720,113	72,511	0.83%
Subtotal	<u>297,569,258</u>	<u>266,319,317</u>	<u>31,249,941</u>	11.73%
Less: accumulated depreciation	<u>109,900,805</u>	<u>101,623,058</u>	<u>8,277,747</u>	8.15%
Total net capital assets	<u>\$ 187,668,453</u>	<u>\$ 164,696,259</u>	<u>\$ 22,972,194</u>	13.95%

The District spent \$31,040,028 in the capital projects fund during the year on building improvements, architectural and project manager fees related to the 2014 Bond referendum, and technology upgrades. The District also spent \$212,027 in the other funds on land improvements, furniture, equipment, and vehicles during the year.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

B) Long-Term Debt

At June 30, 2020 the District had total bonds payable of \$136,340,000 issued for District-Wide projects. The District had energy performance contract debt in the amount of \$25,800,230 as of June 30, 2020. The District has installment purchase debt for copiers in the amount of \$733 as of June 30, 2020. The increase in outstanding debt primarily relates to the issuance of a serial bond in the amount of \$18,005,000 and an energy performance contract of \$18,746,916, offset by payments of principal of bonds payable in the amount of \$12,420,000, energy performance contract principal of \$ 954,750, and \$6,836 of installment debt payable.

A summary of outstanding debt at June 30, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)
Serial bonds	\$136,340,000	\$130,755,000	\$5,585,000
Energy performance contracts	25,800,230	8,008,064	17,792,166
Installment purchase debt	733	7,569	(6,836)
Total	\$162,140,963	\$138,770,633	\$23,370,330

Please refer to Note 13 for further detail on long-term debt disclosures.

7. FACTORS BEARING ON THE DISTRICT’S FUTURE

- A) The District issued \$43,500,000 in tax anticipation notes on August 4, 2020, maturing on June 25, 2021 with an interest rate of 1.70%.
- B) The general fund budget for the 2020-2021 school year was approved by the voters in the amount of \$265,011,296. This is an increase of \$7,575,850 or 2.94 % over the previous year’s budget. The increase was primarily due to increases in salaries, security, and debt service expenses.
- C) As of June 30, 2020, the District has authorized \$125,158,351 for a facility improvement bond referendum that was approved by the District’s residents on November 18, 2014. The District has issued \$125,155,000 of this indebtedness as of June 30, 2020.
- D) The District anticipates incurring additional costs due to the COVID pandemic during the 2020/21 school year. The District plans on applying for funds from FEMA and the NYS CARES funding to recoup some of the expenses.
- E) The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year, which was made permanent. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year’s levy. If the tax levy proposed to the voters is within the district’s tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district’s tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Middle Country Central School District
Dr. Beth Rella
Assistant Superintendent for Business
8 43rd Street
Centereach, New York 11720
(631) 285-8020

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Current assets	
Cash	
Unrestricted	\$19,690,467
Restricted	44,695,568
Receivables	
State and federal aid	16,906,158
Due from other governments	443,630
Due from fiduciary fund	791,640
Accounts receivable	13,601
Inventories	56,155
Non-current assets	
Capital assets	
Not being depreciated	75,096,873
Being depreciated, net of accumulated depreciation	112,571,580
Net pension asset - proportionate share - TRS	15,571,567
TOTAL ASSETS	<u>285,837,239</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refundings	1,538,768
Pensions	62,194,588
Other post-employment benefits	69,386,834
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>133,120,190</u>
LIABILITIES	
Payables	
Accounts payable	1,256,520
Accrued liabilities	2,191,368
Due to other governments	6,142
Due to teachers' retirement system	9,527,050
Due to employees' retirement system	1,118,506
Compensated absences payable	1,261,046
Interest payable	1,799,692
Unearned credits	
Collections in advance	104,645
Long-term liabilities	
Due and payable within one year	
Installment purchase debt payable	733
Energy performance contract payable	2,074,518
Bonds payable (inclusive of unamortized premiums)	12,525,469
Claims payable	1,200,000
Termination benefits payable	150,000
Compensated absences payable	1,250,000
Due and payable after one year	
Energy performance contract payable	23,725,712
Bonds payable (inclusive of unamortized premiums)	127,076,378
Claims payable	2,358,995
Termination benefits payable	10,160,000
Compensated absences payable	20,776,033
Total other post-employment benefits obligation	415,195,097
Net pension liability - proportionate share - ERS	18,931,080
TOTAL LIABILITIES	<u>652,688,984</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	22,481,926
Other post-employment benefits	85,512,988
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>107,994,914</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	<u>48,033,668</u>
Restricted	
Workers' compensation	3,241,228
Unemployment insurance	160,352
Insurance	1,310,176
Property loss	628,856
Liability	628,856
Retirement contribution	6,557,648
Employee benefit accrued liability	14,968,905
Debt service	149,978
	<u>27,645,999</u>
Unrestricted (Deficit)	<u>(417,406,136)</u>
TOTAL NET POSITION (DEFICIT)	<u>(\$341,726,469)</u>

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS / PROGRAMS				
General support	(\$31,219,979)		\$2,919	(\$31,217,060)
Instruction	(219,345,623)	\$623,172	10,227,138	(205,436,371)
Pupil transportation	(18,508,244)			(18,508,244)
Debt service - interest	(4,546,205)			(4,546,205)
Food service program	(3,540,907)	810,537	2,274,358	(456,012)
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$277,160,958)</u>	<u>\$1,433,709</u>	<u>\$12,504,415</u>	<u>(\$260,163,892)</u>
GENERAL REVENUES				
Real property taxes				125,964,577
Other tax items - including STAR reimbursement				16,711,986
Use of money & property				786,539
Sale of property & compensation for loss				148,762
Premium on obligations				515,594
Miscellaneous				1,297,070
Medicaid reimbursement				184,504
State sources				93,679,573
TOTAL GENERAL REVENUES				<u>239,288,605</u>
CHANGE IN NET POSITION				(20,875,287)
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR				<u>(320,851,182)</u>
TOTAL NET POSITION (DEFICIT) - END OF YEAR				<u>(\$341,726,469)</u>

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash						
Unrestricted	\$19,633,585	\$9,812	\$47,070			\$19,690,467
Restricted	27,496,021			\$15,845	\$17,183,702	44,695,568
Receivables						
State and federal aid	6,816,484	6,954,891	294,256		2,840,527	16,906,158
Due from other governments	442,516		1,114			443,630
Due from other funds	2,694,929		339,159	134,133	4,501,386	7,669,607
Accounts receivable	13,601					13,601
Inventories			56,155			56,155
TOTAL ASSETS	<u>\$57,097,136</u>	<u>\$6,964,703</u>	<u>\$737,754</u>	<u>\$149,978</u>	<u>\$24,525,615</u>	<u>\$89,475,186</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Payables						
Accounts payable	\$703,910	\$53,596	\$302,656		\$196,358	\$1,256,520
Accrued liabilities	2,170,638	20,730				2,191,368
Due to other governments	6,105		37			6,142
Due to other funds		6,877,967				6,877,967
Due to teachers' retirement system	9,527,050					9,527,050
Due to employees' retirement system	1,118,506					1,118,506
Compensated absences	1,261,046					1,261,046
Unearned credits						
Collections in advance			104,645			104,645
TOTAL LIABILITIES	<u>14,787,255</u>	<u>6,952,293</u>	<u>407,338</u>	<u>-</u>	<u>196,358</u>	<u>22,343,244</u>
DEFERRED INFLOWS OF RESOURCES						
State aid	2,082,056	-	-	-	-	2,082,056
FUND BALANCES						
Nonspendable: inventory			56,155			56,155
Restricted						
Workers' compensation	3,241,228					3,241,228
Unemployment insurance	160,352					160,352
Insurance	1,310,176					1,310,176
Property loss	628,856					628,856
Liability	628,856					628,856
Retirement contribution	6,557,648					6,557,648
Employee benefit accrued liability	14,968,905					14,968,905
Debt service				149,978		149,978
Unspent debt proceeds					24,229,257	24,229,257
Assigned						
Appropriated fund balance	2,400,000					2,400,000
Unappropriated fund balance	985,778	12,410	274,261		100,000	1,372,449
Unassigned	9,346,026					9,346,026
TOTAL FUND BALANCES	<u>40,227,825</u>	<u>12,410</u>	<u>330,416</u>	<u>149,978</u>	<u>24,329,257</u>	<u>65,049,886</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$57,097,136</u>	<u>\$6,964,703</u>	<u>\$737,754</u>	<u>\$149,978</u>	<u>\$24,525,615</u>	<u>\$89,475,186</u>

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Governmental Fund Balances \$65,049,886

Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those capital assets among the assets of the district as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$297,569,258	
Accumulated depreciation	<u>(109,900,805)</u>	187,668,453

Deferred inflows of resources - the Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. These amounts will be amortized in future years.

