

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN

***GENERAL PURPOSE
FINANCIAL STATEMENTS***

JUNE 30, 2023

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
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INDEPENDENT AUDITORS' REPORT

To The Board of Education of the
Enlarged City School District of Middletown
Middletown, New York

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enlarged City School District of Middletown, New York, as of and for the year ended June 30, 2023, 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 aggregate remaining fund information of the Enlarged City School District of Middletown, New York, as of June 30, 2023, and the respective changes in financial position for the year then ended in conformity 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 Enlarged City School District of Middletown, New York, 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.

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 Enlarged City School District of Middletown, New York'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 Enlarged City School District of Middletown, New York'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 and other required supplementary information on pages 5 through 14 and 55 through 60, 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 Enlarged City School District of Middletown, New York's financial statements as a whole. The accompanying combining and individual non-major fund financial statements and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

The prior year summarized comparative information was derived from the District's June 30, 2022 financial statements and, in our report dated October 14, 2022, we expressed an unmodified opinion on the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023 on our consideration of the Enlarged City School District of Middletown, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe

the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Enlarged City School District of Middletown, New York's internal control over financial reporting and compliance.

Cooper Arias, LLP

Mongaup Valley, New York
October 12, 2023

Management's Discussion and Analysis

Enlarged City School District of Middletown

Year Ended June 30, 2023

**Middletown City School District
223 Wisner Avenue
Middletown, New York 10940**

Enlarged City School District of Middletown

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2023. This section is a summary of the School District's financial activity based on currently known facts, decisions or conditions. Additionally, based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for 2023 are as follows:

District-Wide Statements

- Total net position - end of year was \$92,167,919 at June 30, 2023, increase of \$3,072,116 from the prior year's net position.
- Real property tax revenues accounted for \$67,929,670 or 27% of total revenues. State, local and federal sources accounted for \$183,549,477, or 73% of total revenues. The percentage of tax revenues, as well as State, local and federal funding, remained consistent from last year to the current year.

General Fund Financial Statements

- Among major funds, the General Fund had \$228,806,727 in total revenues, of which \$68,637,317 or 30% comprised of real property tax revenues and \$160,169,410 or 70% comprised of State, local and federal sources. The General Fund expenditures totaled \$213,637,480 for the year ended June 30, 2023. The General Fund's fund balance increased from \$43,532,060 at June 30, 2022 to \$44,074,666 at June 30, 2023. Amounts restricted totaled \$30,104,350, leaving \$13,970,316 as unassigned. A Capital Reserve Fund established in May 2018 & 2022 by voters and currently funded with \$4,053,132. Effective January 1, 2024 the District will enter into the Orange Ulster Health Plan. The change will result in the \$5,000,000 Insurance reserve to be dissolved.

Using this Comprehensive Annual Report

This comprehensive and annual financial report consists of a series of financial statements and notes to those statements. The statements organized so readers can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when the cash is received or paid.

These two statements report the District's net position and changes in it. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, student enrollment and facility conditions in arriving at their consultation regarding the overall health of the District.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State statute, while many other funds are established by the District to help manage money for particular purposes and compliance with various grant provisions.

Government Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The District as a Whole

The information below provides a comparison with the prior year information for the District as whole.

<i>Statement of Net Position</i>	2023	2022
<i>Current Assets</i>	108,287,416	103,020,088
<i>Net Pension Assets</i>	-	78,598,427
<i>Capital Assets, net</i>	261,310,098	263,035,488
<i>Total Assets</i>	369,597,514	444,654,003
<i>Pensions</i>	53,492,064	51,508,064
<i>OPEB Liability</i>	18,054,499	20,478,519
<i>Total Deferred Outflows of Resources</i>	71,546,563	71,986,583
<i>Current Liabilities</i>	40,187,805	39,545,165
<i>Long Term Liabilities</i>	240,050,757	257,990,772
<i>Total Liabilities</i>	280,238,562	297,535,937
<i>Pensions</i>	6,450,268	100,614,977
<i>OPEB Liability</i>	62,287,328	29,393,869
<i>Total Deferred Inflows of Resources</i>	68,737,596	130,008,846
<i>Net Investment in Capital Assets</i>	164,272,728	157,666,259
<i>Restricted</i>	29,896,971	29,749,123
<i>Unrestricted</i>	(102,001,780)	(98,316,579)
<i>Total Net Position</i>	92,167,919	89,095,803

GENERAL REVENUES

	2023	2022
<i>Real Property Taxes</i>	67,929,670	72,571,551
<i>Other Tax Items</i>	5,589,009	5,883,684
<i>Non-Property Taxes</i>	2,576,238	2,237,832
<i>Investment Earnings</i>	1,073,766	80,845
<i>Sale of Property and Compensation for Loss</i>	9,917	61,472
<i>Miscellaneous Local Sources</i>	2,858,095	1,633,011
<i>Premium on Obligations</i>	39,770	269,181
<i>State Sources</i>	147,141,182	124,491,937
<i>Federal Sources</i>	362,210	318,085
<i>Total General Revenues</i>	227,579,857	207,547,598

<i>Net Program Expenditures</i>	2023	2022
<i>General Support</i>	(30,186,405)	(29,682,222)
<i>Instruction</i>	(179,653,621)	(150,334,643)
<i>Pupil Transportation</i>	(11,566,873)	(10,164,911)
<i>Community Service</i>	(1,900)	(5,950)
<i>Debt Service</i>	(2,873,900)	(2,886,302)
<i>School Lunch Program</i>	(225,042)	2,311,674
<i>Total Net Program (Expenditures)/Revenues</i>	(224,507,741)	(190,762,354)
<i>CHANGE IN NET POSITION</i>	3,072,116	16,785,244

Governmental Activities

The laws in New York State require the need to seek voter approval for the general fund-operating budget. Without voter approval, School Districts' are placed on a contingency budget, which limits expenditures to those considered essential to maintain an educational program, preserve property and assure the health and safety of students and staff. The voters approved the District's budget in May. This allows the District to purchase necessary equipment and sustain instructional programs.

School Districts' are dependent upon property taxes as a primary source of revenue. Since the District must rely heavily on voter approval for funding levels, management of resources is of paramount concern to District Administration and the voting public.

The District's Funds

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and Other Sources of \$271,298,220 and total expenditures and Other Uses of \$265,740,925. The District's governmental fund balances increased \$5,557,295 across all funds. The Capital Projects fund balance has increased due to voter approval of several projects including Cares Act funding.

<i>Fund Balance</i>	2023	2022	Change
<i>General</i>			
<i>Special Aid</i>	-	-	-
<i>School Lunch</i>	4,718,391	4,540,848	177,543
<i>Capital Projects</i>	16,769,802	8,636,405	8,133,397
<i>Non-Major</i>	1,434,047	4,730,298	(3,296,251)
<i>Total Governmental Funds</i>	66,996,906	61,439,611	5,557,295

General Fund Budget Information

The District's budget is prepared in accordance with New York State law and based on the modified accrual basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant fund is the General Fund.

