

**MIDDLE COUNTRY CENTRAL
SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT

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Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Middle Country Central School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Middle Country Central School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 the District's proportionate share of the net pension asset/(liability), the schedule of District's pension contributions, and schedule of changes in District's total other post-employment benefits liability and related ratios on pages 1 through 14 and 57 through 61, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 14, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
October 14, 2022

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The Middle Country Central School District's the "District") discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2022, are as follows:

- The District's expenses for the year, as reflected in the District-Wide Financial Statements, totaled \$238,468,600. Of this amount, \$30,804,406 was offset by program charges for services, operating grants and contributions, and capital grants. General revenues of \$248,609,382 amount to 88.98% of total revenues.
- The District's total net deficit, as reflected in the District-Wide Financial Statements, decreased by \$40,945,188 from the prior year. This was due to an excess of revenues over expenditures based on the accrual basis of accounting.
- The District's fund balance in the general fund, as reflected in the Fund Financial Statements increased by \$268,972, based on the modified accrual basis of accounting.
- The District appropriated \$2,400,000 of fund balance toward the 2022-2023 budget to limit the tax levy increase, and reduce the burden on District taxpayers.

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:

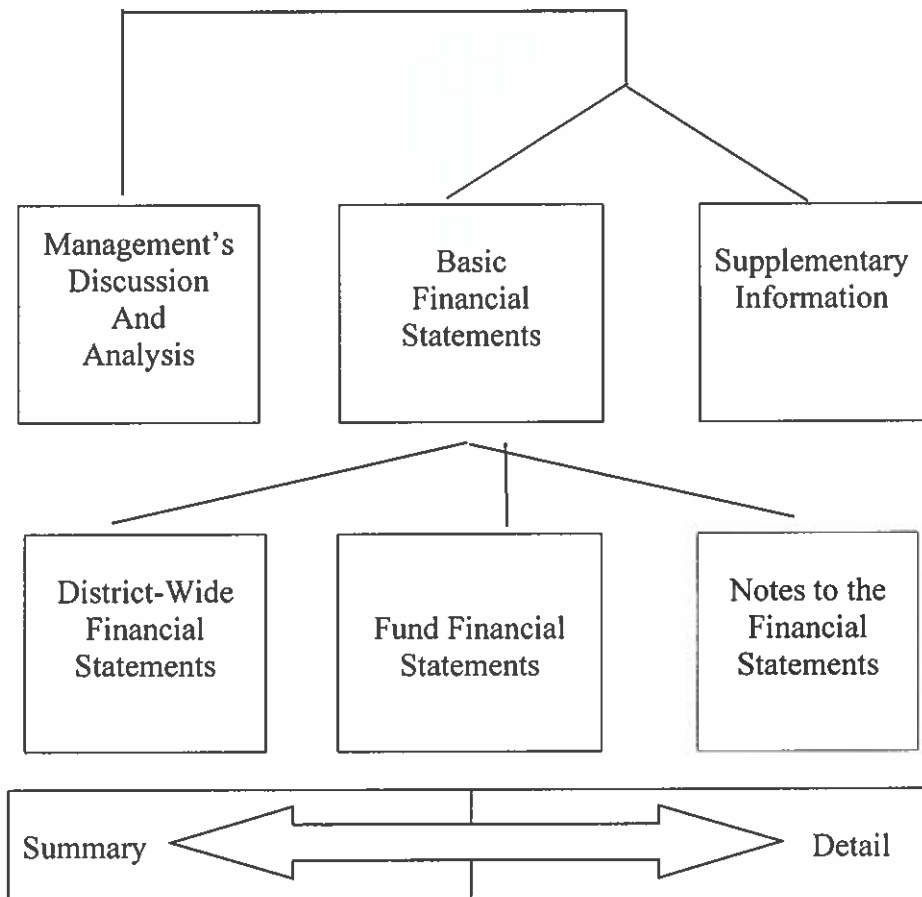
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations 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 Fund Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others, such as property taxes collected on behalf of another local government.

The notes to the basic financial statements provide additional information about the basic financial statements and the balances reported. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Organization of the District’s Annual Financial Report



The table below summarizes the major features of the District’s basic 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.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 property taxes collected on behalf of another local government
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 financial assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), short-term and long-term; these 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, 2022**

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 it has 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 of the District.

- 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, 2022**

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:

- *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 balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, miscellaneous special revenue 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.
- *Fiduciary fund:* The District is the trustee or *fiduciary* for assets that belong to others. 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. This fund reports real property taxes collected on behalf of other governments and disbursed to those governments.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net deficit decreased by \$40,945,188 in the fiscal year ended June 30, 2022 as detailed below:

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Condensed Statement of Net Position-Governmental Activities

	2022	2021	Increase (Decrease)	Total Percentage Change
Current assets	\$ 58,035,368	\$ 60,728,389	\$ (2,693,021)	-4.43%
Capital assets, net	195,065,607	195,110,096	(44,489)	-0.02%
Net pension asset - proportionate share	115,558,499	-	115,558,499	100.00%
Total assets	<u>368,659,474</u>	<u>255,838,485</u>	<u>112,820,989</u>	<u>44.10%</u>
Deferred outflows of resources	145,930,556	152,595,511	(6,664,955)	-4.37%
Total assets and deferred outflows of resources	<u>514,590,030</u>	<u>408,433,995</u>	<u>106,156,035</u>	<u>25.99%</u>
Current and other liabilities	21,699,043	21,280,748	418,295	1.97%
Long-term liabilities	512,031,918	617,438,943	(105,407,025)	-17.07%
Total liabilities	<u>533,730,961</u>	<u>638,719,691</u>	<u>(104,988,730)</u>	<u>-16.44%</u>
Deferred inflows of resources	299,057,350	128,857,773	170,199,577	132.08%
Total liabilities and deferred inflows of resources	<u>832,788,311</u>	<u>767,577,464</u>	<u>65,210,847</u>	<u>8.50%</u>
Net position (deficit)				
Net investment in capital assets	62,430,534	55,279,727	7,150,807	12.94%
Restricted	19,321,204	19,338,936	(17,732)	-0.09%
Unrestricted (deficit)	(399,950,019)	(433,762,132)	33,812,113	7.80%
Total net position (deficit)	<u>\$ (318,198,281)</u>	<u>\$ (359,143,469)</u>	<u>\$ 40,945,188</u>	<u>11.40%</u>

Current assets decreased \$2,693,021 due to decreases in cash and accounts receivable, partially offset by an increase in state and federal aid receivable.

Capital assets (net of accumulated depreciation) decreased by \$44,489 due to depreciation expense and loss on disposals exceeding current year capital additions.

The net pension asset – proportionate share increased by \$115,558,499 due to an actuarial valuation provided by the State resulting in a net pension asset.

Deferred outflows of resources decreased by \$6,664,955 and represents amortization of the deferred charges on refundings, contributions to the retirement plans subsequent to the measurement dates and actuarial determined amounts that will be amortized in future year, relating to pensions and total other post-employment benefits obligation. See Notes 14, 15, and 17 for further details.

Current and other liabilities increased by \$418,295. This was primarily attributed to an increase in accounts payable, due to other governments, due to teachers' retirement system, and student deposits, partially offset by a decrease in accrued liabilities.

Long-term liabilities decreased by \$105,407,025 due to decreases in bonds payable (inclusive of unamortized premium), energy performance contract debt payable, termination benefits payable, compensated absences payable, net pension liabilities and other post-employment benefits obligation.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The change in deferred inflows of resources represents amortization of actuarial determined information relating to pensions and total other post-employment benefits obligation. See Notes 15 and 17 for further details.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings and improvements, and furniture and equipment, net of accumulated depreciation and related debt.

The restricted net position 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 amounts restricted for scholarships and donations and debt service.

The unrestricted net deficit relates to the balance of the District's net position. The amount decreased \$33,812,113 from the prior year.