Deferred inflows of resources related to pensions	(\$22,481,926)	
Deferred inflows of resources related to total OPEB obligation	<u>(85,512,988)</u>	(107,994,914)

Deferred outflows of resources - deferred charges on refundings - The Statement of Net Position will amortize the deferred charges received over the life of the bond. Governmental funds record the deferred charges in the year of issue. The balance on the deferred charges at June 30, 2020 was: 1,538,768

Deferred inflows of resources - state aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual. 2,082,056

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions and other post-employment benefits that will be recognized as expenditures in future periods amounted to:

Deferred outflows of resources related to pensions	\$62,194,588	
Deferred outflows of resources related to total OPEB obligation	<u>69,386,834</u>	131,581,422

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset, proportionate share for TRS at year-end was: 15,571,567

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of accrued interest payable of: (1,799,692)

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Installment purchase debt payable	(\$733)	
Energy performance contract payable	(25,800,230)	
Bonds payable (inclusive of unamortized premiums)	(139,601,847)	
Claims payable	(3,558,995)	
Termination benefits payable	(10,310,000)	
Compensated absences payable	(22,026,033)	
Total other post-employment benefits obligation	(415,195,097)	
Net pension liability-proportionate share (ERS)	<u>(18,931,080)</u>	<u>(635,424,015)</u>

Total Net Position (Deficit) (\$341,726,469)

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES						
Real property taxes	\$125,964,577					\$125,964,577
Other tax items - including STAR reimbursement	16,711,986					16,711,986
Charges for services	1,493,172					1,493,172
Use of money and property	580,516		\$113	\$205,910		786,539
Sale of property and compensation for loss	148,762					148,762
Miscellaneous	1,297,070					1,297,070
State sources	92,870,326	\$6,653,306	73,672		\$3,058,942	102,656,246
Federal sources	187,423	3,573,832	1,860,019			5,621,274
Surplus food			340,667			340,667
Sales			810,537			810,537
TOTAL REVENUES	<u>239,253,832</u>	<u>10,227,138</u>	<u>3,085,008</u>	<u>205,910</u>	<u>3,058,942</u>	<u>255,830,830</u>
EXPENDITURES						
General support	23,361,008					23,361,008
Instruction	128,381,336	10,210,163				138,591,499
Pupil transportation	15,513,962	542,890				16,056,852
Employee benefits	59,784,669					59,784,669
Debt service principal	13,374,750					13,374,750
Debt service interest	4,439,975					4,439,975
Cost of sales			3,500,991			3,500,991
Capital outlay					31,040,028	31,040,028
TOTAL EXPENDITURES	<u>244,855,700</u>	<u>10,753,053</u>	<u>3,500,991</u>	<u>-</u>	<u>31,040,028</u>	<u>290,149,772</u>
EXCESS (DEFICIENCY)						
OF REVENUES OVER EXPENDITURES	<u>(5,601,868)</u>	<u>(525,915)</u>	<u>(415,983)</u>	<u>205,910</u>	<u>(27,981,086)</u>	<u>(34,318,942)</u>
OTHER FINANCING SOURCES AND (USES)						
Premiums on obligations	243,710			271,884		515,594
Proceeds from issuance of serial bonds					18,005,000	18,005,000
Proceeds from energy performance contract					18,746,916	18,746,916
Operating transfers in	2,275,000	522,176	58,046		50,000	2,905,222
Operating transfers (out)	(630,222)			(2,275,000)		(2,905,222)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>1,888,488</u>	<u>522,176</u>	<u>58,046</u>	<u>(2,003,116)</u>	<u>36,801,916</u>	<u>37,267,510</u>
NET CHANGE IN FUND BALANCES	<u>(3,713,380)</u>	<u>(3,739)</u>	<u>(357,937)</u>	<u>(1,797,206)</u>	<u>8,820,830</u>	<u>2,948,568</u>
FUND BALANCES - BEGINNING OF YEAR	<u>43,941,205</u>	<u>16,149</u>	<u>688,353</u>	<u>1,947,184</u>	<u>15,508,427</u>	<u>62,101,318</u>
FUND BALANCES - END OF YEAR	<u>\$40,227,825</u>	<u>\$12,410</u>	<u>\$330,416</u>	<u>\$149,978</u>	<u>\$24,329,257</u>	<u>\$65,049,886</u>

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances		\$2,948,568
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long Term Revenue and Expense Differences		
Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. The difference in state aid revenues recognized under the full accrual method for the fiscal year ended June 30, 2020 is		809,247
In the Statement of Activities certain operating expenses are measured by amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.		
Decrease in claims payable		159,561
Increase in termination benefits payable		(40,000)
Increase in compensated absences		(2,708,934)
Changes in the proportionate share of net pension asset/liability and the total other post-employment benefits obligation and the related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
Teachers' retirement system	(\$9,975,781)	
Employees' retirement system	(3,373,692)	
Other post-employment benefits obligation	<u>(7,319,890)</u>	(20,669,363)
Capital Related Items		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	\$31,252,055	
Depreciation expense	<u>(8,279,861)</u>	22,972,194
Long-Term Debt Transactions		
Interest on long-term debt in the Statement of Activities is different from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities interest expense is recognized as it accrues regardless of when it is due. Accrued interest from June 30, 2019 to June, 2020 changed by:		(307,423)
Governmental funds reports the premiums, discounts and similar items when the debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Amortization on the 2019 bond premium	\$42,669	
Amortization on the 2013 and 2016 bond refunding premiums	397,800	
Amortization on the 2013 and 2016 deferred charges on refundings	<u>(239,276)</u>	201,193
Proceeds from energy performance contract is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		(18,746,916)
Proceeds from serial bonds is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		(18,005,000)
Repayment of energy performance contract debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		954,750
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		12,420,000
Repayment of installment purchase debt principal is an expenditure in the governmental fund, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		6,836
Repayment of library bond principal is a source of revenue in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and doesn't affect the Statement of Activities.		<u>(870,000)</u>
Change in Net Position		<u><u>(\$20,875,287)</u></u>

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash - restricted	\$983,725	\$1,857,697
Other assets		15,186
TOTAL ASSETS	<u>\$983,725</u>	<u>\$1,872,883</u>
LIABILITIES		
Due to governmental funds	\$6,802	\$784,838
Extraclassroom activity balance		156,120
Other liabilities		931,925
TOTAL LIABILITIES	<u>6,802</u>	<u>\$1,872,883</u>
NET POSITION		
Restricted for scholarships	<u>976,923</u>	
TOTAL NET POSITION	<u>976,923</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$983,725</u>	

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Gifts and contributions	\$3,490
Interest and earnings	<u>3,651</u>
TOTAL ADDITIONS	<u>7,141</u>
DEDUCTIONS	
Scholarships and awards	<u>8,750</u>
CHANGE IN NET POSITION	(1,609)
NET POSITION - BEGINNING OF YEAR	<u>978,532</u>
NET POSITION- END OF YEAR	<u><u>\$976,923</u></u>

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Middle Country Central School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as they apply to governmental units. The Governmental Accounting Standards Board (GASB) prescribes those principles, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A) Reporting entity:

The laws of New York State govern the District. The District is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the 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 No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. Inclusion of 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.