Governmental Fund Activity

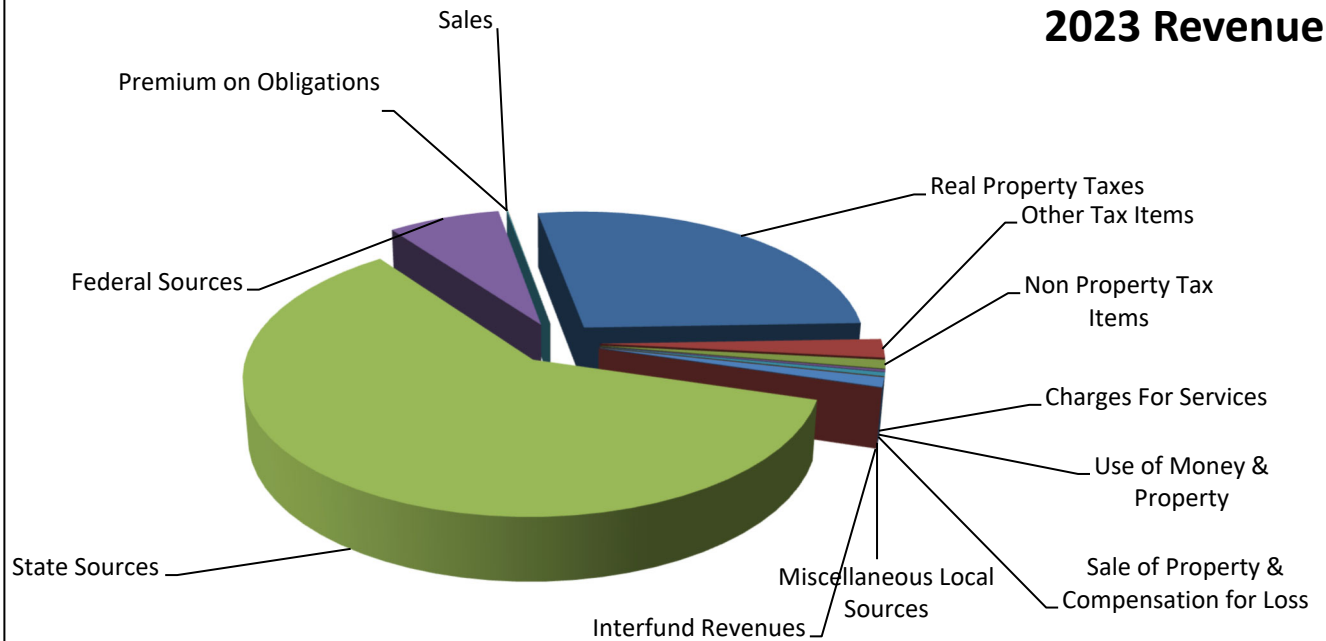
The tables and graphs that follow assist in illustrating the financial activities of the Total Governmental Funds.

<i>Revenues</i>	2023	2022
<i>Real Property Taxes</i>		
<i>Other Tax Items</i>	5,589,009	5,883,684
<i>Non-Property Tax Items</i>	2,576,238	2,237,832
<i>Charges for Services</i>	684,960	723,412
<i>Use of Money & Property</i>	1,137,735	140,434
<i>Sale of Property & Compensation for Loss</i>	9,917	61,472
<i>Miscellaneous Local Sources</i>	2,879,868	1,861,459
<i>Interfund Revenues</i>	19,509	21,531
<i>State Sources</i>	152,206,972	127,861,738
<i>Federal Sources</i>	18,274,006	18,018,687
<i>Sales</i>	151,002	38,867
<i>Operating Interfund Transfers</i>	17,816,917	29,716,905
<i>Proceeds of Long-Term Debt</i>	0	0
<i>BAN's Redeemed</i>	1,275,000	3,000,000
<i>Premium on Obligations</i>	39,770	269,181
<i>Total Revenues and Other Sources</i>	271,298,220	262,428,393

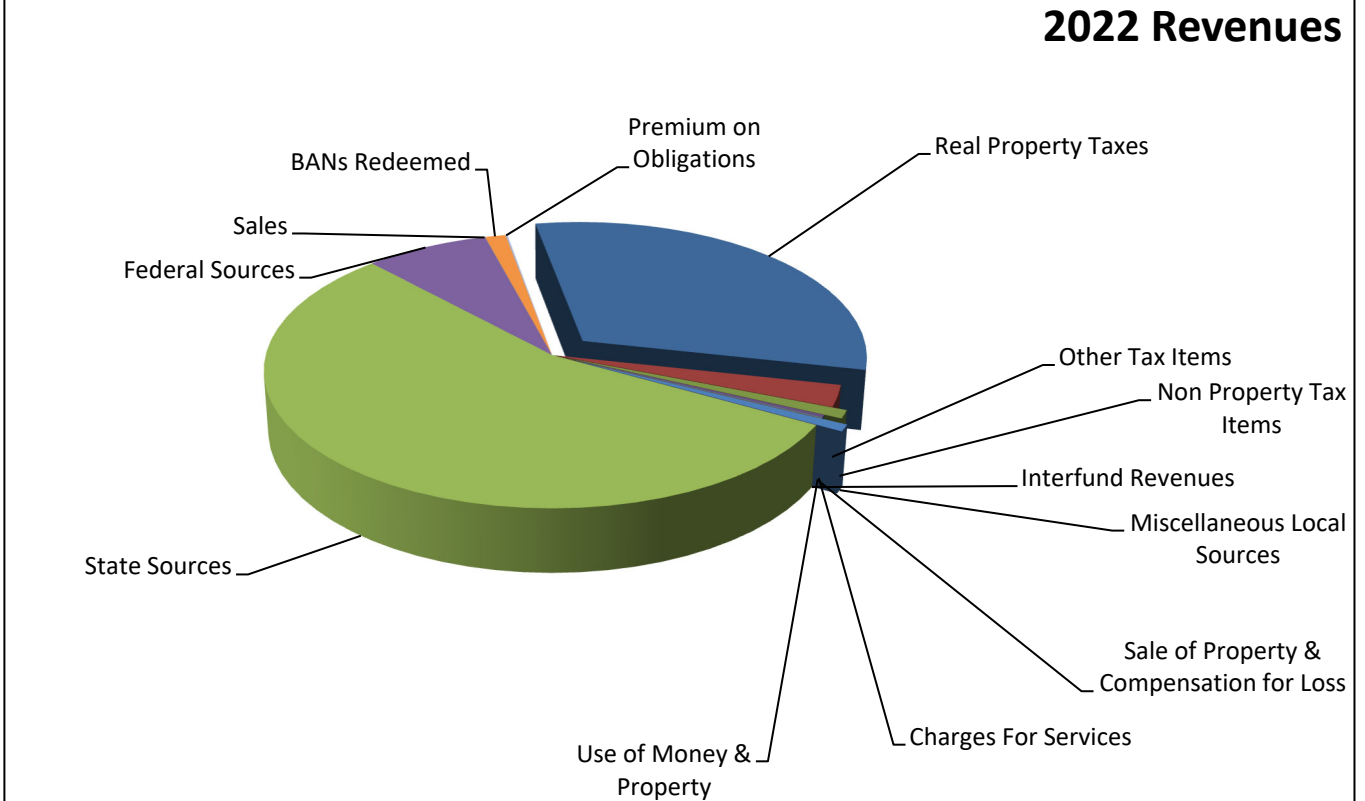
Overall revenues increased significantly from the prior year mainly due to an increase in State Aid. The property tax revenue, exclusive of STAR revenues, was down due to the \$5,000,000 reduction on the tax levy. Revenues and expenditures are depicted on the graphs on the succeeding pages. Expenditures increased as a result of increase in staff for the new building and increased cost of employee benefits.