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, 2022 and 2021 is as follows:

Change in Net Position from Operating Results – Governmental Activities Only

	2022	2021	Increase (Decrease)	Total Percentage Change
Revenues				
Program revenues				
Charges for services	\$ 1,334,255	\$ 1,151,919	\$ 182,336	15.83%
Operating grants and contributions and capital grants	29,470,151	16,722,040	12,748,111	76.24%
General revenues				
Real property taxes and other tax items	149,310,640	147,946,838	1,363,802	0.92%
State sources	96,625,868	92,861,661	3,764,207	4.05%
Use of money and property	92,909	50,084	42,825	85.51%
Other	2,579,965	3,320,157	(740,192)	-22.29%
Total revenues	<u>279,413,788</u>	<u>262,052,699</u>	<u>17,361,089</u>	6.63%
Expenses				
General support	27,755,628	31,910,625	(4,154,997)	-13.02%
Instruction	184,981,785	222,561,167	(37,579,382)	-16.88%
Pupil transportation	18,253,626	17,214,019	1,039,607	6.04%
Debt service - interest	2,573,705	5,639,656	(3,065,951)	-54.36%
Food service program	4,903,855	3,277,274	1,626,581	49.63%
Total expenses	<u>238,468,600</u>	<u>280,602,742</u>	<u>(42,134,142)</u>	-15.02%
Increase (decrease) in net position	<u>\$ 40,945,188</u>	<u>\$ (18,550,043)</u>	<u>\$ 59,495,231</u>	320.73%

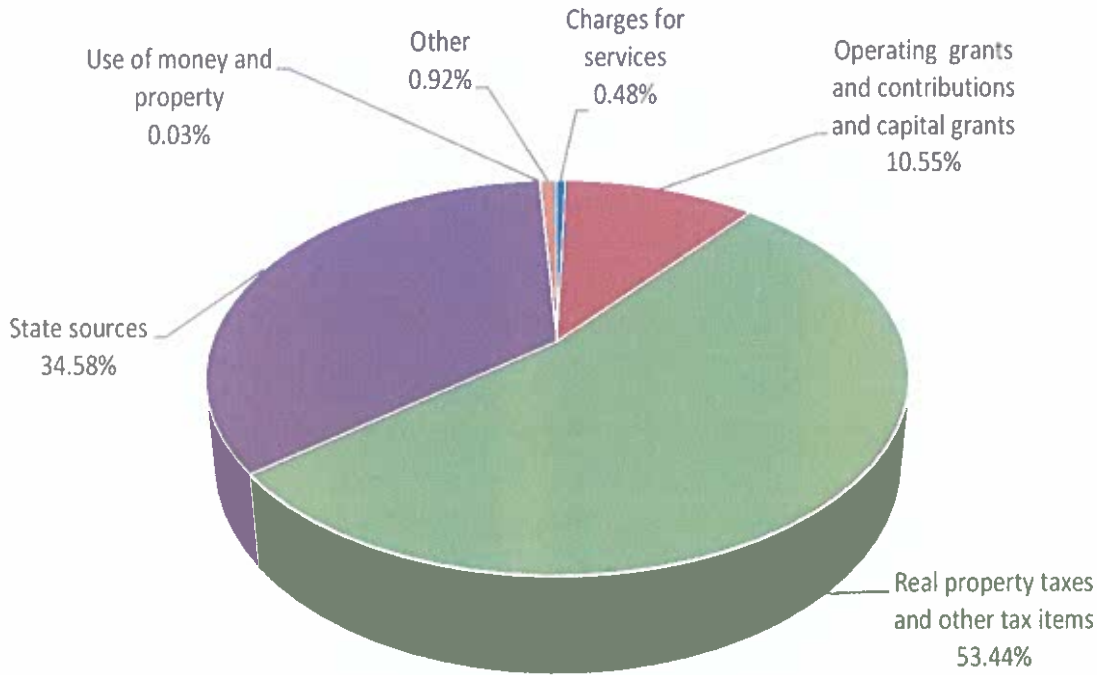
Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 53.44% and 34.58%, respectively of total revenue. The remainder came from fees

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

charged for services, operating grants and contributions and capital grants, use of money and property, and other miscellaneous sources.

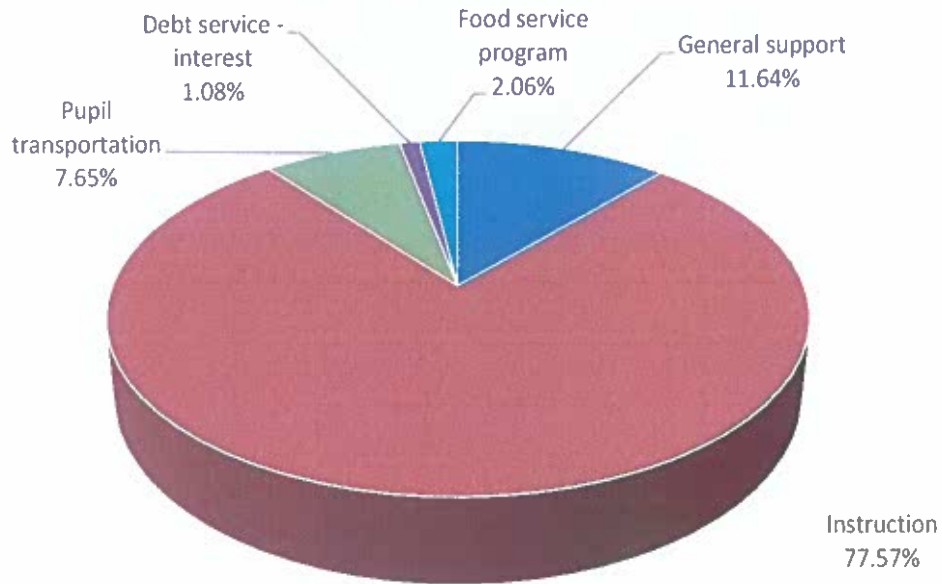
Expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 85.22% of district expenses. The District’s general support activities accounted for 11.64% of total costs.

Revenues for fiscal year 2022:



**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Expenses for fiscal year 2022:



4. FINANCIAL ANALYSIS OF THE DISTRICT’S FUND BALANCES

At June 30, 2022, the District’s governmental funds reported a combined fund balance of \$37,721,985 which is a decrease of \$3,173,581 from the prior year. A summary of the change in fund balance by fund is as follows:

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	2022	2021	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted for workers' compensation	\$ 1,296,113	\$ 1,295,434	\$ 679	0.05%
Restricted for unemployment insurance	152,253	152,173	80	0.05%
Restricted for insurance	1,312,235	1,311,545	690	0.05%
Restricted for property loss and liability	1,259,690	1,259,026	664	0.05%
Restricted for retirement contribution	2,523,796	1,409,247	1,114,549	79.09%
Restricted for employee benefit accrued liability	11,637,483	12,788,702	(1,151,219)	-9.00%
Assigned - designated for subsequent year's expenditures	2,400,000	2,400,000	-	0.00%
Assigned - general support	672,323	404,206	268,117	66.33%
Assigned - instruction	523,011	486,782	36,229	7.44%
Assigned - transportation	21,750	11,055	10,695	96.74%
Assigned - employee benefits	17,789	29,301	(11,512)	
Unassigned	8,072,430	8,072,430	-	0.00%
Total fund balance - general fund	<u>29,888,873</u>	<u>29,619,901</u>	<u>268,972</u>	0.91%
Special Aid Fund				
Assigned unappropriated	<u>26,117</u>	<u>15,084</u>	<u>11,033</u>	73.14%
Total fund balance - special aid fund	<u>26,117</u>	<u>15,084</u>	<u>11,033</u>	73.14%
School Lunch Fund				
Nonspendable - inventory	9,834	24,722	(14,888)	-60.22%
Assigned unappropriated	<u>1,793,836</u>	<u>243,120</u>	<u>1,550,716</u>	637.84%
Total fund balance - school lunch fund	<u>1,803,670</u>	<u>267,842</u>	<u>1,535,828</u>	573.41%
Miscellaneous Special Revenue Fund				
Restricted for scholarships and donations	982,267	967,386	14,881	1.54%
Assigned unappropriated	<u>233,944</u>	<u>193,446</u>	<u>40,498</u>	20.94%
Total fund balance - debt service fund	<u>1,216,211</u>	<u>1,160,832</u>	<u>55,379</u>	4.77%
Debt Service Fund				
Restricted	<u>157,367</u>	<u>155,423</u>	<u>1,944</u>	1.25%
Total fund balance - debt service fund	<u>157,367</u>	<u>155,423</u>	<u>1,944</u>	1.25%
Capital Projects Fund				
Unspent debt proceeds	4,625,492	9,672,229	(5,046,737)	-52.18%
Assigned unappropriated	<u>4,255</u>	<u>4,255</u>	-	0.00%
Total fund balance-capital projects fund	<u>4,629,747</u>	<u>9,676,484</u>	<u>(5,046,737)</u>	-52.15%
Total fund balance - all funds	<u>\$ 37,721,985</u>	<u>\$ 40,895,566</u>	<u>\$ (3,173,581)</u>	-7.76%

A) General Fund

The increase in the general fund balance is primarily due to revenues and other financing sources exceeding expenditures and other financing uses.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

B) School Lunch Fund

The increase in the fund balance of the school lunch fund is the result of greater state and federal reimbursements exceeding the cost of distributing free meals to all students of the District.

C) Miscellaneous Special Revenue Fund:

The fund balance in the miscellaneous special revenue fund increased by \$55,379. This increase is due to current year revenues exceeding expenditures for extraclassroom activities and scholarships and donations.