Extraclassroom Activity Funds:

The Extraclassroom Activity Funds of the District represent 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. The District reports these assets held as an agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

B) Joint venture:

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

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

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

C) Basis of presentation:

i) District-Wide Financial 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 reflects capital specific grants, if applicable.

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 a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants 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.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

ii) Fund Financial Statements:

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

The District reports the following major governmental funds:

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

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

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.

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

The District reports the following fiduciary funds:

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

D) Measurement focus and basis of accounting:

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, termination benefits, compensated absences, net pension liabilities, and total other post-employment benefits obligations 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) Real property taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. Taxes are collected by the Town of Brookhaven during the period December 1, 2019 to June 30, 2020 without penalty.

ii) Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County (the "County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

F) 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

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. 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.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, disclosure of contingent items at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, termination benefits, total other post-employment benefits, workers' compensation claims, net pension asset/liability, potential contingent liabilities and useful lives of capital assets.

I) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

J) Receivables:

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

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A reserve for these non-liquid assets (inventory) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

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. The District had no prepaid items as of June 30, 2020.

L) Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at acquisition value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building & building improvements	\$ 15,000	Straight-line	50 years
Furniture & equipment	\$ 5,000	Straight-line	5-20 years
Land improvements	\$ 15,000	Straight-line	20 years
Vehicles	\$ 5,000	Straight-line	8 years

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

M) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance as of June 30, 2020 consisted of amounts received in advance for meals that have not yet been purchased in the school lunch fund.

N) Deferred inflows and outflows of resources:

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 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 reported deferred inflows of resources related to pensions and the total other post-employment benefits liability reported in the District-Wide Statement of Net Position, and are detailed further in Notes 15 and 17 respectively.

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 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 has three items that qualify for reporting in this category. These amounts are related to deferred charges on refundings, pensions and the total other post-employment benefits liability which are reported in the District-Wide Statement of Net Position, and are detailed further in Notes 13, 15 and 17.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflows of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus. Due to the COVID-19 pandemic and revenue losses suffered by the State of New York, New York mandated a 20% withholding of certain state aid allocations due to the District at June 30, 2020. In the Governmental Funds Balance Sheet, the general fund reported \$809,247 of this state aid due, as unavailable revenue, and \$1,272,809 in other state aid that will be paid to the District when funds become available at the state level, for a total of \$2,082,056 in unavailable revenues.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

O) Vested employee benefits:

Compensated absences:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

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

Consistent with GASB Statement No. 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. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements only the amount of matured liabilities for those employees that have obligated themselves to separate from service with the District by June 30th is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Termination benefits:

Termination benefits consists of first year eligible retirement incentive payments as specified in collective bargaining agreements. The liability is calculated in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. The liability is calculated on years of service plus rates in effect at year end.

In the Fund Financial Statements only the amount of matured liabilities for those employees that have obligated themselves to separate from service with the District by June 30th is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

P) Other benefits:

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

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

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's 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 District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payments). In the District-Wide Financial Statements, the cost of post-employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

Q) Short-term debt:

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

The 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 there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of 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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. See Note 12 for more information on short-term debt.

R) 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, termination benefits, compensated absences, net pension liability, and total other post-employment benefits obligation 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 within more than one year on the Statement of Net Position.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

S) Equity classifications:

i) District-Wide Financial Statements:

In the District-Wide Financial Statements, there are three classes of net position:

Net investment in capital assets consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, deferred charges on refundings).

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

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

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- (1) **Non-spendable fund balance** – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$ 56,155.
- (2) **Restricted fund balance** – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

Workers' Compensation Reserve:

Workers' compensation reserve (GML §6-j), must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by 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

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

fiscal year's budget. This reserve is accounted for in the general fund under restricted fund balance.

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. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the 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. This reserve is accounted for in the general fund under restricted fund balance.

Insurance Reserve:

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

Property Loss Reserve and Liability Reserve:

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

Retirement Contribution Reserve:

Retirement Contribution Reserve (GML§6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

retirement contributions to the New York State Teachers' Retirement System. 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. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability Reserve:

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

Debt Service:

The unexpended balances of proceeds of borrowings for capital projects, interest and earning from investing proceeds of borrowings, and borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the debt service fund.

Unspent debt proceeds:

Unspent long-term bond and energy performance proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Scholarships:

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, net of earnings and awards. These restricted funds are accounted in the private purpose trust fund.

- (3) **Committed fund balance** – 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., Board of Education). The District has no committed fund balances as of June 30, 2020.
- (4) **Assigned fund balance** – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. The District has established a Fund Balance policy that allows the Board of Education to set forth

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

the fund balance that is assigned. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

- (5) **Unassigned fund balance** – includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law 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. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance

The District’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned.

T) Future changes in accounting standards:

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2021. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2022. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the District feels may have an impact on these financial statements and are not an all inclusive list of GASB statements issued. 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.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

B) Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and Statement of Activities fall into one of three broad categories. The amounts shown below represent:

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) 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 reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the Fund Financial Statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Fund Financial Statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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 included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. There were no supplemental appropriations for the fiscal year ending June 30, 2020.

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.

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.

B) 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 assigned 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.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 4 –DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A) Uncollateralized;
- B) Collateralized with securities held by the pledging financial institution; or
- C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

Restricted cash:

Restricted cash 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 June 30, 2020 included \$44,695,568 within the governmental funds for general reserve purposes, debt service and capital projects, and \$2,841,422 within the fiduciary funds.

Investments:

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2020, the District was billed \$14,161,841 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$2,422,368. Financial statements for the BOCES are available from the BOCES administrative office at Eastern Suffolk Board of Cooperative Educational Services James Hines Administration Center 201 Sunrise Highway Patchogue, NY 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2020 consisted of the following:

General Fund	
General aid	\$1,371,207
Excess cost aid	2,749,962
BOCES aid	2,661,943
Medicaid reimbursement	<u>33,372</u>
Total	<u>6,816,484</u>
Special Aid Fund	
State and federal grants	<u>6,954,891</u>
Total	<u>6,954,891</u>
Capital Projects Fund	
Smart Schools Bond Act funds	<u>2,840,527</u>
Total	<u>2,840,527</u>
School Lunch Fund	
Lunch - federal aid	175,309
Lunch - state aid	3,017
Breakfast - federal aid	110,827
Breakfast - state aid	<u>5,103</u>
Total	<u>294,256</u>
Total State and federal aid receivable	<u>\$16,906,158</u>

The general fund state aid receivable includes \$809,247 of unavailable revenues, which are included in deferred inflows of resources on the balance sheet. District management has deemed these amounts to be fully collectible.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2020 consisted of the following:

General Fund	
Interest on real property taxes	\$ 7,039
New York State Diesel fuel tax refund	1,367
Tuition and health services billings	434,110
Total general fund	442,516
School Lunch fund	
Middle Country Extraclassroom for sales and use tax paid	1,114
Total Due From Other Governments	\$ 443,630

District management has deemed these amounts to be fully collectible.