<i>Expenditures</i>	2023	2022
<i>General Support</i>		
<i>Instruction</i>	140,249,169	130,482,153
<i>Pupil Transportation</i>	11,905,537	10,422,630
<i>Community Service</i>	1,900	5,950
<i>Employee Benefits</i>	47,125,955	38,581,785
<i>Debt Service</i>	11,713,697	13,893,191
<i>Cost of Sales</i>	5,300,587	4,676,476
<i>Capital Outlay</i>	8,380,420	12,667,986
<i>Interfund Transfers Out</i>	17,816,917	29,716,905
<i>Total Expenditures and Other Uses</i>	265,740,925	264,411,511

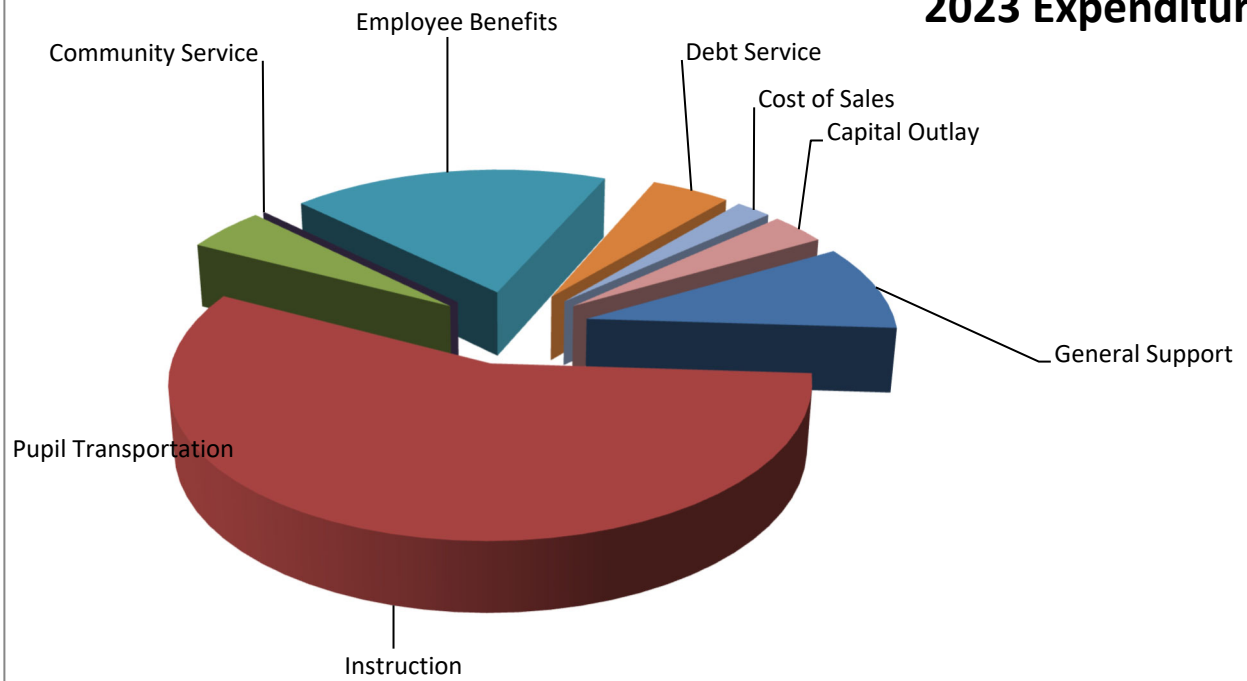
2023 Revenues



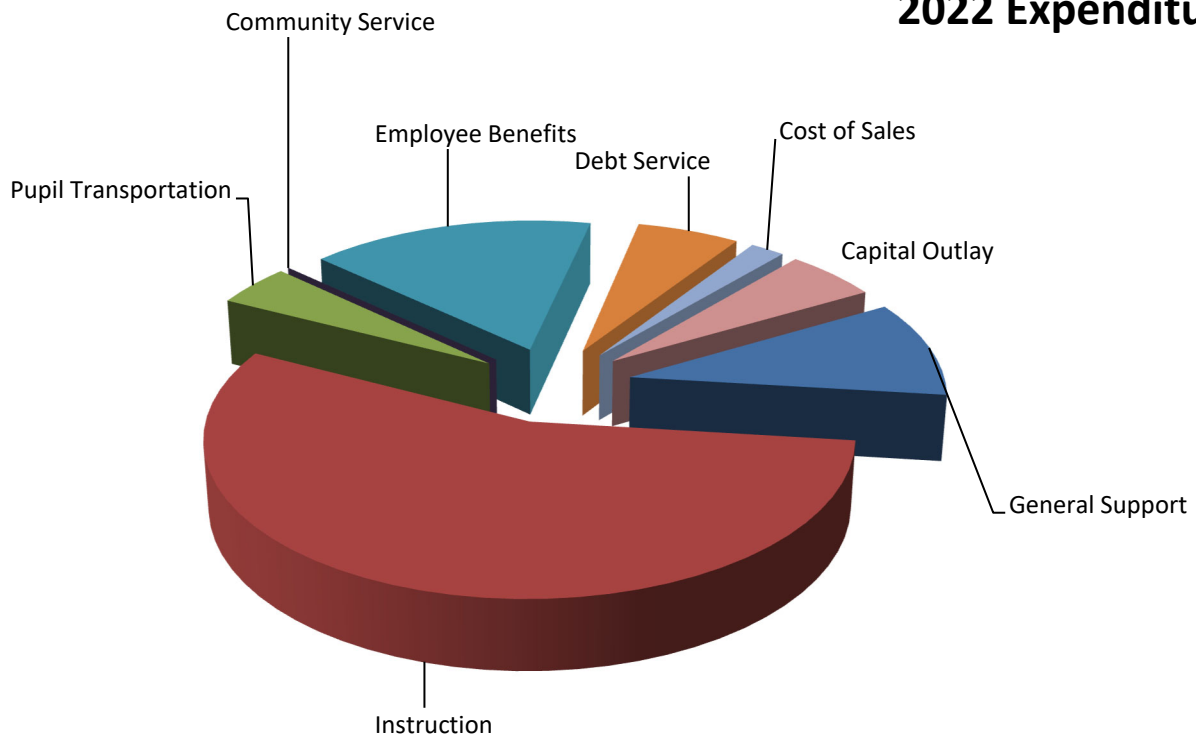
2022 Revenues



2023 Expenditures



2022 Expenditures



School Food Service Highlights

The School Food Service had an operating surplus of \$177,543, and a year-end fund balance of \$4,718,391. The food service department continues to be productive and efficient.

Capital Assets

As of June 30, 2023, the District has \$261,310,098 invested in capital assets, net of \$153,618,479 in accumulated depreciation, and depreciation expense was \$13,018,366.

Debt

As of June 30, 2023, the District has \$72,540,000 in outstanding bonds, \$20,825,000 in outstanding bond anticipation notes and \$1,319,520 outstanding an energy performance contract. The District paid \$2,403,599 in long term debt expense and \$592,735 in short term debt expense.

Moody's Investors Service latest assigned rating for the District is Aa3 on the new scale instituted in May 2022. The rating reflects the District's levels of financial reserves: a moderate debt burden further mitigated by state aid; and a diverse tax base in close proximity to Metropolitan New York and regional employment centers.