D) Debt Service Fund

The increase in the fund balance for the debt service fund is due to interest income earned in the current year.

E) Capital Projects Fund

The decrease in the fund balance for the capital projects fund is primarily due to capital outlay financed by debt proceeds and revenue for Smart School Bond Act projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2021-2022 Budget

The District's voter approved general fund adopted budget for the year ended June 30, 2022 was \$269,080,958. This amount was increased by encumbrances carried forward from the prior year in the amount of \$931,344 which resulted in a final budget of \$270,012,302. The majority of the funding was real property taxes and other tax items of \$149,280,977.

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:

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Opening, unassigned fund balance	\$ 8,072,430
Revenues and other financing sources over budget	1,221,367
Expenditures, other financing uses, and encumbrances under budget	12,634,269
Interest allocated to reserves	(9,568)
Unused appropriated reserves	(10,332,257)
Funding of reserves	(1,113,811)
Assigned, appropriated for June 30, 2023 budget	(2,400,000)
Closing, unassigned fund balance	<u>\$ 8,072,430</u>

Opening, Unassigned Fund Balance

The opening unassigned fund balance of \$8,072,430 represents the fund balance from June 30, 2021 that was retained.

Revenues and Other Financing Sources Over Budget

The revenues and other financing sources over budget of \$1,221,367 were primarily related to amounts over budget for real property taxes, charges for services, sale of property and compensation for loss, miscellaneous, federal sources, and premium on obligations, offset by other real property tax items, use of money and property, and state sources. (See Supplemental Schedule # 1 for detail).

Expenditures, Other financing Uses and Encumbrances Under Budget

The expenditures, other financing uses and encumbrances under budget of \$12,634,269 were due to all categories of expenditures coming in under budget. (See Supplemental Schedule #1 for detail).

Interest Allocated to Reserves

Interest of \$9,568 was allocated to the reserves.

Unused Appropriated Reserves

The District appropriated \$11,490,193 of reserves for the 2021-2022 budget to reduce the tax levy. Only \$1,157,936 of this amount was utilized as the employee benefits accrued liability, retirement and benefit expenditures were under budget during the 2021-2022 year.

Funding of Reserves

The District funded the retirement contribution reserve in the amount of \$1,113,811 during the 2021-2022 year.

Assigned, Appropriated Fund Balance

The assigned, appropriated fund balance was \$2,400,000 as of June 30, 2022. This is the amount the District has chosen to partially fund its operating budget for 2022-2023.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Closing, Unassigned Fund Balance

The closing, unassigned fund balance of \$8,072,430 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 2022-2023 budget. The District's unassigned fund balance is within this limit. Supplemental Schedule #5 includes the calculation for this limitation.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during 2022. A summary of the District's capital assets, net of accumulated depreciation, is as follows:

Capital Assets (Net of Accumulated Depreciation)

Category	2022	2021	Increase (Decrease)	Percentage Change
Land	\$ 4,328,276	\$ 4,328,276	\$ -	0.00%
Construction in progress	96,433,277	87,542,272	8,891,005	10.16%
Buildings and improvements	199,504,751	199,504,751	-	0.00%
Furniture and equipment	8,763,727	10,801,628	(2,037,901)	-18.87%
Land improvement	3,455,554	3,455,554	-	0.00%
Vehicles	6,587,019	7,724,063	(1,137,044)	-14.72%
Subtotal	<u>319,072,604</u>	<u>313,356,544</u>	<u>5,716,060</u>	1.82%
Less: accumulated depreciation	<u>124,006,997</u>	<u>118,246,448</u>	<u>5,760,549</u>	4.87%
Total net capital assets	<u>\$ 195,065,607</u>	<u>\$ 195,110,096</u>	<u>\$ (44,489)</u>	-0.02%

The District spent \$8,891,004 in the capital projects fund on construction in progress during the year. The District also spent \$338,136 in the other funds on furniture, equipment and vehicles during the year. Additionally, the District had \$9,273,623 in depreciation expense and loss on disposal. See Note 8 to the financial statements for additional detail.

B) Debt Administration

At June 30, 2022 the District had total bonds payable of \$114,320,909 for District-Wide projects. The District had energy performance contract debt payable in the amount of \$23,999,872 as of June 30, 2022. More detailed information about the District's long-term debt is presented in Note 13 to the financial statements.

A summary of outstanding debt at June 30, 2022 and 2021 is as follows:

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	2022	2021	Increase (Decrease)
Serial bonds (inclusive of unamortized premiums)	\$ 114,320,909	\$ 127,076,378	\$ (12,755,469)
Energy performance contract debt payable	23,999,872	23,725,712	274,160
Total	\$ 138,320,781	\$ 150,802,090	\$ (12,481,309)

7. ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

- A) The general fund budget for the 2022-2023 school year was approved by the voters in the amount of \$274,944,707. This is an increase of \$5,863,749 million or 2.18 % over the previous year’s budget.
- B) The District issued \$43,500,000 in tax anticipation notes on August 16, 2022, maturing on June 28, 2023 with an interest rate of 3.50%.
- C) Future budgets may be negatively affected by certain trends impacting school districts. These factors include rising health care premiums, increased costs associated with meeting the requirements for instructional services and the property tax cap which will continue to impact the District’s ability to fund its current cost of services.

8. CONTACTING THE DISTRICT

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

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, 2022

ASSETS	
Current assets	
Cash	
Unrestricted	\$ 18,302,216
Restricted	22,739,610
Receivables	
State and federal aid	16,739,355
Due from other governments	224,631
Accounts receivable	19,722
Prepaid expenses	
Inventories	9,834
Capital assets	
Not being depreciated	100,761,552
Being depreciated, net of accumulated depreciation	94,304,055
Net pension asset - proportionate share - teachers' retirement system	109,658,647
Net pension asset - proportionate share - employees' retirement system	5,899,852
TOTAL ASSETS	<u>368,659,474</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refundings	1,060,216
Pensions	74,382,017
Total other post-employment benefits	70,488,323
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>145,930,556</u>
LIABILITIES	
Payables	
Accounts payable	2,968,125
Accrued liabilities	2,983,899
Accrued interest payable	1,385,660
Due to other governments	239,252
Due to teachers' retirement system	11,264,480
Due to employees' retirement system	1,100,161
Compensated absences payable	1,430,082
Student deposits	193,723
Unearned credits	
Collections in advance	133,661
Long-term liabilities	
Due and payable within one year	
Bonds payable (inclusive of unamortized premiums)	12,940,469
Energy performance contract debt payable	2,309,554
workers' compensation claims payable	1,506,227
Termination benefits payable	147,371
Compensated absences payable	1,328,806
Due and payable after one year	
Bonds payable (inclusive of unamortized premiums)	101,380,440
Energy performance contract debt payable	21,690,318
Workers' compensation claims payable	2,100,410
Termination benefits payable	9,382,629
Compensated absences payable	19,402,165
Total other post-employment benefits obligation	339,843,529
TOTAL LIABILITIES	<u>533,730,961</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	143,788,908
Total other post-employment benefits	155,268,442
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>299,057,350</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	<u>62,430,534</u>
Restricted	
Workers' compensation	1,296,113
Unemployment insurance	152,253
Insurance	1,312,235
Property loss	629,845
Liability	629,845
Retirement contribution	2,523,796
Employee benefit accrued liability	11,637,483
Scholarships and donations	982,267
Debt service	157,367
	<u>19,321,204</u>
Unrestricted (Deficit)	<u>(399,950,019)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (318,198,281)</u>

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<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 and Contributions</u>	<u>Capital Grants</u>	
FUNCTIONS / PROGRAMS					
General support	\$ (27,753,817)	\$ -	\$ -	\$ -	\$ (27,753,817)
Instruction	(184,983,922)	982,179	21,959,213	1,452,427	(160,590,103)
Pupil transportation	(18,253,300)		-		(18,253,300)
Debt service - interest	(2,573,705)				(2,573,705)
Food service program	(4,903,856)	352,076	6,058,511		1,506,731
TOTAL FUNCTIONS AND PROGRAMS	\$ (238,468,600)	\$ 1,334,255	\$ 28,017,724	\$ 1,452,427	(207,664,194)
GENERAL REVENUES					
Real property taxes					133,957,365
Other tax items - including STAR reimbursement					15,353,275
Use of money and property					92,909
Sale of property & compensation for loss					186,651
Miscellaneous					2,272,284
State sources					96,625,868
Medicaid reimbursement					121,030
TOTAL GENERAL REVENUES					248,609,382
CHANGE IN NET POSITION					40,945,188
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR					(359,143,469)
TOTAL NET POSITION (DEFICIT) - END OF YEAR					\$ (318,198,281)