NOTE 8 - CAPITAL ASSETS:

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

	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 4,328,276	\$ -	\$ -	\$ 4,328,276
Construction in progress	60,299,954	10,468,643		70,768,597
Total capital assets that are not depreciated	64,628,230	10,468,643	-	75,096,873
Capital assets that are depreciated:				
Building & building improvements	178,933,366	20,571,385		199,504,751
Furniture & equipment	10,582,054	139,516	(2,114)	10,719,456
Land improvement	3,455,554			3,455,554
Vehicles	8,720,113	72,511		8,792,624
Total capital assets that are depreciated	201,691,087	20,783,412	(2,114)	222,472,385
Less accumulated depreciation:				
Building & building improvements	85,880,712	7,049,477		92,930,189
Furniture & equipment	7,403,543	572,199	(2,114)	7,973,628
Land improvement	3,021,280	175,304		3,196,584
Vehicles	5,317,523	482,881		5,800,404
Total accumulated depreciation	101,623,058	8,279,861	(2,114)	109,900,805
Total capital assets being depreciated, net	100,068,029	12,503,551	-	112,571,580
Total capital assets, net	\$ 164,696,259	\$ 22,972,194	\$ -	\$ 187,668,453

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

Depreciation expense was charged to governmental functions as follows:

General support	\$ 573,012
Instruction	7,177,476
Transportation	477,170
Food service program	52,203
Total	<u>\$ 8,279,861</u>

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 2,694,929		\$ 2,275,000	\$ 630,222
Special aid fund		\$ 6,877,967	522,176	
School lunch fund	339,159		58,046	
Debt service fund	134,133			2,275,000
Capital projects fund	4,501,386		50,000	
Total government activities	<u>7,669,607</u>	<u>6,877,967</u>	<u>2,905,222</u>	<u>2,905,222</u>
Fiduciary agency fund		784,838		
Private purpose fund		6,802		
Totals	<u>\$ 7,669,607</u>	<u>\$ 7,669,607</u>	<u>\$ 2,905,222</u>	<u>\$ 2,905,222</u>

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by State Law and to fund the State Supported Section 4201 schools. The District transferred from the general fund to the school lunch fund to cover the negative balances on students who owe money to the District for meals. The District transferred from the general fund to the capital projects fund to finance a capital project. The District transferred from the debt service fund to the general fund to partially fund debt service payments.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. It is expected that all interfund payables should be repaid within one year.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 10 –COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2020 consisted of:

School lunch fund	
Prepaid meals	\$ 104,645
Total Collections in Advance	\$ 104,645

NOTE 11 – DUE TO OTHER GOVERNMENTS:

Due to other governments at June 30, 2020 consisted of the following:

General fund	
Overpayment of state aid	\$ 4,369
Interest on real property tax due to Middle Country Public Library	1,736
Total General fund	6,105
School lunch fund	
Sales tax payable	37
Total Due to Other Governments	\$ 6,142

NOTE 12 - SHORT-TERM DEBT:

Transactions in short-term debt for the fiscal year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/25/2020	2.0000%	\$ -	\$ 38,500,000	\$ 38,500,000	\$ -
Total			\$ -	\$ 38,500,000	\$ 38,500,000	\$ -

The TAN was issued to finance general fund operations. Interest on short-term debt for the year was \$622,417.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 13 – LONG-TERM LIABILITIES:

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

	Beginning Balance*	Issued	Redeemed	Ending Balance	Due Within One Year
Bonds payable					
Construction serial bonds	\$ 130,755,000	\$ 18,005,000	\$ 12,420,000	\$ 136,340,000	\$ 12,085,000
Plus: unamortized premiums on bonds	3,702,316		440,469	3,261,847	440,469
	<u>134,457,316</u>	<u>18,005,000</u>	<u>12,860,469</u>	<u>139,601,847</u>	<u>12,525,469</u>
Other long-term liabilities:					
Installment purchase debt payable	7,569	-	6,836	733	733
Energy performance contract payable	8,008,064	18,746,916	954,750	25,800,230	2,074,518
Claims payable	3,718,556	1,432,971	1,592,532	3,558,995	1,200,000
Termination benefits payable	10,270,000	190,000	150,000	10,310,000	150,000
Compensated absences payable	19,317,099	4,337,360	1,628,426	22,026,033	1,250,000
Total other post-employment benefits obligation	369,083,578	88,794,625	42,683,106	415,195,097	
Net pension liability-proportionate share	5,265,355	16,889,193	3,223,468	18,931,080	
Total long-term liabilities	<u>\$ 550,127,537</u>	<u>\$ 148,396,065</u>	<u>\$ 63,099,587</u>	<u>\$ 635,424,015</u>	<u>\$ 17,200,720</u>

*Certain reclassifications have been made to beginning balances to conform to the 2020 presentation.

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, installment purchase debt, energy performance contract, claims, termination benefits, total other post-employment benefits obligation, and net pension liability.

A) Bonds Payable

Bonds payable is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction serial bond	4/21/2016	7/15/2028	1.00-5.00%	\$6,290,000
Construction serial bond	3/20/2013	6/30/2027	2.00-4.00%	17,770,000
Construction serial bond	8/24/2016	8/15/2033	2.00%	27,400,000
Construction serial bond	8/15/2017	8/15/2033	2.00-3.00%	41,000,000
Construction serial bond	1/23/2019	1/15/2034	3.00%	25,875,000
Construction serial bond	9/4/2019	9/1/2034	1.50-2.00%	18,005,000
				<u>\$136,340,000</u>

On September 4, 2019, \$18,005,000 in general obligation bonds with an interest rate of 1.5-2.00% were issued to fund capital bond projects.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 12,085,000	\$ 3,653,154	\$ 15,738,154
2022	12,315,000	3,160,412	15,475,412
2023	12,500,000	2,831,250	15,331,250
2024	12,765,000	2,489,775	15,254,775
2025	12,120,000	2,145,575	14,265,575
2026-2030	47,105,000	6,457,213	53,562,213
2031-2035	27,450,000	1,362,750	28,812,750
	<u>\$ 136,340,000</u>	<u>\$ 22,100,129</u>	<u>\$ 158,440,129</u>

Upon default of the payment of principal or interest on the serial bonds, the bond holders have the right to litigate and the New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the New York State Finance Law, to withhold state aid and assistance and apply the amount withheld to the payment of the defaulted principal or interest.

B) Energy Performance Contracts Payable

Energy performance contracts payable are composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy Performance Contract	8/5/2011	10/15/2026	3.39%	\$ 7,053,314
Energy Performance Contract	2/12/2020	2/1/2035	2.11%	18,746,916
				<u>\$ 25,800,230</u>

An energy performance contract was entered into on February 12, 2020 in the amount of \$18,746,916. The interest rate is 2.11% and payable over 15 years. The contract is for renewable energy including solar installations, exterior and interior lighting retrofits, heating and HVAC equipment replacement and pipe and valve insulations.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

The following is a summary of debt service requirements for the energy performance contracts payable:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 2,074,518	\$ 607,265	\$ 2,681,783
2022	2,117,680	564,102	2,681,782
2023	2,175,861	505,922	2,681,783
2024	2,235,729	446,053	2,681,782
2025	2,297,336	384,446	2,681,782
2026-2030	7,988,687	1,156,523	9,145,210
2030-2035	6,910,419	407,492	7,317,911
	<u>\$ 25,800,230</u>	<u>\$ 4,071,803</u>	<u>\$ 29,872,033</u>

C) Installment Debt

Installment debt is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Copiers	Various	Various	N/A	<u>\$733</u>

The following is a summary of the maturing debt service requirements of installment purchase debt:

June 30,	Principal	Total
2021	<u>\$733</u>	<u>\$733</u>
	<u>\$733</u>	<u>\$733</u>

D) Long-Term Interest

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

Interest paid	\$ 3,817,558
Less interest accrued in the prior year	(1,492,269)
Plus interest accrued in the current year	1,799,692
Plus amortization of the deferred charges	239,276
Less amortization of bond premiums	(440,469)
Total expense	<u>\$ 3,923,788</u>

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

E) Premiums on Bonds:

Premiums on bonds, net of amortization, are reported as a component of the related long-term liability, and amounted to \$3,261,847 at June 30, 2020. This represents premiums received on the January 2019 bond issuance, and on the 2013 and 2016 bond refundings. These premiums are being amortized using the straight-line method over the life of the bonds. Amortization is recorded as a reduction in interest expense on the District-Wide Statement of Activities.