Factors Bearing on the District's Future

There are critical socioeconomic concerns that presently bear factor on the Enlarged City School District of Middletown's future. The first and highest priority is any residual effects of COVID-19 and stability of State Aid projections. Also, the restrictions of the foundation aid formula, which directly influences the amount that taxes need to be levied when preparing the budget. New York State continues to have fiscal concerns and state aid is one of the largest revenue components for the District. The second factor is the stability of student enrollment in the District, which has increased over the past couple of years. We continue to see growth in the high school and the voters authorized an addition to the high school in December of 2014 and 2018. Additionally, we have voter authorization for \$71 million-dollar addition and renovations at Twin Towers Middle School. In May 2022, the voters approved roof repairs at High School and William A Carter Elementary. Also, a new turf field at High School, extended playground at Maple Hill Elementary, bus loop canopy at Presidential Park Elementary. The third factor is the state legislation that requires a 2% cap on the tax levy of the District. The tax cap is calculated using formulas based on current years levy, growth in tax base and inflation rates. The District has been very successful with voting as community confidence is high. The voters can approve a tax levy over the cap if the budget is passed by 60% plus one by voters.

Contacting the District's Financial Management

It is the intent of this report to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions about this report or need additional information, contact the Business Office at Enlarged City School District of Middletown, 223 Wisner Ave. Middletown, New York 10940.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
STATEMENT OF NET POSITION
JUNE 30,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash	\$ 57,442,270	\$ 54,393,930
Cash - Restricted	30,859,911	31,599,568
Taxes Receivable	2,508,876	3,596,724
Accounts Receivable	634,152	185,811
State And Federal Aid Receivable	9,740,263	8,320,640
Due From Other Governments	6,523,915	4,398,907
Inventory	<u>578,029</u>	<u>524,508</u>
Total Current Assets	<u>108,287,416</u>	<u>103,020,088</u>
Non-Current Asset		
Net Pension Asset	-	78,598,427
Capital Assets, net	<u>261,310,098</u>	<u>263,035,488</u>
Total Non-Current Assets	<u>261,310,098</u>	<u>341,633,915</u>
TOTAL ASSETS	<u>369,597,514</u>	<u>444,654,003</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	53,492,064	51,508,064
OPEB Liability	<u>18,054,499</u>	<u>20,478,519</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>71,546,563</u>	<u>71,986,583</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
STATEMENT OF NET POSITION
JUNE 30,

(Continued)

	<u>2023</u>	<u>2022</u>
LIABILITIES		
Accounts Payable	\$ 5,848,059	\$ 2,881,009
Accrued Liabilities	1,158,095	800,161
Bond Anticipation Notes	20,825,000	22,100,000
Due To Other Governments	1,127,290	3,213,770
Due To TRS	10,279,627	8,644,926
Due To ERS	593,224	489,243
Unearned Revenues	<u>356,510</u>	<u>1,416,056</u>
 Total Current Liabilities	 <u>40,187,805</u>	 <u>39,545,165</u>
 Non-Current Liabilities		
Due Within One Year:		
Serial Bonds	6,110,000	7,095,000
Unamortized Bond Premium	223,008	330,118
Energy Performance Contract	249,163	242,202
Total OPEB Liability	3,500,000	3,200,000
Due Beyond One Year:		
Serial Bonds	66,430,000	72,540,000
Unamortized Bond Premium	3,092,782	3,315,793
Energy Performance Contract	1,070,357	1,319,520
Compensated Absences	4,632,874	4,581,095
Total OPEB Liability	133,150,955	165,367,044
Net Pension Liability	<u>21,591,618</u>	<u>-</u>
 Total Non-Current Liabilities	 <u>240,050,757</u>	 <u>257,990,772</u>
 TOTAL LIABILITIES	 <u>280,238,562</u>	 <u>297,535,937</u>
 DEFERRED INFLOWS OF RESOURCES		
Pensions	6,450,268	100,614,977
OPEB Liability	<u>62,287,328</u>	<u>29,393,869</u>
 TOTAL DEFERRED INFLOWS OR RESOURCES	 <u>68,737,596</u>	 <u>130,008,846</u>
 NET POSITION		
Net Investment In Capital Assets	164,272,728	157,666,259
Restricted	29,896,971	29,746,123
Unrestricted	<u>(102,001,780)</u>	<u>(98,316,579)</u>
 TOTAL NET POSITION	 <u>\$ 92,167,919</u>	 <u>\$ 89,095,803</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

FUNCTIONS/ PROGRAM	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</u>	
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND DONATION</u>	<u>CAPITAL GRANTS AND CONTRIBUTION</u>	<u>2023</u>	<u>2022</u>
General Support	\$ 32,794,189	\$ 63,969	\$ 2,293,815	\$ 250,000	\$ (30,186,405)	\$ (29,682,222)
Instruction	194,088,327	684,960	13,280,791	468,955	(179,653,621)	(150,334,643)
Pupil Transportation	11,923,884	-	357,011	-	(11,566,873)	(10,164,911)
Community Service	1,900	-	-	-	(1,900)	(5,950)
Debt Service	2,996,334	-	122,434	-	(2,873,900)	(2,886,302)
School Lunch Program	<u>6,602,397</u>	<u>151,002</u>	<u>6,226,353</u>	<u>-</u>		
TOTAL FUNCTIONS AND PROGRAMS	<u>248,407,031</u>	<u>899,931</u>	<u>22,280,404</u>	<u>718,955</u>	<u>(225,042)</u> (224,507,741)	<u>(190,762,354)</u>
GENERAL REVENUES						
Real Property Tax					67,929,670	72,571,551
Other Tax Items					5,589,009	5,883,684
Non-Property Taxes					2,576,238	2,237,832
Investment Earnings					1,073,766	80,845
Premium on Obligations					39,770	269,181
Sale Of Property and Compensation						
For Loss					9,917	61,472
Miscellaneous Local Sources					2,858,095	1,633,011
State Sources					147,141,182	124,491,937
Federal Sources					<u>362,210</u>	
TOTAL GENERAL REVENUES					<u>227,579,857</u>	<u>207,547,598</u>
CHANGE IN NET POSITION					3,072,116	16,785,244
TOTAL NET POSITION-					318,085	
Beginning of Year					<u>89,095,803</u>	<u>72,310,559</u>
TOTAL NET POSITION-						
End of Year					<u>\$ 92,167,919</u>	<u>\$</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