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS							
Cash							
Unrestricted	\$ 16,786,924	\$ 919,537	\$ 350,336	\$ 245,419	\$ -	\$ -	\$ 18,302,216
Restricted	18,181,570			982,267	156,345	3,419,428	22,739,610
Receivables							
State and federal aid	5,012,530	8,257,677	1,061,308			2,407,840	16,739,355
Due from other governments	224,631						224,631
Due from other funds	9,451,464		775,160		1,022		10,227,646
Accounts receivable	19,722						19,722
Inventories			9,834				9,834
TOTAL ASSETS	\$ 49,676,841	\$ 9,177,214	\$ 2,196,638	\$ 1,227,686	\$ 157,367	\$ 5,827,268	\$ 68,263,014
LIABILITIES AND FUND BALANCES							
Payables							
Accounts payable	\$ 2,565,803	\$ 79,533	\$ 322,789	\$ -	\$ -	\$ -	\$ 2,968,125
Accrued liabilities	2,929,613	52,914	1,372				2,983,899
Due to other governments	239,128		124				239,252
Due to other funds		9,018,650		11,475		1,197,521	10,227,646
Due to teachers' retirement system	11,264,480						11,264,480
Due to employees' retirement system	1,100,161						1,100,161
Compensated absences	1,430,082						1,430,082
Student deposits	193,723						193,723
Unearned credits							
Collections in advance	64,978		68,683				133,661
TOTAL LIABILITIES	19,787,968	9,151,097	392,968	11,475	-	1,197,521	30,541,029
FUND BALANCES							
Nonspendable: inventory			9,834				9,834
Restricted							
Workers' compensation	1,296,113						1,296,113
Unemployment insurance	152,253						152,253
insurance	1,312,235						1,312,235
Property loss	629,845						629,845
Liability	629,845						629,845
Retirement contribution	2,523,796						2,523,796
Employee benefit accrued liability	11,637,483						11,637,483
Scholarships and donations				982,267			982,267
Debt service					157,367		157,367
Unspent debt proceeds						4,625,492	4,625,492
Assigned							
Appropriated fund balance	2,400,000						2,400,000
Unappropriated fund balance	1,234,873	26,117	1,793,836	233,944		4,255	3,293,025
Unassigned	8,072,430						8,072,430
TOTAL FUND BALANCES	29,888,873	26,117	1,803,670	1,216,211	157,367	4,629,747	37,721,985
TOTAL LIABILITIES AND FUND BALANCES	\$ 49,676,841	\$ 9,177,214	\$ 2,196,638	\$ 1,227,686	\$ 157,367	\$ 5,827,268	\$ 68,263,014

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Governmental Fund Balances \$ 37,721,985

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	\$ 319,072,604	
Accumulated depreciation	<u>(124,006,997)</u>	195,065,607

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	\$ (143,788,908)	
Deferred inflows of resources related to total other post-employment benefits obligation	<u>(155,268,442)</u>	(299,057,350)

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, 2022 was: 1,060,216

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	\$ 74,382,017	
Deferred outflows of resources related to total other post-employment benefits obligation	<u>70,488,323</u>	144,870,340

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 and ERS at year-end was:

Net pension asset - proportionate share - teachers' retirement system	\$ 109,658,647	
Net pension asset - proportionate share - employees' retirement system	<u>5,899,852</u>	115,558,499

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: (1,385,660)

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:

Bonds payable (inclusive of unamortized premiums)	\$ (114,320,909)	
Energy performance contract debt payable	(23,999,872)	
Workers' compensation claims payable	(3,606,637)	
Termination benefits payable	(9,530,000)	
Compensated absences payable	(20,730,971)	
Total other post-employment benefits obligation	<u>(339,843,529)</u>	(512,031,918)

Total Net Position (Deficit) \$ (318,198,281)

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES							
Real property taxes	\$ 133,957,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$133,957,365
Other tax items - including STAR reimbursement	15,353,275						15,353,275
Charges for services	441,846			540,333			982,179
Use of money and property	90,499		59	407	1,944		92,909
Sale of property and compensation for loss	186,651						186,651
Miscellaneous	1,933,064	18,625		30,100			1,981,789
State sources	97,898,677	5,995,758	96,988			1,452,427	105,443,850
Federal sources	121,030	15,933,355	5,551,374				21,605,759
Surplus food			410,149				410,149
School lunch sales			352,076				352,076
TOTAL REVENUES	<u>249,982,407</u>	<u>21,947,738</u>	<u>6,410,646</u>	<u>570,840</u>	<u>1,944</u>	<u>1,452,427</u>	<u>280,366,002</u>
EXPENDITURES							
General support	24,498,759						24,498,759
Instruction	133,118,186	15,534,817		515,461			149,168,464
Pupil transportation	16,582,318	690,231					17,272,549
Employee benefits	63,003,106						63,003,106
Debt service principal	14,432,681						14,432,681
Debt service interest	4,109,972						4,109,972
Cost of sales			4,875,483				4,875,483
Capital outlay						8,891,004	8,891,004
TOTAL EXPENDITURES	<u>255,745,022</u>	<u>16,225,048</u>	<u>4,875,483</u>	<u>515,461</u>	<u>-</u>	<u>8,891,004</u>	<u>286,252,018</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,762,615)</u>	<u>5,722,690</u>	<u>1,535,163</u>	<u>55,379</u>	<u>1,944</u>	<u>(7,438,577)</u>	<u>(5,886,016)</u>
OTHER FINANCING SOURCES AND (USES)							
Premiums on obligations	320,595						320,595
Proceeds from energy performance contract						2,391,840	2,391,840
Operating transfers in	6,109,130	397,473	665				6,507,268
Operating transfers (out)	(398,138)	(6,109,130)					(6,507,268)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>6,031,587</u>	<u>(5,711,657)</u>	<u>665</u>	<u>-</u>	<u>-</u>	<u>2,391,840</u>	<u>2,712,435</u>
NET CHANGE IN FUND BALANCES	268,972	11,033	1,535,828	55,379	1,944	(5,046,737)	(3,173,581)
FUND BALANCES - BEGINNING OF YEAR	<u>29,619,901</u>	<u>15,084</u>	<u>267,842</u>	<u>1,160,832</u>	<u>155,423</u>	<u>9,676,484</u>	<u>40,895,566</u>
FUND BALANCES - END OF YEAR	<u>\$ 29,888,873</u>	<u>\$ 26,117</u>	<u>\$ 1,803,670</u>	<u>\$ 1,216,211</u>	<u>\$ 157,367</u>	<u>\$ 4,629,747</u>	<u>\$ 37,721,985</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, 2022**

Net Change in Fund Balances		\$ (3,173,581)
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, 2022 is		(1,272,809)
In the Statement of Activities certain operating expenses are measured by amounts earned or incurred during the year and the governmental funds, expenditures for these items are measured by the amount of financial resources used		
Decrease in workers' compensation claims payable		466,744
Decrease in termination benefits payable		320,000
Decrease in compensated absences payable		20,537
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	\$ 17,126,370	
Employees' retirement system	3,083,815	
Total other post-employment benefits obligation	10,841,493	31,051,678
Capital Related Differences		
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	\$ 9,229,140	
Depreciation expense	(9,255,213)	
Loss on disposal of assets	(18,416)	(44,489)
Long-Term Debt Differences		
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, 2021 to June 30, 2022 changed by:		1,335,075
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 bond premiums	\$ 440,469	
Amortization of deferred charges on refundings	(239,276)	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.		(2,391,840)
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.		2,117,680
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.		12,315,000
Change in Net Position		\$ 40,945,188

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUND
June 30, 2022**

	Custodial
ASSETS	
Restricted cash and cash equivalents	\$ -
TOTAL ASSETS	\$ -
LIABILITIES	
Other liabilities	\$ -
TOTAL LIABILITIES	-
NET POSITION	
Restricted	-
TOTAL NET POSITION	-
TOTAL LIABILITIES AND NET POSITION	\$ -

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Custodial
ADDITIONS	
Library real property taxes collected	\$ 14,898,017
TOTAL ADDITIONS	14,898,017
DEDUCTIONS	
Library real property taxes disbursed	14,898,017
TOTAL DEDUCTIONS	14,898,017
CHANGE IN NET POSITION	-
NET POSITION - BEGINNING OF YEAR	-
NET POSITION- END OF YEAR	\$ -

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 nine 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. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the District’s reporting entity.

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 is 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

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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, program, 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:

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 and contributions, 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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.

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School Lunch Fund: This fund is used to account for the activities of the District's food service operations. The school lunch operations are supported by federal and state grants and charges to participants for its services.

Miscellaneous Special Revenue Fund: This fund is used to account for assets held by the District in accordance with grantor or contributor stipulations. Other activities included in this fund are extra classroom activities.

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 fund:

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or custodian 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. The District's fiduciary fund includes the custodial fund which is used to account for real property taxes collected on behalf of other governments and disbursed to other governments. This fund is custodial in nature. Assets are held by the District as a custodian.