Unissued Debt

As of June 30, 2020 the District has authorized indebtedness in the amount of \$ 125,158,351 to undertake a district wide facilities improvement and bus and equipment acquisition project. Serial bonds were issued on August 24, 2016 in the amount of \$32,000,000, August 15, 2017 in the amount of \$47,000,000, January 23, 2019 in the amount of \$28,150,000, and \$18,005,000 on September 4, 2019, leaving authorized but unissued debt in the amount of \$3,351 at June 30, 2020. The District considers this authorization complete.

NOTE 14 –DEFERRED OUTFLOWS OF RESOURCES –DEFERRED CHARGES ON REFUNDINGS:

Deferred charges on refunding result from the difference in the carrying value of the refunded debt and its reacquisition price. The deferred charges pertaining to the 2013 and 2016 bond refundings recorded in the District-Wide Financial Statements as deferred outflows of resources at June 30, 2020 consisted of the following:

2013 Bond refunding	
Initial deferred charges on refunding	\$ 2,697,877
Amortization to date	<u>(1,466,237)</u>
Total deferred charges -2013, net of amortization	<u>1,231,640</u>
2016 Bond refunding	
Initial deferred charges on refunding	467,853
Amortization to date	<u>(160,725)</u>
Total deferred charges -2016, net of amortization	<u>307,128</u>
Total deferred charges, net of amortization	<u>\$ 1,538,768</u>

The deferred charges are being amortized, as a component of interest expense on the District-Wide Financial Statements using the straight-line method over 15 years and 14 years for the 2013 and 2016 bond refunding, respectively, the time to maturity of the refunded bonds, at the point of refunding.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 15 – PENSION PLANS:

A) Plan description and benefits provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). 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. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publically available financial report that contains financial statements and required supplementary information. The report 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 TRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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. ERS issues a publically available report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

B) Funding policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

2. New York State Employees' Retirement System
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31. The District's contribution rates for ERS' fiscal year ended March 31, 2020 for covered payroll was 21.2% for Tier 1, 19.4% for Tier 2, 15.8% for Tiers 3 &4, 13.2% for Tier 5, and 9.3% for Tier 6

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2020 was 8.86% of covered payroll.

The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years based on covered payroll for the District's year end were:

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

	NYSERS	NYSTRS
2020	\$ 3,342,737	\$ 9,051,162
2019	\$ 3,169,360	\$ 10,621,153
2018	\$ 3,031,707	\$ 9,437,216

C) Pension assets, liabilities, pension expense, and deferred outflows and inflows of resources related to pensions:

At June 30, 2020, 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, 2020 for ERS and June 30, 2019 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation, with update procedures used to roll forward the total pension liability. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected 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>
Measurement date	March 31, 2020	June 30, 2019
Net pension asset/(liability)	(\$18,931,080)	\$15,571,567
District's portion of the Plan's total net pension liability	0.0714904%	0.599366%
Change in proportion since prior measurement date	-0.0000628%	0.008180%

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$6,716,351 for ERS and a pension expense of \$19,042,415 for TRS. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$1,114,171	\$10,552,454	\$-	\$1,157,931
Net difference between projected and actual earnings on pension plan investments	9,704,992	-	-	12,487,594
Changes of assumptions	381,182	29,416,773	329,144	7,172,642
Changes in proportion and differences between the District's contributions and proportionate share of contributions	677,747	177,601	141,007	1,193,608
District's contributions subsequent to the measurement date	<u>1,118,506</u>	<u>9,051,162</u>	<u>-</u>	<u>-</u>
	<u>\$12,996,598</u>	<u>\$49,197,990</u>	<u>\$470,151</u>	<u>\$22,011,775</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Fiscal year ended:		
2021	\$ 2,017,414	\$ 6,830,290
2022	2,889,633	232,502
2023	3,629,228	6,804,755
2024	2,871,666	4,478,502
2025	-	397,196
Thereafter		<u>(608,192)</u>
	<u>\$ 11,407,941</u>	<u>\$ 18,135,053</u>

Actuarial Assumptions

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

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.8%	7.10%
Salary scale	4.20%	4.72% - 1.90%
Cost of living adjustments	1.3% annually	1.3%, annually
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.50%	2.20%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on MP-2018. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018, applied on a generational basis.

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

The long term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections 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 investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

<u>Valuation Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>April 1, 2019</u>		<u>June 30, 2018</u>	
<u>Asset type</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Domestic equity	36%	4.05%	33%	6.3%
International equity	14%	6.15%	16%	7.8%
Global equity			4%	7.2%
Private equity	10%	6.75%	8%	9.9%
Real estate	10%	4.95%	11%	4.6%
Absolute return strategies	2%	3.25%		
Opportunistic portfolio	3%	4.65%		
Real assets	3%	5.95%		
Bonds and mortgages	17%	0.75%		
Cash	1%	0.00%		
Inflation-indexed bonds	4%	0.50%		
Domestic fixed income securities			16%	1.3%
Global fixed income securities			2%	0.9%
High-yield fixed income securities			1%	3.6%
Private debt			1%	6.5%
Real estate debt			7%	2.9%
Short-term			1%	0.3%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.5% for ERS, and 2.2% for TRS.

Discount Rate

The discount rate used to calculate the total pension liability was 6.80% 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 Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.80% 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 1-percentage-point lower (5.80% for ERS and

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

6.10% for TRS) or 1-percentage-point higher (7.80% for ERS and 8.10% for TRS) than the current rate:

	1% Decrease (5.80%)	Current Assumption (6.80%)	1% Increase (7.80%)
<u>ERS</u>			
District's proportionate share of the net pension asset (liability)	(\$34,743,876)	(\$18,931,080)	(\$4,367,427)
	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
<u>TRS</u>			
District's proportionate share of the net pension asset (liability)	(\$70,288,428)	\$15,571,567	\$87,598,414

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u> April 1, 2019	<u>TRS</u> June 30, 2018
Employers' total pension liability	\$ (194,596,261)	\$ (119,879,474)
Plan Net Position	168,115,682	122,477,481
Employers' net pension asset/(liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	86.39%	102.17%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$1,118,506.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$9,527,050.

NOTE 16 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2020 totaled \$1,048,436 and \$5,404,227 respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for some employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2020 totaled \$284,487.

NOTE 17 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program (NYSHIP), and all active employees and retirees are covered by either the Empire Plan or Emblem HMO. A small number of retirees also receive dental and life insurance benefits. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 50% and 100% of premiums for retirees, between 35% and 90% of the excess premiums for family coverage, and 0% of the premiums for surviving spouses, depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2020, the District contributed an estimated \$11,755,003 to the Plan, including \$11,755,003

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the “pay as you go” method.

Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,103
Inactive employees entitled to but not yet receiving benefit payments	7
Active employees	<u>1,231</u>
	<u><u>2,341</u></u>

B) Total OPEB Liability:

The District’s total OPEB liability of \$415,195,097 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount rate	2.66%
Healthcare cost trend rates	8.00% decreasing to 4.5% by 2028
Retirees' share of benefit-related costs	0% to 50% of projected health insurance premiums for retirees, 10% to 65% for family coverage, and 100% for surviving spouse

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

Mortality rates were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019 for general employees, SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully general using Scale MP-2019 for teacher employees and retirees, and SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019.

Some assumptions used in this valuation are based on NYSTRS and NYSERS valuation assumptions and as they are updated, those updates will be reflected in this valuation as well.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

C) Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2019	\$ 369,083,578
Changes for the fiscal year:	
Service cost	11,348,199
Interest	13,148,634
Changes of benefit terms	-
Differences between expected and actual experience	(30,928,103)
Changes in assumptions or other inputs	64,297,792
Benefit payments	(11,755,003)
Net changes	46,111,519
Balance at June 30, 2020	\$ 415,195,097

There were no significant plan changes since the last valuation.