	<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	<u>2022 TOTALS</u>
ASSETS							
Cash	\$ 30,357,484	\$ 2,503,097	\$ 3,091,785	\$ 20,787,421	\$ 702,483	\$ 57,442,270	\$ 54,393,930
Cash - Restricted	29,169,763	-	-	962,940	727,208	30,859,911	31,599,568
Taxes Receivable	2,508,876	-	-	-	-	2,508,876	3,596,724
Accounts Receivable	631,235	-	2,917	-	-	634,152	185,811
Due From Other Funds	3,557,644	3	14,211	15,585,000	4,356	19,161,214	2,866,403
Due From State and Federal	3,208,684	3,517,313	1,069,869	1,944,397	-	9,740,263	8,320,640
Due From Other Governments	6,523,915	-	-	-	-	6,523,915	4,398,907
Inventories	-	-	-	-	-	-	524,508
TOTAL ASSETS	<u>\$ 75,957,601</u>	<u>\$ 578,029</u>	<u>\$ 578,029</u>	<u>\$ 578,029</u>	<u>\$ 578,029</u>	<u>\$ 578,029</u>	<u>\$ 578,029</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 2,181,838	\$ 1,981,967	\$ 39,279,758	\$ 1,680,600	\$ -	\$ 5,848,059	\$ 2,881,009
Accrued Liabilities	6,020,413	4,756,811	34,475	1,434,047	127,448,630	105,886,424	390,950
Bond Anticipation Notes	-	-	-	20,825,000	-	20,825,000	22,100,000
Due To Other Funds	15,599,211	3,557,644	3	4,356	-	19,161,214	2,866,403
Due To Other Governments	1,103,889	23,401	-	-	-	1,127,290	3,213,770
Due To Teachers' Retirement System	10,279,627	-	-	-	-	10,279,627	8,644,926
Due To Employees' Retirement System	593,224	-	-	-	-	593,224	489,243
Unearned Revenues	58,717	297,505	288	-	-	-	1,416,056
TOTAL LIABILITIES	<u>30,146,059</u>	<u>6,020,413</u>	<u>38,420</u>	<u>22,509,956</u>	<u>-</u>	<u>-</u>	<u>42,002,357</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred Tax Revenues	1,736,876	-	-	-	356,510	-	2,444,523
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,736,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>356,510</u>	<u>-</u>	<u>2,444,523</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

	<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	<u>2022 TOTALS</u>
FUND BALANCES							
Non-spendable:							
Inventory	\$ -	\$ -	\$ 578,029	\$ -	\$ -	\$ 578,029	\$ 524,508
Restricted:							
Tax Certiorari	5,739,171	-	-	-	-	5,739,171	5,847,379
Unemployment Insurance	568,507	-	-	-	-	568,507	608,042
Retirement Contribution - ERS	3,862,172	-	-	-	-	3,862,172	4,289,737
Retirement Contribution - TRS	1,537,488	-	-	-	-	1,537,488	2,008,136
Employee Benefit Accrued Liability	3,899,572	-	-	-	-	3,899,572	3,940,529
Liability Claims	2,030,157	-	-	-	-	2,030,157	1,370,417
Property Loss	552,763	-	-	-	-	552,763	542,519
Workers Compensation	1,926,801	-	-	-	-	1,926,801	2,389,376
Capital	4,053,132	-	-	-	-	4,053,132	3,005,298
Insurance	5,000,000	-	-	-	-	5,000,000	5,015,838
Capital Projects	-	-	-	168,967	-	168,967	379,546
Scholarships	-	-	-	-	727,208	727,208	728,852
Assigned:							
Encumbrances	934,587	-	-	-	-	934,587	4,430,132
Appropriated	-	-	-	-	-	-	2,702,938
Unappropriated	-	-	4,140,362	36,636,825	706,839	41,484,026	37,185,750
Unassigned	<u>13,970,316</u>						
TOTAL FUND BALANCES	<u>44,074,666</u>			<u>(20,035,990)</u>		<u>66,996,906</u>	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 75,957,601</u>	<u>\$ -</u>	<u>\$ 4,718,391</u>	<u>\$ -</u>	<u>\$ (6,065,674)</u>	<u>\$ (13,529,386)</u>	
				1,434,047		61,439,611	
				-			
		4,756,811	39,279,758	1,434,047			
	6,020,413				127,448,630	105,886,491	

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

	<u>2023</u>	<u>2022</u>
Total Governmental Fund Balances	\$ 66,996,906	\$ 61,439,611
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets and accumulated depreciation at June 30, 2023 are \$414,928,577 and \$153,618,479 respectively.	261,310,098	263,035,488
Proportionate share of long-term asset and liability associated with participation in State Retirement Systems are not current financial resources or obligations and are not reported in the governmental funds		
Net Pension Asset	-	
Deferred Outflows of Resources	53,492,064	
Net Pension Liability	(21,591,618)	
Deferred Inflows of Resources	<u>(6,450,268)</u>	25,450,178
		29,491,514
Long-term asset and liability associated with the Total OPEB Liability are not current financial resources or obligations and are not reported in the governmental funds		
Deferred Outflows of Resources	18,054,499	
Deferred Inflows of Resources	(62,287,328)	
Total OPEB Liability	<u>(136,650,955)</u>	(180,883,784)
		(177,482,394)
In the governmental funds, taxes receivable are offset by deferred inflows of resources representing taxes that will not be collected in the first 60 days of the subsequent year. In the statement of net position the receivable is fully recognized regardless of when received.	1,736,876	2,444,523
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds Payable	(72,540,000)	
Unamortized Bond Premium	(3,315,790)	
Energy Performance Contract	(1,319,520)	
Compensated Absences	<u>(4,632,874)</u>	(81,808,184)
		(89,423,728)
Accrued interest on debt is reported in the statement of net position, regardless of when due. In the governmental funds, interest is not reported until it is due.	<u>(634,171)</u>	<u>(409,211)</u>
Net Position of Governmental Activities	<u>\$ 92,167,919</u>	<u>\$ 89,095,803</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS	2022 TOTALS
REVENUES							
Real Property Taxes	\$ 68,637,317	\$ -	\$ -	\$ -	\$ -	\$ 68,637,317	\$ 72,593,191
Other Tax Items	5,589,009	-	-	-	-	5,589,009	5,883,684
Non-Property Tax Items	2,576,238	-	-	-	-	2,576,238	2,237,832
Charges For Services	684,960	-	-	-	-	684,960	723,412
Use of Money and Property	992,600	-	7,523	-	137,612	1,137,735	140,434
Sale of Property and Compensation For Loss	9,917	-	-	-	-	9,917	61,472
Miscellaneous Local Sources	2,671,351	13,326	-	-	195,191	2,879,868	1,861,459
Interfund Revenues	19,509	-	-	-	-	19,509	21,531
State Sources	147,141,182	4,241,659	105,176	718,955	-	152,206,972	127,861,738
Federal Sources	484,644	11,668,185	6,121,177	-	-	18,274,006	18,018,687
Sales	-	-	151,002	-	-	151,002	38,867
TOTAL REVENUES	228,806,727	15,923,170	6,384,878	718,955	332,803	252,166,533	229,442,307
OTHER FINANCING SOURCES							
Operating Transfers In	1,595,138	567,379	39,400	15,615,000	-	17,816,917	29,716,905
BANs Redeemed from Appropriations	-	-	-	1,275,000	-	1,275,000	3,000,000
Premium on Obligations	-	-	-	-	39,770	39,770	269,181
TOTAL REVENUES AND OTHER FINANCING SOURCES	230,401,865	16,490,549	6,424,278	17,608,955	372,573	271,298,220	262,428,393
EXPENDITURES							
General Support	20,952,928	2,293,815	-	-	-	23,246,743	23,964,435
Instruction	127,583,642	12,496,703	-	-	168,824	140,249,169	130,482,153
Pupil Transportation	11,459,273	446,264	-	-	-	11,905,537	10,422,630
Community Services	1,900	-	-	-	-	1,900	5,950
Employee Benefits	44,926,040	1,253,767	946,148	-	-	47,125,955	38,581,785
Debt Service:							
Principal	5,612,202	-	-	-	3,000,000	8,612,202	10,491,030
Interest	3,101,495	-	-	-	-	3,101,495	3,402,161
Cost of Sales	-	-	5,300,587	-	-	5,300,587	4,676,476
Capital Outlay	-	-	-	8,380,420	-	8,380,420	12,667,986
TOTAL EXPENDITURES	213,637,480	16,490,549	6,246,735	8,380,420	3,168,824	247,924,008	234,694,606
OTHER USES							
Operating Transfers Out	16,221,779	-	-	1,095,138	500,000	17,816,917	29,716,905
TOTAL EXPENDITURES AND OTHER USES	229,859,259	16,490,549	6,246,735	9,475,558	3,668,824	265,740,925	264,411,511
NET CHANGE IN FUND BALANCE	542,606	-	177,543	8,133,397	(3,296,251)	5,557,295	(1,983,118)
FUND BALANCE - Beginning of Year	43,532,060	-	4,540,848	8,636,405	4,730,298	61,439,611	63,422,729
FUND BALANCE - End of Year	\$ 44,074,666	\$ -	\$ 4,718,391	\$ 16,769,802	\$ 1,434,047	66,996,906	\$ 61,439,611