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,

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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:

Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. The District's tax levy is collected by the town of Brookhaven (the "Town") along with the respective Town and Suffolk County (the "County") levies. Tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act.

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk 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 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, eliminations have been made for all interfund receivables and payables between the 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.

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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 and deferred outflows, liabilities, and deferred inflows, disclosure of contingent items, 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 assets/(liabilities), 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.

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:

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 inventorable items in other funds are recorded as expenses/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.

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:

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

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, 2022 consisted of amounts received in advance for flexible spending plan payments in the general fund and meals that have not yet been purchased in the school lunch fund.

N) Deferred inflows and outflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 14, 15, and 17.

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, which are detailed further in Notes 15 and 17 respectively.

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

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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 30 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 who have obligated themselves to separate from service with the District by June 30 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).

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 insurance coverage is recognized on the accrual basis of

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accounting in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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.

S) Equity classifications:

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).

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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.

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:

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. At June 30, 2022, the District has \$9,834 in nonspendable fund balance for inventory recorded in the school lunch fund.

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

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

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pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund.

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.

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.

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 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.

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.

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Restricted for Scholarships and Donations:

Amounts restricted for scholarships and donations are used to account for monies donated for scholarship purposes, net of earnings and awards. These restricted funds are accounted in the miscellaneous special revenue fund.

Restricted for 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.

Restricted for 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.

Unrestricted Resources:

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

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). The District has no committed fund balances as of June 30, 2022.

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

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

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included in assigned fund balance are also excluded from the 4% limitation. The District's general fund unassigned fund balance is within the legal limit.

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 accounting pronouncement:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, defines a subscription-based technology arrangement as a contract that conveys control of the right to use a vendor's software, alone or in combination with tangible capital assets requiring governments to recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this Statement are effective for periods beginning after June 15, 2022.

This is the Statement that the District feels may have an impact on these financial statements and is not an all-inclusive list of GASB statements issued. The District will evaluate the impact each pronouncements may have on its financial statements and will implement as applicable and when material.

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:

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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:

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.

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.

Long-term debt differences:

Long-term debt 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.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board 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 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, 2022.

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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.

NOTE 4 –DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash and cash equivalents:

New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Company (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 custodian, 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.

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B) Restricted cash and cash equivalents:

Restricted cash and cash equivalents 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 and cash equivalents at June 30, 2022 included \$22,739,610 within the governmental funds for general reserves, and amounts restricted for scholarships and donations purposes, debt service and capital projects.

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2022, the District was billed \$13,393,334 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$2,478,249. 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, 2022 consisted of the following:

General fund	
General aid	\$ 1,054,072
Excess cost aid	2,821,994
BOCES aid	1,115,213
Medicaid reimbursement	21,251
Total	5,012,530
Special aid fund	
State and federal grants	8,257,677
Total	8,257,677
School lunch fund	
Lunch - federal reimbursements	817,741
Lunch - state reimbursements	15,746
Breakfast - federal reimbursements	215,871
Breakfast - state reimbursements	11,950
Total	1,061,308
Capital projects fund	
Smart Schools Bond Act funds	2,407,840
Total	2,407,840
Total - State and federal aid receivable	\$ 16,739,355

District management has deemed these amounts to be fully collectible.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
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NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2022 consisted of general fund tuition and health services billings of \$224,631. 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, 2022 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	87,542,272	8,891,004		96,433,276
Total capital assets that are not depreciated	<u>91,870,548</u>	<u>8,891,004</u>	<u>-</u>	<u>100,761,552</u>
Capital assets that are depreciated:				
Building and improvements	199,504,751			199,504,751
Furniture and equipment	10,801,628	260,311	(2,298,211)	8,763,728
Land improvement	3,455,554			3,455,554
Vehicles	7,724,063	77,825	(1,214,869)	6,587,019
Total capital assets that are depreciated	<u>221,485,996</u>	<u>338,136</u>	<u>(3,513,080)</u>	<u>218,311,052</u>
Less accumulated depreciation:				
Building and improvements	101,210,217	8,268,444		109,478,661
Furniture and equipment	8,556,401	422,169	(2,279,795)	6,698,775
Land improvement	3,286,112	80,467		3,366,579
Vehicles	5,193,718	484,133	(1,214,869)	4,462,982
Total accumulated depreciation	<u>118,246,448</u>	<u>9,255,213</u>	<u>(3,494,664)</u>	<u>124,006,997</u>
Total capital assets being depreciated, net	<u>103,239,548</u>	<u>(8,917,077)</u>	<u>(18,416)</u>	<u>94,304,055</u>
Total capital assets, net	<u>\$ 195,110,096</u>	<u>\$ (26,073)</u>	<u>\$ (18,416)</u>	<u>\$ 195,065,607</u>

Depreciation expense and loss on disposal were charged to governmental functions as follows:

General support	\$ 545,275
Instruction	8,193,331
Transportation	481,156
Food service program	53,867
Total	<u>\$ 9,273,629</u>

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
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NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 9,451,464	\$ -	\$ 6,109,130	\$ 398,138
Special aid fund		9,018,650	397,473	6,109,130
School lunch fund	775,160		665	
Miscellaneous special revenue fund		11,475		
Debt service fund	1,022			
Capital projects fund		1,197,521		
Totals	\$ 10,227,646	\$ 10,227,646	\$ 6,507,268	\$ 6,507,268

The District typically transfers from the general fund to the special aid fund to fund the District's share of the summer programs for students with disabilities and 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 special aid fund to the general fund to cover the costs of grant eligible expenditures incurred in the general fund in the prior year.

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.

NOTE 10 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2022 consisted of:

General fund	
Flexible spending plan payments	\$ 64,978
School lunch fund	
Prepaid meals	68,683
Total Collections in advance	\$ 133,661

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NOTE 11 – DUE TO OTHER GOVERNMENTS:

Due to other governments at June 30, 2022 consisted of the following:

General fund		
Tuition and health services	\$ 239,128	<u>239,128</u>
School lunch fund		
Sales tax payable	124	<u>124</u>
Total Due to other governments	\$ 239,252	<u><u>239,252</u></u>

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	8/5/2021	1.0000%	\$ -	\$ 43,500,000	\$ 43,500,000	\$ -
Total			<u>\$ -</u>	<u>\$ 43,500,000</u>	<u>\$ 43,500,000</u>	<u>\$ -</u>

The tax anticipation note (TAN) was issued to finance general fund operations. Interest on short-term debt for the year was \$385,458.

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
Long-term debt:					
Bonds payable	\$ 124,255,000		\$ (12,315,000)	\$ 111,940,000	\$ 12,500,000
Plus: unamortized premiums on bonds	2,821,378		(440,469)	2,380,909	440,469
	<u>127,076,378</u>	-	<u>(12,755,469)</u>	<u>114,320,909</u>	<u>12,940,469</u>
Other long-term liabilities:					
Energy performance contract debt payable	23,725,712	2,391,840	(2,117,680)	23,999,872	2,309,554
Workers' compensation claims payable	4,073,381	1,046,917	(1,513,661)	3,606,637	1,506,227
Termination benefits payable	9,850,000		(320,000)	9,530,000	147,371
Compensated absences payable	20,751,508		(20,537)	20,730,971	1,328,806
Total other post-employment benefits obligation	415,227,364	36,403,640	(111,787,475)	339,843,529	
Net pension liability - proportionate share					
Employees' retirement system	68,910		(68,910)	-	
Teachers' retirement system	16,665,690		(16,665,690)	-	
Total long-term liabilities	<u>\$ 617,438,943</u>	<u>\$ 39,842,397</u>	<u>\$ (145,249,422)</u>	<u>\$ 512,031,918</u>	<u>\$ 18,232,427</u>

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

A) Bonds Payable

Bonds payable is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Construction serial bond	4/21/2016	7/15/2028	1.00-5.00%	\$ 5,090,000
Construction serial bond	3/20/2013	6/30/2027	2.00-4.00%	13,225,000
Construction serial bond	8/24/2016	8/15/2033	2.00%	23,400,000
Construction serial bond	8/15/2017	8/15/2033	2.00-3.00%	34,950,000
Construction serial bond	1/23/2019	1/15/2034	3.00%	21,275,000
Construction serial bond	9/4/2019	9/1/2034	1.50-2.00%	14,000,000
				<u>\$ 111,940,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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	10,970,000	1,830,400	12,800,400
2027	11,230,000	1,515,500	12,745,500
2028-2032	40,855,000	4,174,313	45,029,313
2033-2035	11,500,000	299,750	11,799,750
	<u>\$ 111,940,000</u>	<u>\$ 15,286,563</u>	<u>\$ 127,226,563</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.