Changes of assumptions or other inputs include a decrease in the discount rate from 3.51% at the June 30, 2019 measurement date to 2.66% at the June 30, 2020 measurement date, as well as a change to the healthcare trend rates to an annual trend of 8% instead of 8.5%, and updating the mortality table from SOA RPH-2014 Total Dataset Mortality Table fully generational using Scape MP-2014 to those mentioned previously.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate:

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	\$486,422,718	\$415,195,097	\$358,420,919

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current healthcare cost trend rates:

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

	Healthcare Cost Trend	
1% Decrease (7.00% decreasing to 3.50%)	Rates (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
Total OPEB liability	\$348,780,210	\$415,195,097
		\$501,627,643

D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the fiscal year ended June 30, 2020, the District recognized OPEB expense (credit) of \$19,074,892. At June 30, 2020, the District reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (85,512,988)
Changes of assumptions or other inputs	69,386,834	-
	\$ 69,386,834	\$ (85,512,988)

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

Fiscal Year ended June 30:	
2021	\$ (5,421,941)
2022	(5,421,941)
2023	(5,421,941)
2024	(5,421,941)
2025	5,561,610
Thereafter	-
	\$ (16,126,154)

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

NOTE 18 – TERMINATION BENEFITS PAYABLE:

The District offers a retirement incentive to certain administrators and teachers through their employment contracts and to unaffiliated staff through a Board of Education policy. In general, for teachers and certain administrators, a retirement incentive of \$15,000 is available to those who have been in the employ of the District for at least ten years and who retire on the July 1st following his/her 55th birthday. For other administrators, a retirement incentive of \$15,000 is available to those who retire from the District and the New York State Teachers Retirement System and who have been in the employ of the District in the capacity as an administrator for at least five years. Unaffiliated staff employed by the District for at least five years are entitled to a \$10,000 retirement incentive. The current value of incentive payments earned for approximately 694 employees is \$10,310,000 and is recorded as a long-term liability on the Statement of Net Position.

NOTE 19 – RISK MANAGEMENT:

A) General:

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 three years.

B) Risk Retention:

The District participated in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage through June 30, 2020. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool. As of June 30, 2020, the District has reserves for property loss and liability totaling \$1,257,712.

The District has established a self-insured plan for risks associated with Workers' Compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. Liabilities do not include an amount for unpaid claims which were incurred on or before year but not reported (IBNR). As of June 30, 2020, the District has recorded potential workers' compensation claims of \$3,558,995 and has a workers' compensation reserve balance of \$3,241,228.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

Claims activity for the current and preceding year is summarized below.

	2020	2019
Unpaid claims at beginning of year	\$ 3,718,556	\$ 3,806,699
Incurred claims and claim adjustment expenses	1,432,971	1,553,375
Claims payments	(1,592,532)	(1,641,518)
Unpaid claims at year end	\$ 3,558,995	\$ 3,718,556

NOTE 20 - TAX ABATEMENTS:

The Town of Brookhaven Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 892, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the Town. The District's property tax revenue was reduced by \$1,131,615 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$169,484 for these programs during the fiscal year.

NOTE 21 – COMMITMENTS AND CONTINGENCIES:

A) Encumbered:

All encumbrances are classified as restricted or assigned fund balance. At June 30, 2020, the District encumbered the following amounts:

General Fund	
General support	\$283,642
Instructional	645,341
Transportation	13,581
Employee benefits	43,214
	\$985,778
School Lunch Fund	
Food service program	\$96,429
Capital Projects Fund	
Capital projects	\$7,294,658

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Exhibit 10

B) Grants:

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

C) Litigation:

The District is involved in litigation proceedings resulting from the conduct of its affairs. Management cannot estimate monetary amounts associated with the resolution of these cases, nor the likelihood of an unfavorable outcome.

NOTE 22 – SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management noted the following subsequent events requiring disclosure:

A) COVID-19 Pandemic:

On March 11, 2020, the World Health Organization declared coronavirus (COVID-19) disease as a global pandemic, due to the rapid increase in global exposure. The full impact of this pandemic is still evolving as of the date of this report; however, COVID-19 has interrupted District operations and financial performance. The future performance both operationally and financially will depend upon the duration and spread of the disease, the effect on students, employees, residents, and vendors, as well as federal and state funding, all of which are uncertain and cannot be estimated at this time.

The District plans on applying for funds from FEMA and the NYS CARES funding to recoup some of the additional expenses that will be incurred in the 2020-2021 school year relating to the pandemic.

B) Tax Anticipation Note:

The District issued \$43,500,000 in tax anticipation notes on August 4, 2020, maturing on June 25, 2021 with an interest rate of 1.7%.

SUPPLEMENTARY INFORMATION

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local sources				
Real property taxes	\$124,645,259	\$124,498,259	\$125,964,577	\$1,466,318
Other real property tax items	18,008,429	18,008,429	16,711,986	(1,296,443)
Charges for services	956,051	956,051	1,493,172	537,121
Use of money & property	330,000	330,000	580,516	250,516
Sale of property & compensation for loss	135,000	135,000	148,762	13,762
Miscellaneous	928,000	928,000	1,297,070	369,070
State sources				
Basic formula	84,103,634	66,959,250	57,368,572	(9,590,678)
Excess cost aid		17,291,384	17,305,177	13,793
Lottery aid	12,998,416	12,998,416	14,521,691	1,523,275
BOCES aid	2,792,318	2,792,318	2,422,368	(369,950)
Tuition aid			230,470	230,470
Textbook aid	568,229	568,229	554,482	(13,747)
Computer software aid	264,863	264,863	278,027	13,164
Library A/V loan program aid	56,661	56,661	55,657	(1,004)
Other state aid			133,882	133,882
Federal sources	215,000	215,000	187,423	(27,577)
TOTAL REVENUES	246,001,860	246,001,860	239,253,832	(6,748,028)
Other financing sources				
Premium on Obligations -TAN			243,710	243,710
Transfers from other funds			2,275,000	2,275,000
TOTAL REVENUE AND OTHER FINANCING SOURCES	246,001,860	246,001,860	\$241,772,542	(\$4,229,318)
Appropriated fund balance	2,400,000	2,400,000		
Appropriated reserves	9,686,342	9,686,342		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	\$258,088,202	\$258,088,202		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
EXPENDITURES					
General support					
Board of education	\$124,637	\$140,918	\$109,732		\$31,186
Central administration	469,458	519,143	508,184	\$66	10,893
Finance	1,914,181	2,030,780	1,834,958	44,203	151,619
Staff	2,831,152	2,817,614	1,907,390	48,500	861,724
Central services	17,324,144	18,053,312	16,588,833	190,873	1,273,606
Special items	2,816,291	2,790,291	2,411,911		378,380
Total general support	<u>25,479,863</u>	<u>26,352,058</u>	<u>23,361,008</u>	<u>283,642</u>	<u>2,707,408</u>
Instructional					
Instruction, adm. & imp.	7,288,623	7,549,828	7,214,236	3,231	332,361
Teaching - regular school	75,399,031	73,127,702	71,579,620	79,403	1,468,679
Programs for children with handicapping conditions	34,371,973	35,416,655	33,197,200	491,124	1,728,331
Occupational education	4,305,557	4,267,658	4,132,518	2,025	133,115
Teaching special schools	492,376	502,876	465,493	585	36,798
Instructional media	3,774,482	3,777,657	3,624,189	25,461	128,007
Pupil services	8,521,355	8,542,280	8,168,080	43,512	330,688
Total instructional	<u>134,153,397</u>	<u>133,184,656</u>	<u>128,381,336</u>	<u>645,341</u>	<u>4,157,979</u>
Pupil transportation	<u>15,597,546</u>	<u>15,623,352</u>	<u>15,513,962</u>	<u>13,581</u>	<u>95,809</u>
Employee benefits	<u>64,022,439</u>	<u>64,093,179</u>	<u>59,784,669</u>	<u>43,214</u>	<u>4,265,296</u>
Debt service					
Debt service principal	13,374,751	13,441,485	13,374,750		66,735
Debt service interest	5,002,559	4,763,250	4,439,975		323,275
Total debt service	<u>18,377,310</u>	<u>18,204,735</u>	<u>17,814,725</u>	<u>-</u>	<u>390,010</u>
TOTAL EXPENDITURES	257,630,555	257,457,980	244,855,700	985,778	11,616,502
Other financing uses					
Transfers to other funds	<u>457,647</u>	<u>630,222</u>	<u>630,222</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$258,088,202</u>	<u>\$258,088,202</u>	<u>245,485,922</u>	<u>\$985,778</u>	<u>\$11,616,502</u>
NET CHANGE IN FUND BALANCE			(3,713,380)		
FUND BALANCE - BEGINNING OF YEAR			43,941,205		
FUND BALANCE - END OF YEAR			<u>\$40,227,825</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$11,348,199	\$11,463,774	\$14,477,166
Interest	13,148,634	15,317,410	14,943,506
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(30,928,103)	(54,564,408)	(40,885,768)
Changes of assumptions or other inputs	64,297,792	18,821,760	5,700,629
Benefit payments	<u>(11,755,003)</u>	<u>(12,461,546)</u>	<u>(13,220,032)</u>
Net change in total OPEB liability	46,111,519	(21,423,010)	(18,984,499)
Total OPEB liability - beginning	<u>369,083,578</u>	<u>390,506,588</u>	<u>409,491,087</u>
Total OPEB liability - ending	<u><u>\$415,195,097</u></u>	<u><u>\$369,083,578</u></u>	<u><u>\$390,506,588</u></u>
Covered-employee payroll	\$121,730,117	\$122,363,908	\$118,447,436
Total OPEB liability as a percentage of covered-employee payroll	341.08%	301.63%	329.69%