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	<u>2023</u>	<u>2022</u>
Total Net Change in Fund Balances – Governmental Funds	\$ 5,557,295	\$ (1,983,118)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

Depreciation Expenses	(13,018,366)		
Capital Outlay	<u>11,292,976</u>	(1,725,390)	1,645,960

Repayments of principal on long term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

Serial Bonds	7,095,000		
Energy Performance Contract	<u>242,202</u>	7,337,202	7,491,030

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid).

Compensated Absences	(51,779)	338,462
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(Increases) decreases in proportionate share of net pension asset/liability reported in the statement of activities do not provide for, or require the use of, current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	(1,236,332)		
Employees' Retirement System	<u>(2,805,004)</u>	(4,041,336)	14,117,303

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

(Continued)

	<u>2023</u>	<u>2022</u>
(Increases) decreases in the Total OPEB Liability reported in the statement of activities do not provide for, or require the use of, current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.		
Total OPEB Liability	\$ (3,401,390)	\$ (5,186,815)
Bond premiums are reported in the governmental funds as revenues in the year received. However, in the statement of activities, the premium is added to the outstanding debt and amortized as a reduction of interest expense over the life of the bond.		
Amortization Expense	330,121	330,118
In the governmental funds, taxes receivable are only recognized as an asset in the amount that will be received in the first sixty days of the subsequent year. In the statement of activities, the full amount is recognized as an asset. Therefore, current year tax revenues are adjusted for amounts that were accrued and recognized in past years.		
	(707,647)	(21,640)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due.		
Current Year Accrued Interest	(634,171)	
Prior Year Accrued Interest	<u>409,211</u>	<u>(224,960)</u>
		<u>53,944</u>
Change in Net Position of Governmental Activities	<u>\$ 3,072,116</u>	<u>\$ 16,785,244</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Enlarged City School District of Middletown have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Financial Reporting Entity

The Enlarged City School District of Middletown is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise School District operations, and are governed by, or significantly influenced by, the Board of Education.

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

The financial reporting entity includes all funds, account groups, functions and organizations over which the School District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of the financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

1. Included in the Reporting Entity

Based on the foregoing criteria and the significant factors presented below, the following organizations, functions or activities are included in the reporting entity:

a. The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the Enlarged City School District of Middletown represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions, and the designation of student management. The activity is reported in the Miscellaneous Special Revenue Fund of the School District. Separate audited general purpose financial statements (cash basis) of the Extraclassroom Activity Funds are included at the end of these financial statements.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Joint Venture

The Enlarged City School District of Middletown is a component school district in the Orange-Ulster Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of School Districts in a geographic area that share planning, services, and programs which provide educational and support activities.

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

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

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

Separate financial statements for the BOCES are available from the BOCES' administrative office.

C. Basis of Presentation

1. District-wide statements:

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program 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. 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 operation or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund financial statements

The fund statements provide information about the District's funds. 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:

a. General Fund

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

b. Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

1. Special Aid Fund – used to account for special operating projects or programs supported in whole, or in part, with federal funds or state or local grants.
2. School Lunch Fund – used to account for transactions of the School District lunch, breakfast, and milk programs.

c. Capital Projects Fund

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following non-major governmental funds.

a. *Debt Service Fund*

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

b. *Miscellaneous Special Revenue Fund*

This fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

D. **Basis of Accounting/Measurement Focus**

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

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. **Property Taxes**

1. Calendar

Real property taxes are levied annually by the Board of Education no later than October 1st, and became a lien on October 1st. Taxes are collected during the period from October 1st through February 28th.

2. Enforcement

Uncollected real property taxes are enforced by the County of Orange, City of Middletown and Town of Wallkill. An amount representing uncollected real property taxes is transmitted to the District on a monthly basis and all uncollected taxes are eventually transmitted to the District within two years from the return of unpaid taxes.

F. **Budgetary Procedures And Budgetary Accounting**

1. **Budget Policies**

The budget policies are as follows:

- a. The School District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund types:

I. General Fund

- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. The District had no supplemental appropriations during the year.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. **Encumbrances**

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

3. **Budget Basis of Accounting**

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

G. **Cash and Cash Equivalents**

For financial statement purposes, the District considers all highly liquid investments of three months or less as cash equivalents.

H. **Inventory**

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

I. **Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would be immaterial.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. **Capital Assets**

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by the District is \$5,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES</u>
Buildings & Improvements	20-50
Machinery & Equipment	5-20

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

K. **Unearned Revenue**

Unearned revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when sources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recognized.

L. **Vested Employee Benefits**

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated on the pay rates in effect at year-end.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year, in accordance with GAAP. For the governmental funds, in the fund financial statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System. In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance in the fund financial statements by recording its share of insurance premiums as an expenditure in the year paid. In the District-wide statements, the liability is reported at actuarially calculated amounts.

M. Interfund Activity

In the statement of net position and statement of activities, eliminations have been made for interfund transactions between funds. A detailed description of the individual fund balances at year-end is provided subsequently in these Notes.

N. Equity Classifications

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

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Order of Use of Net Position:

When an expense is incurred for which both restricted and unrestricted resources are available, the Board will assess the current financial condition of the District and determine which classification of net position will be charged.

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

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$578,029.

Restricted – 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 established the following restricted fund balances:

Tax Certiorari

Used to accumulate funds to pay judgements and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

Unemployment Insurance

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. This reserve is accounted for in the General Fund.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefit Accrued Liability

Used to reserve funds for the payment of any accrued employee benefit due to an employee upon termination. The reserve is established by a majority vote of the Board of Education and is funded by budgetary appropriations and such other funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Workers' Compensation

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. This reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. This reserve is accounting for in the General Fund.

Retirement Contribution

Used to reserve funds to finance contributions to the NYS Employees Retirement System and NYS Teachers Retirement System. This reserve is accounted for in the General Fund.

Liability Claims and Property Loss

Used to reserve funds to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may only be utilized by school districts with a population under 125,000. This reserve is accounted for in the General Fund.