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B) Energy Performance Contract Debt Payable

Energy performance contract debt payable are composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Energy performance contract debt	8/5/2011	10/15/2026	3.39%	\$ 5,044,777
Energy performance contract debt	2/12/2020	2/1/2035	2.11%	16,563,255
Energy performance contract debt	8/11/2021	8/1/2036	1.47%	2,391,840
				<u>\$ 23,999,872</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 2,309,554	\$ 557,256	\$ 2,866,810
2024	2,388,120	478,690	2,866,810
2025	2,451,975	414,835	2,866,810
2026	2,517,655	349,155	2,866,810
2027	1,976,114	281,596	2,257,710
2028-2032	7,320,621	922,430	8,243,051
2032-2037	5,035,833	187,541	5,223,374
	<u>\$ 23,999,872</u>	<u>\$ 3,191,503</u>	<u>\$ 27,191,375</u>

C) Long-Term Interest

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

Interest paid	\$ 3,724,515
Less interest accrued in the prior year	(2,720,735)
Plus interest accrued in the current year	1,385,660
Plus amortization of the deferred charges	239,276
Less amortization of bond premiums	(440,469)
Total expense	<u>\$ 2,188,247</u>

D) Premiums on Bonds:

Premiums on bonds, net of amortization, are reported as a component of the related long-term liability, and amounted to \$2,380,909 at June 30, 2022. 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.

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

Deferred changes 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, 2022 consisted of the following:

2013 Bond refunding	
Initial deferred charges on refunding	\$ 2,697,877
Amortization to date	<u>(1,868,405)</u>
Total deferred charges -2013, net of amortization	<u>829,472</u>
2016 Bond refunding	
Initial deferred charges on refunding	467,853
Amortization to date	<u>(237,109)</u>
Total deferred charges -2016, net of amortization	<u>230,744</u>
Total deferred charges, net of amortization	<u>\$ 1,060,216</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.

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 (RSSL). The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
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NYSSTR 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. 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 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 publicly 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.

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, but before January 1, 2010
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.

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- 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, 2022 for covered payroll was 25.0% for Tier 1, 22.9% for Tier 2, 18.1% for Tiers 3 &4, 15.1% for Tier 5, and 10.6% 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, 2022 was 9.80% 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:

	NYSERS	NYSTRS
2022	\$ 3,711,737	\$ 10,575,795
2021	\$ 3,304,180	\$ 10,358,058
2020	\$ 3,342,737	\$ 9,051,162

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

At June 30, 2022, 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, 2022 for ERS and June 30, 2021 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 asset/(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.

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2021
Net pension asset/(liability)	\$ 5,899,852	\$ 109,658,647
District's portion of the Plan's total net pension asset/(liability)	0.0721731%	0.623280%
Change in proportion since prior measurement date	0.0029684%	0.0201653%

For the fiscal year ended June 30, 2022, the District recognized pension expense (credit) of \$627,556 for ERS and a pension credit of (\$6,667,119) for TRS. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 446,804	\$ 15,115,281	\$ 579,530	\$ 569,724
Net difference between projected and actual earnings on pension plan investments			19,319,544	114,769,120
Changes of assumptions	9,846,192	36,069,021	166,144	6,387,293
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,137,796	90,967	224,668	1,772,885
District's contributions subsequent to the measurement date	1,100,161	10,575,795		
	<u>\$ 12,530,953</u>	<u>\$ 61,851,064</u>	<u>\$ 20,289,886</u>	<u>\$ 123,499,022</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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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	<u>ERS</u>	<u>TRS</u>
Fiscal year ended:		
2022	\$ -	\$ (14,536,031)
2023	(1,176,491)	(16,993,351)
2024	(1,940,537)	(21,303,404)
2025	(4,839,152)	(27,920,195)
2026	(902,914)	5,004,093
Thereafter	-	3,525,135
	<u>\$ (8,859,094)</u>	<u>\$ (72,223,753)</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:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2021
Actuarial valuation date	April 1, 2021	June 30, 2020
Interest rate	5.90%	6.95%
Salary scale	4.40%	5.18% - 1.95%
Cost of living adjustments	1.4% annually	1.3%, annually
Decrement tables	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation rate	2.70%	2.40%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020, applied on a generational basis. Active member mortality rates are based on plan member experience.

For ERS, the actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed

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for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

For TRS, 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:

<u>Measurement Date</u>	ERS		TRS	
	March 31, 2022		June 30, 2021	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
<u>Asset type</u>				
Domestic equity	32.0%	3.30%	33.0%	6.80%
International equity	15.0%	5.85%	16.0%	7.60%
Global equity	-	-	4.0%	7.10%
Private equity	10.0%	6.50%	8.0%	10.00%
Real estate equity	9.0%	5.00%	11.0%	6.50%
Credit	4.0%	3.78%	-	-
Opportunistic portfolio	3.0%	4.10%	-	-
Real assets	3.0%	5.80%	-	-
Cash and cash equivalents	1.0%	-1.00%	1.0%	-0.20%
Domestic fixed income securities	23.0%	0.00%	16.0%	1.30%
Global bonds	-	-	2.0%	0.80%
High-yield bonds	-	-	1.0%	3.80%
Private debt	-	-	1.0%	5.90%
Real estate debt	-	-	7.0%	3.30%
	<u>100.0%</u>		<u>100.0%</u>	

The expected real rate of return is net of long-term inflation assumptions of 2.5% for ERS, and 2.40% for TRS.

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.90% for ERS and 6.95% 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

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to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.90% for ERS and 6.95% 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 (4.9% for ERS and 5.95% for TRS) or 1-percentage-point higher (6.95% for ERS and 7.95% for TRS) than the current rate:

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
District's proportionate share of the net pension asset/(liability)	\$ (15,186,155)	\$ 5,899,852	\$ 23,537,280

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
District's proportionate share of the net pension asset/(liability)	\$ 11,507,076	\$ 109,658,647	\$ 192,147,920

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	ERS	TRS
Measurement date	March 31, 2022	June 30, 2021
Employers' total pension asset/(liability)	\$ (223,874,888)	\$ (130,819,415)
Plan Net Position	232,049,473	148,148,457
Employers' net pension asset/(liability)	\$ 8,174,585	\$ 17,329,042
Ratio of plan net position to the Employers' total pension asset/(liability)	103.65%	113.25%

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Exhibit 10

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, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$1,100,161.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 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, 2022 amounted to \$11,264,480.

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, 2022 totaled \$385,138 and \$971,460 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, 2022 totaled \$116,387.

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

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 2022, the District contributed an estimated \$12,104,668 to the Plan, including \$12,104,668 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,095
Inactive employees entitled to but not yet receiving benefit payments	11
Active employees	994
	2,100
	2,100

B) Total OPEB Liability:

The District’s total OPEB liability of \$339,843,529 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.70%
Discount rate	4.09%
Healthcare cost trend rates	7.50% decreasing to 4.5% by 2029
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.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Exhibit 10

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.

C) Changes in the Total OPEB Liability:

Balance at June 30, 2021		\$ 415,227,364
Changes for the fiscal year:		
Service cost		13,704,254
Interest		9,261,774
Changes of benefit terms		
Differences between expected and actual experience		13,437,612
Changes in assumptions or other inputs		(99,682,807)
Benefit payments		(12,104,668)
Net changes		<u>(75,383,835)</u>
Balance at June 30, 2022		<u><u>\$ 339,843,529</u></u>

There were no significant plan changes since the last valuation.

Changes of assumptions or other inputs include an increase in the discount rate from 2.19% at the June 30, 2021 measurement date to 4.09% at the June 30, 2022 measurement date.

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 (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB liability	<u>\$ 391,122,384</u>	<u>\$ 339,843,529</u>	<u>\$ 298,184,011</u>

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Exhibit 10

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 (6.50%) or 1-percentage-point higher (8.50%) than the current healthcare cost trend rates:

	Healthcare Cost Trend	
1% Decrease (6.50% decreasing to 3.50%)	Rates (7.50% decreasing to 4.50%)	1% Increase (8.50% decreasing to 5.50%)
Total OPEB liability	\$ 293,318,598	\$ 339,843,529
	\$ 398,758,224	\$ 398,758,224

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$1,263,175. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows 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	\$ 11,198,010	\$ (72,199,436)
Changes of assumptions or other inputs	59,290,313	(83,069,006)
	\$ 70,488,323	\$ (155,268,442)

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:	
2023	\$ (21,702,853)
2024	(21,702,857)
2025	(10,719,298)
2026	(16,280,911)
2027	(14,374,200)
	\$ (84,780,119)

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 1 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 664 employees is \$9,530,000 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, 2022. 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, 2022, the District has reserves for property loss and liability totaling \$1,259,690.

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, 2022, the District has recorded potential workers' compensation claims payable of \$3,606,367 and has a workers' compensation reserve balance of \$1,296,113.