Notes to Schedule:*Trust Assets*

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions

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

2020	2.66%
2019	3.51%
2018	3.87%
2017	3.58%

For 2020, changes of assumptions also includes a change to the healthcare trend rates to an annual trend of 8% instead of 8.5%, and updating the mortality tables.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY) / ASSET
FOR THE FISCAL YEARS ENDED JUNE 30, ***

NYSERS Pension Plan							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension (liability)	0.0714904%	0.0743137%	0.0727740%	0.0723576%	0.0724680%	0.0702476%	0.0702476%
District's proportionate share of the net pension (liability)	(\$18,931,080)	(\$5,265,355)	(\$2,348,740)	(\$6,798,881)	(\$11,631,318)	(\$2,373,137)	(\$3,174,392)
District's covered payroll	\$23,560,919	\$23,116,132	\$22,546,913	\$20,853,069	\$20,258,173	\$20,610,016	\$19,402,005
District's proportionate share of the net pension (liability) as a percentage of its covered payroll	80.35%	22.78%	10.42%	32.60%	57.42%	11.51%	16.36%
Plan fiduciary net position as a percentage of the total pension (liability)	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
NYSTRS Pension Plan							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension (liability) / asset	0.599366%	0.591186%	0.586609%	0.590947%	0.588572%	0.568047%	0.549144%
District's proportionate share of the net pension (liability) / asset	\$15,571,567	\$10,690,204	\$4,458,813	(\$6,329,288)	\$61,133,877	\$63,276,929	\$3,614,762
District's covered payroll	\$101,942,899	\$97,000,252	\$93,524,270	\$91,705,091	\$89,868,630	\$84,779,765	\$81,727,453
District's proportionate share of the net pension (liability) / asset as a percentage of its covered payroll	15.27%	11.02%	4.77%	6.90%	68.03%	74.64%	4.42%
Plan fiduciary net position as a percentage of the total pension (liability) / asset	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 3,342,737	\$ 3,169,360	\$ 3,031,707	\$ 2,966,365	\$ 3,408,900	\$ 3,685,597	\$ 3,585,625	\$ 3,685,462	\$ 3,018,004	\$ 1,963,606
Contributions in relation to the contractually required contribution	<u>3,342,737</u>	<u>3,169,360</u>	<u>3,031,707</u>	<u>2,966,365</u>	<u>3,408,900</u>	<u>3,685,597</u>	<u>3,585,625</u>	<u>3,685,462</u>	<u>3,018,004</u>	<u>1,963,606</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,574,095	\$ 23,230,601	\$ 22,834,793	\$ 21,281,289	\$ 20,492,506	\$ 20,868,392	\$ 19,659,888	\$ 19,225,854	\$ 19,188,111	\$ 19,333,327
Contributions as a percentage of covered payroll	14.18%	13.64%	13.28%	13.94%	16.63%	17.66%	18.24%	19.17%	15.73%	10.16%
NYSTRS Pension Plan										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 9,051,162	\$ 10,621,153	\$ 9,437,216	\$ 10,894,707	\$ 12,091,668	\$ 15,498,537	\$ 13,635,283	\$ 9,523,829	\$ 9,034,941	\$ 7,222,483
Contributions in relation to the contractually required contribution	<u>9,051,162</u>	<u>10,621,153</u>	<u>9,437,216</u>	<u>10,894,707</u>	<u>12,091,668</u>	<u>15,498,537</u>	<u>13,635,283</u>	<u>9,523,829</u>	<u>9,034,941</u>	<u>7,222,483</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 102,367,668	\$ 101,942,899	\$ 97,000,252	\$ 93,524,270	\$ 91,705,091	\$ 89,868,630	\$ 84,779,765	\$ 81,727,453	\$ 82,508,215	\$ 85,615,787
Contributions as a percentage of covered payroll	8.84%	10.42%	9.73%	11.65%	13.19%	17.25%	16.08%	11.65%	10.95%	8.44%

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND
THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$257,435,446
Add: prior year's encumbrances	652,756
Original budget	258,088,202
Budget revision:	-
Final budget	\$258,088,202

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020 - 2021 voter-approved expenditure budget	\$265,011,296
Maximum allowed (4% of 2020-21 budget)	\$10,600,452
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$3,385,778
Unassigned fund balance	9,346,026
Total unrestricted fund balance	\$12,731,804
Less:	
Appropriated fund balance	\$2,400,000
Encumbrances included in assigned fund balance	985,778
Total adjustments	3,385,778
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$9,346,026
Actual percentage	3.53%