Capital

Used to pay the cost of any object or purpose for which bonds may be issued. Voter authorization is required for both establishment of the reserve and payments from the reserve. This reserve is accounted for in the General Fund.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

Used to pay for any loss, claim, action or judgment for which the municipal corporation is authorized or required to purchase or maintain insurance. The District received approval from the NYS Legislature to utilize this reserve to plan for unexpected expenses related to its self-funded health insurance plan. The reserve is 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 but annual contributions may not exceed the greater of \$33,000 or 5% of the budget. This reserve is accounted for in the General Fund.

Capital Projects

Proceeds of debt that are restricted for use per the specifics of the debt issue. This reserve is accounted for in the Capital Projects Fund.

Scholarships

Used to pay scholarships with funds stipulated by donors for that purpose. This reserve is accounted for in the Miscellaneous Special Revenue Fund.

Committed – includes amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the District's highest level of decision making authority before the end of the fiscal year, and requires the same level of formal action to remove the constraint. The Board of Education is the decision making authority that can, by resolution prior to the end of the fiscal year, commit fund balance. The District has no committed fund balances as of June 30, 2023.

Assigned – includes amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision making authority, or by their designated official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance generally includes encumbrances in the General Fund and appropriated fund balance. The Board of Education is the decision making authority that can, by resolution, assign fund balance. The District reported encumbrances of \$934,587 as assigned fund balance in the General Fund as of June 30, 2023.

Unassigned – represents the residual classification for the General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the district's General Fund budget for the ensuing fiscal year. Non-spendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Use of Fund Balance:

When resources are available from multiple fund balance classifications, the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which fund balance classification will be charged.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

P. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2023, the District implemented the following new standards issued by GASB:

GASB 91 – *Conduit Debt Obligations*.

GASB 93 – *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2022, except for the removal of LIBOR as an appropriate benchmark interest rate, which is effective for the year ending June 30, 2023.

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

GASB 96 – *Subscription-Based Information Technology Arrangements*

GASB 99 – *Omnibus 2022*, effective for the year ending June 30, 2023, except for the portion related to financial guarantees and classification and reporting of derivative instruments within the scope of GASB Statement No. 53, which is effective for the year ending June 31, 2024.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Future Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following standards that will become effective in future fiscal years:

GASB 100 – *Accounting Changes and Error Corrections – an amendment of GASB No. 62*, effective for the year ending June 30, 2024.

GASB 101 – *Compensated Absences*, effective for the year ending June 30, 2025.

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

R. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. The District reports \$53,492,064 in deferred outflows of resources related to pensions and \$18,054,499 in deferred outflows of resources related to the Total OPEB Liability as of June 30, 2023.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first arises only under a modified accrual basis of accounting and is reported as unavailable property taxes.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District recognized \$1,736,876 in deferred inflows of resources in the governmental fund financial statements for deferred tax revenues in the General Fund as of June 30, 2023. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension system not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs. The District reports \$6,450,268 in deferred inflows of resources related to pensions and \$62,287,328 in deferred inflows of resources related to the Total OPEB Liability as of June 30, 2023.

The reporting of deferred outflows of resources and deferred inflows of resources related to pensions resulted in a net increase of \$47,041,796 to unrestricted net position as of June 30, 2023.

The reporting of deferred outflows of resources and deferred inflows of resources related to the Total OPEB Liability resulted in a net decrease of \$44,232,829 to unrestricted net position as of June 30, 2023.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL
FUND STATEMENTS AND DISTRICT-WIDE STATEMENT

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds. These differences are reconciled in the financial statements.

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

Total fund balances of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. The difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheet.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL
FUND STATEMENTS AND DISTRICT-WIDE STATEMENT (Continued)

2. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

- a) Long-term revenue differences:

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

- b) Capital related differences:

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

- c) Long-term debt transaction differences:

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund Balance

The District had a deficit unassigned fund balance of \$20,035,990 in the Capital Projects Fund as of June 30, 2023. The deficit was caused by the accounting treatment of bond anticipation notes and will be eliminated when the notes are converted to long term financing.

The District's unassigned fund balance in the General Fund is in excess of the amount permitted by law. New York State Law limits the unassigned fund balance to 4% of the subsequent year's adopted budget.

NOTE 4 – PARTICIPATION IN BOCES

During the year ended June 30, 2023, the Enlarged City School District of Middletown was billed \$29,660,526 for BOCES administrative and program costs. General purpose financial statements for the BOCES are available at the BOCES' administrative office.

The School District's share of BOCES income amounted to \$8,947,069.

NOTE 5 – CASH AND INVESTMENTS

The Enlarged City School District of Middletown investment policies are governed by State statutes. In addition, the District has its own written investment policy. District monies must be deposited in FDIC-Insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for time deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and states other than New York and their municipalities and school districts.

The District's aggregate cash balances include balances not covered by depository insurance at year end, collateralized as follows:

Collateralized with securities held by the pledging financial
institution, or its trust department, but not in the District's name. \$ 89,846,863

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS/ RECLASSIFICATIONS</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 37,085,707	\$ -	\$ -	\$ 37,085,707
Total non-depreciable historical cost	<u>37,085,707</u>	<u>-</u>	<u>-</u>	<u>37,085,707</u>
Capital assets that are depreciated:				
Building and Improvements	348,414,186	9,125,275	-	357,539,461
Furniture and Equipment	<u>18,213,018</u>	<u>2,167,701</u>	<u>77,310</u>	<u>20,303,409</u>
Total depreciable historical cost	<u>366,627,204</u>	<u>11,292,976</u>	<u>77,310</u>	<u>377,842,870</u>
Less accumulated depreciation:				
Building and Improvements	130,576,421	11,607,174	-	142,183,595
Furniture and Equipment	<u>10,101,002</u>	<u>1,411,192</u>	<u>77,310</u>	<u>11,434,884</u>
Total Accumulated Depreciation	<u>140,677,423</u>	<u>13,018,366</u>	<u>77,310</u>	<u>153,618,479</u>
Total historical cost, net	<u>\$ 263,035,488</u>	<u>\$ (1,725,390)</u>	<u>\$ -</u>	<u>\$ 261,310,098</u>
Depreciation expense was charged to Governmental functions as follows:				
General Support		\$ 4,912,147		
Instruction		8,014,555		
School Lunch		<u>91,644</u>		
		<u>\$ 13,018,366</u>		

NOTE 7 – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2023 are as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>	<u>INTERFUND REVENUES</u>	<u>INTERFUND EXPENDITURES</u>
General Fund	\$ 3,557,644	\$ 15,599,211	\$ 701,789	\$ 16,221,779
Special Aid Fund	3	3,557,644	567,379	-
School Lunch Fund	14,211	3	39,400	-
Capital Fund	15,585,000	4,356	15,615,000	201,789
Debt Service Fund	<u>4,356</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total Governmental Activities	<u>19,161,214</u>	<u>19,161,214</u>	<u>16,923,568</u>	<u>16,923,568</u>
TOTALS	<u>\$ 19,161,214</u>	<u>\$ 19,161,214</u>	<u>\$ 16,923,568</u>	<u>\$ 16,923,568</u>

The District typically transfers funds from the General Fund to the School Lunch Fund to cover the shortfall in the annual budget, the Special Aid Fund to cover expenses that are not reimbursed by grants, the Debt Service Fund to make principal and interest payments on outstanding debt and the Capital Projects Fund to finance capital projects.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

The District transfers investment income earned in the Capital Projects Fund to the Debt Service Fund for the purpose of making future debt service payments.