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

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	2022	2021
Unpaid claims at beginning of year	\$ 4,073,381	\$ 3,558,995
Incurred claims and claim adjustment expenses	1,046,917	2,208,757
Claims payments	(1,513,661)	(1,694,371)
Unpaid claims at year end	\$ 3,606,637	\$ 4,073,381

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 \$1,181,798 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$304,324 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, 2022, the District encumbered the following amounts:

General fund	
General support	\$ 672,323
Instructional	523,011
Transportation	21,750
Employee benefits	17,789
	\$ 1,234,873
Special aid fund	
Instructional	\$ 172,312
School lunch fund	
Food service program	\$ 28,222
Capital projects fund	
Capital projects	\$ 1,295,049

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.

**MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Exhibit 10

C) Litigation:

As of June 30, 2022, 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:

Management of the District evaluated events through October 14, 2022, which is the date the financial statements were available to be issued, and noted the following:

- The District issued \$43,500,000 in tax anticipation notes on August 16, 2022, maturing on June 28, 2023 with an interest rate of 3.50%.

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, 2022**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
Local sources				
Real property taxes	\$ 133,342,441	\$ 133,342,441	\$ 133,957,365	\$ 614,924
Other real property tax items	15,938,536	15,938,536	15,353,275	(585,261)
Charges for services	571,000	571,000	441,846	(129,154)
Use of money & property	285,000	285,000	90,499	(194,501)
Sale of property & compensation for loss	167,664	167,664	186,651	18,987
Miscellaneous	1,810,000	1,810,000	1,933,064	123,064
State sources				
Basic formula	86,075,674	86,075,674	64,519,897	(21,555,777)
Excess cost aid	-	-	16,749,515	16,749,515
Lottery aid	12,998,416	12,998,416	12,978,038	(20,378)
BOCES aid	2,792,318	2,792,318	2,478,249	(314,069)
Tuition aid	-	-	265,861	265,861
Textbook aid	554,424	554,424	537,240	(17,184)
Computer software aid	281,250	281,250	272,716	(8,534)
Library A/V loan program aid	49,042	49,042	56,481	7,439
Other state aid	125,000	125,000	40,680	(84,320)
Federal sources	200,000	200,000	121,030	(78,970)
TOTAL REVENUES	255,190,765	255,190,765	249,982,407	(5,208,358)
Other financing sources				
Premium on Obligations -TAN	-	-	320,595	320,595
Transfers from other funds	-	-	6,109,130	6,109,130
TOTAL REVENUE AND OTHER FINANCING SOURCES	255,190,765	255,190,765	256,412,132	\$ 1,221,367
Appropriated fund balance				
	2,400,000	2,400,000		
Appropriated reserves				
	12,421,537	12,421,537		
TOTAL REVENUES, OTHER FINANCING SOURCES, APPROPRIATED FUND BALANCE AND RESERVES	\$ 270,012,302	\$ 270,012,302		

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, 2022

	<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	\$ 141,776	\$ 150,596	\$ 134,040	\$ 300	\$ 16,256
Central administration	503,047	559,613	549,163	200	10,250
Finance	1,895,290	2,005,231	1,830,835	38,550	135,846
Staff	2,616,315	2,686,998	1,887,827	27,312	771,859
Central services	17,115,515	18,749,759	17,535,483	605,961	608,315
Special items	2,566,964	2,582,263	2,561,411		20,852
Total general support	<u>24,838,907</u>	<u>26,734,460</u>	<u>24,498,759</u>	<u>672,323</u>	<u>1,563,378</u>
Instructional					
Instruction, adm. & imp.	7,590,157	7,828,084	7,504,729	10,298	313,057
Teaching - regular school	79,072,845	76,530,341	75,158,345	27,789	1,344,207
Programs for children with handicapping conditions	35,987,396	35,336,327	33,372,778	433,176	1,530,373
Occupational education	4,088,562	4,400,566	4,252,518		148,048
Teaching special schools	511,031	536,031	506,623		29,408
Instructional media	3,766,250	4,152,103	3,150,495	18,136	983,472
Pupil services	9,160,865	9,674,166	9,172,698	33,612	467,856
Total instructional	<u>140,177,106</u>	<u>138,457,618</u>	<u>133,118,186</u>	<u>523,011</u>	<u>4,816,421</u>
Pupil transportation	<u>16,377,344</u>	<u>17,342,530</u>	<u>16,582,318</u>	<u>21,750</u>	<u>738,462</u>
Employee benefits	<u>68,517,631</u>	<u>67,875,421</u>	<u>63,003,106</u>	<u>17,789</u>	<u>4,854,526</u>
Debt service					
Debt service principal	14,754,149	14,754,149	14,432,681		321,468
Debt service interest	4,879,518	4,380,477	4,109,972		270,505
Total debt service	<u>19,633,667</u>	<u>19,134,626</u>	<u>18,542,653</u>	<u>-</u>	<u>591,973</u>
TOTAL EXPENDITURES	<u>269,544,655</u>	<u>269,544,655</u>	<u>255,745,022</u>	<u>1,234,873</u>	<u>12,564,760</u>
Other financing uses					
Transfers to other funds	467,647	467,647	398,138		69,509
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 270,012,302</u>	<u>\$ 270,012,302</u>	<u>256,143,160</u>	<u>\$ 1,234,873</u>	<u>\$ 12,634,269</u>
NET CHANGE IN FUND BALANCE			268,972		
FUND BALANCE - BEGINNING OF YEAR			29,619,901		
FUND BALANCE - END OF YEAR			<u>\$ 29,888,873</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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 13,704,254	\$ 12,755,531	\$ 11,348,199	\$ 11,463,774	\$ 14,477,166
Interest	9,261,774	11,218,311	13,148,634	15,317,410	14,943,506
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	13,437,612	(40,298,400)	(30,928,103)	(54,564,408)	(40,885,768)
Changes of assumptions or other inputs	(99,682,807)	28,858,123	64,297,792	18,821,760	5,700,629
Benefit payments	<u>(12,104,668)</u>	<u>(12,501,298)</u>	<u>(11,755,003)</u>	<u>(12,461,546)</u>	<u>(13,220,032)</u>
Net change in total OPEB liability	(75,383,835)	32,267	46,111,519	(21,423,010)	(18,984,499)
Total OPEB liability - beginning	<u>415,227,364</u>	<u>415,195,097</u>	<u>369,083,578</u>	<u>390,506,588</u>	<u>409,491,087</u>
Total OPEB liability - ending	<u>\$ 339,843,529</u>	<u>\$ 415,227,364</u>	<u>\$ 415,195,097</u>	<u>\$ 369,083,578</u>	<u>\$ 390,506,588</u>
Covered-employee payroll	\$ 128,143,046	\$ 136,153,499	\$ 121,730,117	\$ 122,363,908	\$ 118,447,436
Total OPEB liability as a percentage of covered-employee payroll	265.21%	304.97%	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:

2022	4.09%
2021	2.19%
2020	2.66%
2019	3.51%
2018	3.87%

For 2021, changes of assumptions also includes a change to the healthcare trend rates to an annual trend of 7.5% instead of 8.0%.

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

	NYSERS Pension Plan									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
District's proportion of the net pension asset/(liability)	0.0721731%	0.0692047%	0.0714904%	0.0743137%	0.0727740%	0.0723576%	0.0724680%	0.0702476%	0.0702476%	
District's proportionate share of the net pension asset/(liability)	\$ 5,899,852	\$ (68,910)	\$ (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	\$ 24,893,818	\$ 25,631,224	\$ 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 asset/(liability) as a percentage of its covered payroll	23.70%	0.27%	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 asset/(liability)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%	

	NYSTRS Pension Plan									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
District's proportion of the net pension asset/(liability)	0.632803%	0.603115%	0.599366%	0.591186%	0.586609%	0.590047%	0.588572%	0.568047%	0.549144%	
District's proportionate share of the net pension asset/(liability)	\$ 109,658,647	\$ 16,665,690	\$ (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	\$ 108,688,902	\$ 102,367,668	\$ 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 asset/(liability) as a percentage of its covered payroll	100.89%	16.28%	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 asset/(liability)	113.25%	97.76%	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									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 3,711,737	\$ 3,304,180	\$ 3,342,737	\$ 3,169,360	\$ 3,031,707	\$ 2,966,365	\$ 3,408,900	\$ 3,685,597	\$ 3,585,625	\$ 3,685,462
Contributions in relation to the contractually required contribution	3,711,737	3,304,180	3,342,737	3,169,360	3,031,707	2,966,365	3,408,900	3,685,597	3,585,625	3,685,462
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 26,150,355	\$ 25,602,276	\$ 23,574,095	\$ 23,230,601	\$ 22,834,793	\$ 21,281,289	\$ 20,492,506	\$ 20,868,392	\$ 19,659,888	\$ 19,225,854
Contributions as a percentage of covered payroll	14.19%	12.91%	14.18%	13.64%	13.28%	13.94%	16.63%	17.66%	18.24%	19.17%