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
 JUNE 30, 2020

Project Title	Proj. #	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2020
				Prior Year's	Current Year	Total		Proceeds of Obligations	State and Federal Aid	Local Sources	Total	
2015 Bond Project												
District Wide Bond Project	**	\$ 2,179,131	\$ 771,467	\$ 32,076	\$ 330	\$ 32,406	\$ 739,061	847,734	\$ -	\$ -	\$ 847,734	\$ 815,328
District Wide Doors	7999008	5,109,809	6,069,176	3,288,397	1,995,737	5,284,134	785,042	6,069,176			6,069,176	785,042
District Wide Security Project	7999007	2,019,333	138,033	73,494	7,974	81,468	56,565	138,033			138,033	56,565
District Wide Network Equipment	**	797,300	756,948	756,948	-	756,948	-	756,948			756,948	-
Dawnwood MS Roof/Renov	0008021	9,204,561	4,119,554	3,995,034	5,904	4,000,938	118,616	4,119,554			4,119,554	118,616
NHS Roof/Track Resurface	0006021	4,466,303	4,349,253	4,349,253	-	4,349,253	-	4,349,253			4,349,253	-
New Lane Caf�/Library/Renov	0016014	674,162	815,442	803,707	-	803,707	11,735	815,442			815,442	11,735
BPS Windows	0005013	796,605	723,690	723,690	1,000	723,690	-	723,690			723,690	-
BPS Building Renovation # 1	0005014	149,000	654,385	637,473	16,912	654,385	-	654,385			654,385	-
Auer Windows	0013012	1,059,175	995,972	994,942	1,030	995,972	-	995,972			995,972	-
Auer Building Renovation # 1	0013015	172,000	1,154,859	1,112,324	42,535	1,154,859	-	1,154,859			1,154,859	-
Hawkins Windows	0009011	1,319,224	1,245,757	1,243,943	1,814	1,245,757	-	1,245,757			1,245,757	-
Hawkins Building Renovation # 1	0009012	202,141	1,300,986	1,256,608	44,378	1,300,986	-	1,300,986			1,300,986	-
Holbrook Windows	0002016	1,089,686	1,184,383	1,132,458	51,925	1,184,383	-	1,184,383			1,184,383	-
Holbrook Building Renovation # 1	0002015	130,455	1,087,958	1,056,999	30,959	1,087,958	-	1,087,958			1,087,958	-
North Coleman Windows	0011015	1,206,685	927,115	872,954	54,161	927,115	-	927,115			927,115	-
North Coleman Building Renovation # 1	0011016	139,695	1,251,952	1,219,523	32,429	1,251,952	-	1,251,952			1,251,952	-
Oxhead Windows	0001019	1,219,686	1,670,636	1,451,372	219,264	1,670,636	-	1,670,636			1,670,636	-
Oxhead Building Renovation # 1	0001021	204,000	1,384,755	1,301,816	82,939	1,384,755	-	1,384,755			1,384,755	-
Oxhead Boiler	0001020	188,000	647,694	644,965	2,729	647,694	-	647,694			647,694	-
Unity Windows	0003014	1,387,205	1,392,008	1,392,008	-	1,392,008	-	1,392,008	50,000		1,442,008	50,000
Unity Building Renovation # 1	0003015	246,500	1,162,420	1,142,191	20,229	1,162,420	-	1,162,420			1,162,420	-
Stagecoach Windows	0012012	1,219,686	1,417,291	1,361,195	56,096	1,417,291	-	1,417,291			1,417,291	-
Stagecoach Building Renovation # 1	0012011	155,423	757,001	709,954	30,398	740,352	16,649	757,001			757,001	16,649
Jericho Windows	0014012	1,101,685	1,020,655	982,173	38,482	1,020,655	-	1,020,655			1,020,655	-
Jericho Building Renovation # 1	0014011	163,055	1,066,592	1,026,955	39,637	1,066,592	-	1,066,592			1,066,592	-
New Lane Windows	0016016	1,697,076	1,844,748	1,768,359	76,389	1,844,748	-	1,844,748			1,844,748	-
New Lane Building Renovation #1	0016019	167,500	1,629,219	886,936	742,283	1,629,219	-	1,629,219			1,629,219	-
New Lane Boiler	0016015	105,950	443,234	439,729	3,505	443,234	-	443,234			443,234	-
New Lane Generator	0016018	333,000	346,641	13,103	373	13,476	333,165	346,641			346,641	333,165
Dawnwood MS Windows	0008022	2,632,685	2,063,489	207,620	11,431	219,051	1,844,438	2,063,489			2,063,489	1,844,438
Dawnwood MS Building Renovation # 1	0008020	413,300	5,218,525	4,204,944	680,318	4,885,262	333,263	5,218,525			5,218,525	333,263
Dawnwood MS Building Phase 3	0008025	-	1,318,337	37,408	639,463	676,871	-	1,318,337			1,318,337	641,466
Selden MS Windows	0010022	2,415,685	2,517,409	640,674	1,609,344	2,250,018	267,391	2,517,409			2,517,409	267,391
Selden MS Building Renovation #1	0010021	631,170	2,855,765	2,672,823	138,151	2,810,974	44,791	2,855,765			2,855,765	44,791
Selden MS Building Renovation #2	0010023	3,605,920	3,467,102	2,846,198	490,792	3,336,990	130,112	3,467,102			3,467,102	130,112
Selden Boiler	0010020	195,425	725,805	723,054	2,751	725,805	-	725,805			725,805	-
Newfield HS Windows	0006026	3,826,185	3,672,164	2,491,285	791,812	3,283,097	389,067	3,672,164			3,672,164	389,067
Newfield HS Building Renovation # 1	0006027	414,500	10,662,972	5,952,124	3,960,370	9,912,494	750,478	10,662,972			10,662,972	750,478
Newfield HS New Gym	0006024	6,542,645	9,981,877	9,411,197	453,992	9,865,189	116,688	9,981,877			9,981,877	116,688
Newfield HS Phase 2	0006029	1,850,000	2,733,703	50,347	2,273,584	2,323,931	409,772	2,733,703			2,733,703	409,772
Newfield HS Phase 3		-	-	-	-	-	-	-			-	-
Newfield HS Comfort Station		323,625	-	-	-	-	-	-			-	-
Newfield HS Generator	0006025	333,000	344,599	14,511	373	14,884	329,715	344,599			344,599	329,715
Centereach HS Vestibule	0015020	97,000	87,745	85,553	-	85,553	2,192	87,745			87,745	2,192
Centereach HS Windows	0015025	3,829,185	3,625,185	271,893	1,840,628	2,112,521	1,512,664	3,625,185			3,625,185	1,512,664
Centereach HS Building Renovation # 1	0015026	360,500	8,907,428	2,947,916	4,923,307	7,871,223	1,036,205	8,907,428			8,907,428	1,036,205
Centereach HS New Gym	0015023	7,986,568	11,367,869	10,655,625	582,559	11,238,184	129,685	11,367,869			11,367,869	129,685
Centereach HS Phase 2	0015028	617,000	1,067,616	18,992	576,766	595,758	471,858	1,067,616			1,067,616	471,858
Centereach HS Phase 3		-	-	-	-	-	-	-			-	-
Centereach HS Generator	0015024	333,000	345,000	15,311	373	15,684	329,316	345,000			345,000	329,316
Centereach Comfort Station		323,625	-	-	-	-	-	-			-	-
Buses	**	5,280,000	3,780,000	3,739,289	-	3,739,289	40,711	3,780,000	80,000		3,860,000	120,711
Bus Cameras/Equipment		424,000	340,911	340,000	-	340,000	911	340,911			340,911	911
Fuel Management System		67,000	81,000	72,407	-	72,407	8,593	81,000		50,000	131,000	58,593
Smart Schools Bond Act		219,627	6,377,520	218,415	2,840,527	3,058,942	3,318,578	-	3,058,942		3,058,942	-
EPC 2019/20		-	18,746,916	-	5,624,075	5,624,075	13,122,841	18,746,916			18,746,916	13,122,841
Unity Electric		-	100,000	-	-	-	100,000	-		100,000	100,000	-
Total		\$81,625,676	\$142,718,761	\$84,287,165	\$31,040,028	\$115,327,193	\$27,391,568	\$136,317,508	\$3,138,942	\$200,000	\$139,656,450	\$24,329,257

** - Project numbers to be assigned

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2020**

Capital assets, net		\$187,668,453
Add:		
Unspent debt proceeds		24,229,257
Deferred charges on refundings		1,538,768
Deduct:		
Short-term portion of bonds payable (inclusive of unamortized premiums)	12,525,469	
Long-term portion of bonds payable (inclusive of unamortized premiums)	<u>127,076,378</u>	139,601,847
Short-term portion of energy performance contract	2,074,518	
Long-term portion of energy performance contract	<u>23,725,712</u>	25,800,230
Short-term portion of installment purchase debt payable	733	
Long-term portion of installment purchase debt payable	<u>-</u>	<u>733</u>
Net investment in capital assets		<u><u>\$48,033,668</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 Board of Education
Middle Country Central School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Middle Country Central School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Middle Country Central School District's basic financial statements, and have issued our report thereon dated October 9, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Middle Country Central School 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 Middle Country Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Middle Country Central School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Middle Country Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 9, 2020