	NYSTRS Pension Plan									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 10,575,795	\$ 10,358,058	\$ 9,051,162	\$ 10,621,153	\$ 9,437,216	\$ 10,894,707	\$ 12,091,668	\$ 15,498,537	\$ 13,635,283	\$ 9,523,829
Contributions in relation to the contractually required contribution	10,575,795	10,358,058	9,051,162	10,621,153	9,437,216	10,894,707	12,091,668	15,498,537	13,635,283	9,523,829
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 110,657,925	\$ 108,688,902	\$ 102,367,668	\$ 101,942,899	\$ 97,000,252	\$ 93,524,270	\$ 91,705,091	\$ 89,868,630	\$ 84,779,765	\$ 81,727,453
Contributions as a percentage of covered payroll	9.56%	9.53%	8.84%	10.42%	9.73%	11.65%	13.19%	17.25%	16.08%	11.65%

**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, 2022**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget		\$ 269,080,958
Add: prior year's encumbrances		931,344
Original budget		270,012,302
Budget revision:		-
Final budget		\$ 270,012,302

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2022 - 2023 voter-approved expenditure budget		\$ 274,944,707
Maximum allowed (4% of 2022-23 budget)		\$ 10,997,788
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 3,634,873	
Unassigned fund balance	8,072,430	
Total unrestricted fund balance		11,707,303
Less:		
Appropriated fund balance	\$ 2,400,000	
Encumbrances included in assigned fund balance	1,234,873	
Total adjustments		3,634,873
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		\$ 8,072,430
Actual percentage		2.94%

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROJECT EXPENDITURES-CAPITAL PROJECTS FUND
 JUNE 30, 2022

Project Title	Proj. #	Original Appropriation	Revised Appropriation	Prior Year's	Expenditures to Date		Unexpended Balance	Methods of Financing			Total	Fund Balance June 30, 2022
					Current Year	Total		State Sources	Local Sources	Total		
2015 Bond Project												
District Wide Bond Project												
District Wide Doors	7999008	\$ 2,179,131	\$ 89,638	\$ 30,740	\$ 15,274	\$ 46,014	\$ 43,624	\$ 89,638	\$ -	\$ 50,000	\$ 139,638	\$ 93,624
District Wide Security Project	7999007	5,109,809	6,480,315	6,250,501	229,814	6,480,315	-	6,480,315	-	-	6,480,315	-
District Wide Network Equipment		2,019,333	138,033	126,121	5,261	131,382	6,651	138,033	-	-	138,033	6,651
District Wide Network Equipment		797,300	756,948	756,948	-	756,948	-	756,948	-	-	756,948	-
Dawnwood MS Roof/Renov	0008021	9,204,561	4,000,938	4,000,938	-	4,000,938	-	4,000,938	-	-	4,000,938	-
New Lane Cafe/Library/Renov	0016014	674,162	803,707	803,707	-	803,707	-	803,707	-	-	803,707	-
Stagescoach Building Renovation # 1	0012011	155,423	740,352	740,352	-	740,352	-	740,352	-	-	740,352	-
New Lane Generator	0016018	333,000	285,670	48,992	222,865	271,857	13,813	285,670	-	-	285,670	13,813
Dawnwood MS Windows	0008022	2,632,685	2,674,691	1,823,079	694,087	2,517,166	157,525	2,674,691	-	-	2,674,691	157,525
Dawnwood MS Building Renovation # 1	0008025	413,300	5,043,441	5,043,441	-	5,043,441	-	5,043,441	-	-	5,043,441	-
Dawnwood MS Building Renovation Phase 3	0008025		799,048	799,048	-	799,048	-	799,048	-	-	799,048	-
Selden MS Windows	0010022	2,415,685	2,411,017	2,410,987	-	2,410,987	30	2,411,017	-	-	2,411,017	30
Selden MS Building Renovation # 1	0010021	631,170	2,810,974	2,810,974	-	2,810,974	-	2,810,974	-	-	2,810,974	-
Selden MS Building Renovation # 2	0010023	3,605,920	3,787,677	3,787,677	-	3,787,677	-	3,787,677	-	-	3,787,677	-
Selden MS Boiler	0010020	195,425	725,805	725,805	-	725,805	-	725,805	-	-	725,805	-
Newfield HS Windows	0006026	3,826,185	3,550,552	3,550,552	-	3,550,552	-	3,550,552	-	-	3,550,552	-
Newfield HS Building Renovation # 1	0006027	414,500	10,408,604	10,408,604	-	10,408,604	-	10,416,642	-	-	10,416,642	8,038
Newfield HS New Gym	0006024	6,542,645	9,875,749	9,865,189	-	9,865,189	10,560	9,889,629	-	-	9,889,629	24,440
Newfield HS Phase 2	0006029	1,850,000	2,671,898	2,671,898	-	2,671,898	8,581	2,671,898	-	-	2,671,898	-
Newfield HS Phase 3								9,724	-	-	9,724	9,724
Newfield HS Comfort Station		323,625	365,203	360,050	5,153	365,203	-	377,843	-	-	377,843	12,640
Newfield HS Generator		333,000	324,820	42,679	270,338	313,017	11,803	313,017	-	-	313,017	-
Centercoach HS Track/roof				259		259		259			259	
Centercoach HS Vestibule	0015020	97,000	85,553	85,553	-	85,553	-	85,553	-	-	85,553	-
Centercoach HS Windows	0015025	3,829,185	3,382,576	3,382,576	-	3,382,576	-	3,382,576	-	-	3,382,576	-
Centercoach HS Building Renovation # 1	0015026	360,500	8,361,813	8,361,813	-	8,361,813	-	8,361,813	-	-	8,361,813	-
Centercoach HS New Gym	0015023	7,986,568	11,239,101	11,239,101	-	11,239,101	-	11,239,101	-	-	11,239,101	-
Centercoach HS Phase 2	0015028	617,000	657,172	610,652	46,517	657,169	3	912,357	-	-	912,357	255,188
Centercoach HS Phase 3								500,586	-	-	500,586	500,586
Centercoach HS Generator	0015024	333,000	261,553	41,515	214,553	256,068	5,485	268,044	-	-	268,044	11,976
Centercoach Comfort Station		323,625										
Centercoach HS Chiller		1,573,484	1,573,484	29,344	29,344	29,344	1,544,140	1,067,773	-	-	1,067,773	1,038,429
Bicycle Path School Building Renovation #1								34,630	-	-	34,630	1,920
Auer Building Renovation #1								189,720	-	-	189,720	-
Hawkins path Elementary School Windows								43,363	-	-	43,363	43,363
Buses		5,280,000	3,739,289	3,739,289	-	3,739,289	-	3,739,289	80,000	-	3,819,289	80,000
Bus Cameras/Equipment		424,000	340,000	340,000	-	340,000	-	340,000	-	-	340,000	-
Fuel Management System		67,000	72,407	72,407	-	72,407	-	72,407	-	50,000	122,407	46,315
Smart Schools Bond Act		219,627	8,407,940	5,269,443	3,685	6,721,869	1,686,071	6,721,869	-	-	6,721,869	-
Energy Performance Contract 2019/20			18,746,916	13,338,270	5,408,646	18,746,916	-	18,746,916	-	-	18,746,916	-
Energy Performance Contract 2021/2022		2,391,840	2,391,840	-	70,611	70,611	2,321,229	2,391,840	-	-	2,391,840	2,321,229
Unity Drive Electric			100,000	95,745	-	95,745	4,255	100,000	-	100,000	100,000	4,255
Total		\$ 67,159,688	\$ 118,851,581	\$ 103,614,905	\$ 8,891,004	\$ 112,525,909	\$ 6,325,672	\$ 110,153,786	\$ 6,801,869	\$ 200,000	\$ 117,155,655	\$ 4,629,746

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2022

Capital assets, net		\$ 195,065,607
Add:		
Unspent debt proceeds		4,625,492
Deferred charges on refundings		1,060,216
Deduct:		
Short-term portion of bonds payable (inclusive of unamortized premiums)	\$ 12,940,469	
Long-term portion of bonds payable (inclusive of unamortized premiums)	<u>101,380,440</u>	114,320,909
Short-term portion of energy performance contracts debt payable	\$ 2,309,554	
Long-term portion of energy performance contracts debt payable	<u>21,690,318</u>	<u>23,999,872</u>
 Net investment in capital assets		 <u>\$ 62,430,534</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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Middle Country Central School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2022.

Report on Internal Control over Financial Reporting

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

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

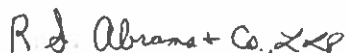
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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
Islandia, New York
October 14, 2022

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