The District typically loans resources between funds for the purpose of relieving cash flow issues.

NOTE 8 – INVENTORY

Inventory in the School Lunch Fund at June 30, 2023 consisted of the following:

Food and Supplies	<u>\$ 578,029</u>
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NOTE 9 – LIABILITIES

A. **Pension Plans and Post-Employment Benefits**

1. General Information

The Enlarged City School District of Middletown participates in New York State and Local Employee's Retirement System (ERS), and the New York State Teachers' Retirement System (TRS). These Systems are cost sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

2. Plan Descriptions

a. Teachers' Retirement System (TRS)

As an employer, you make contributions to the NYS Teachers' Retirement System, a cost sharing, multiple employer defined benefit pension plan administered by the NYS Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death benefits to plan members and beneficiaries as authorized by the Education Law and Retirement and Social Security Law of the State of New York. The System issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – LIABILITIES (Continued)

b. Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute, and benefits to employees are governed by the New York State Retirement and Social Security Law (NYRSSL). The system issues a publicly available financial 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, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

3. Funding Policy

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. Those joining after July 27, 1976 and prior to January 1, 2010, with less than ten years of service, are required to contribute 3% of their salary.

Those joining the NYSERS on or after January 1, 2010 and before April 1, 2012, contribute 3% of their salary throughout their entire working career. Those joining after April 1, 2012 contribute 3% of their salary through March 31, 2013, and beginning April 1, 2013, contribute at rates ranging from 3% to 6%, dependent upon their salary, for their entire working career.

Those joining the NYSTRS on or after January 1, 2010 and before April 1, 2012 contribute 3.5% of their salary throughout their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent on their salary, for their entire working career.

For the NYSTRS, employers are required to contribute at an actuarially determined rate, currently 10.29% of the annually covered payroll for the fiscal year ended June 30, 2023. Rates applicable to the fiscal years ended June 30, 2022 and 2021 were 9.80% and 9.53%, respectively.

For the NYSERS, the NYS Comptroller annually certifies the actuarially determined rates expressed used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – LIABILITIES (Continued)

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

	<u>ERS</u>	<u>TRS</u>
2023	\$ 1,928,534	\$ 8,842,155
2022	2,219,854	7,528,457
2021	2,074,841	6,892,196

B. Indebtedness

1. Long-Term Debt

Long-Term Debt Interest

Interest Expense on long-term debt consisted of the following:

Interest Paid	\$ 2,770,916
Less: Interest Accrued in the Prior Year	(215,847)
Amortization of Bond Premium	(330,121)
Plus: Interest Accrued in the Current Year	<u>178,651</u>
Total Expense	<u>\$ 2,403,599</u>

Changes

The changes in the School District's indebtedness during the year ended June 30, 2023 are summarized as follows:

	BALANCE <u>07/01/22</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE <u>06/30/23</u>	AMOUNTS DUE WITHIN <u>ONE YEAR</u>
Serial Bonds – General Obligations	\$ 57,230,000	\$ -	\$ 5,725,000	\$ 51,505,000	\$ 4,675,000
Serial Bonds – Direct Placement	22,405,000	-	1,370,000	21,035,000	1,435,000
Unamortized Bond Premium	3,645,911	-	330,121	3,315,790	223,008
Energy Performance Contract – Direct Borrowing	1,561,722	-	242,202	1,319,520	249,163
Compensated Absences	4,581,095	51,779	-	4,632,874	-
Total OPEB Liability	<u>168,567,044</u>	<u>14,572,690</u>	<u>46,488,779</u>	<u>136,650,955</u>	<u>3,500,000</u>
TOTAL	<u>\$ 257,990,772</u>	<u>\$ 14,624,469</u>	<u>\$ 54,156,102</u>	<u>\$ 218,459,139</u>	<u>\$ 10,082,171</u>

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – LIABILITIES (Continued)

Maturity

The following is a summary of maturity of indebtedness:

<u>DESCRIPTION</u>	<u>ISSUE DATE</u>	<u>FINAL MATURITY</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING 06/30/23</u>
Refunding Serial Bond	2013	2026	2.00%-3.00%	\$ 850,000
Refunding Serial Bond	2015	2026	2.00%-5.00%	6,875,000
Serial Bond	2020	2035	2.00%	3,905,000
Serial Bond	2012	2031	1.70%-4.75%	2,575,000
Serial Bond	2016	2042	2.00%-3.00%	37,300,000
Serial Bond	2019	2038	3.00%-5.00%	21,035,000
Energy Performance Contract	2014	2028	2.85%	<u>1,319,520</u>
				<u>\$ 73,859,520</u>

<u>YEAR</u>	<u>Direct Borrowings and Direct Placements</u>		<u>General Obligations</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2024	\$ 1,684,163	\$ 977,541	\$ 4,675,000	\$ 1,509,107
2025	1,761,325	898,630	4,830,000	1,340,193
2026	1,843,692	816,013	5,000,000	1,169,851
2027	1,931,271	729,434	2,365,000	1,058,525
2028	2,024,069	638,637	2,425,000	1,002,957
2029-2033	9,570,000	1,888,650	11,965,000	4,028,098
2034-2038	3,540,000	408,500	10,840,000	2,368,650
2039-2042	<u>-</u>	<u>-</u>	<u>9,405,000</u>	<u>716,100</u>
TOTAL	<u>\$ 22,354,520</u>	<u>\$ 6,357,405</u>	<u>\$ 51,505,000</u>	<u>\$ 13,193,481</u>

2. Short-Term Debt

a. Short-Term Debt Interest

Interest expense on short-term debt consisted of the following:

Interest Paid	\$ 330,579
Less: Interest Accrued in the Prior Year	(193,364)
Plus: Interest Accrued in the Current Year	<u>455,520</u>
Total Expense	<u>\$ 592,735</u>

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – LIABILITIES (Continued)

b. Summary

Transactions in short-term debt for the year ended June 30, 2023 are summarized below:

<u>Purpose</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Capital Projects	11/23	3.75%	<u>\$ 22,100,000</u>	<u>\$ -</u>	<u>\$ 1,275,000</u>	<u>\$ 20,825,000</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. **Risk Financing and Related Insurance**

The Enlarged City School District of Middletown is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties.

Self-Funded Medical Insurance Plan

The District is self-insured for medical and prescription drug benefits for all eligible employees, retirees and their dependents. The plan is designed to provide hospital, surgical, medical, major medical, prescription and related benefits. Plan benefits are funded solely from the general assets of the Middletown City School District and contributions from covered persons. INDECS Corporation is the third-party administrator for the plan. To provide protection against unexpected large claims, the District has purchased stop loss coverage through QBE Insurance that assumes all risk for individual claims in excess of \$250,000

B. **Other Items**

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS

The District provides post-employment coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

General Information about the OPEB Plan

Plan Description - The healthcare plan is a defined benefit OPEB plan that provides benefits for employees of the District who have reached certain levels of employment with the District. The plan is a pay as you go funding plan. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. The benefit terms vary based on the union contract that governs the employee and years of service with the District. The District also reimburses the cost of Medicare Part B premiums to both retirees and covered spouses. For most retirees, the District contributions towards health insurance premiums are 50% for the retiree and 35% for the spouse. Nurses and Teaching Assistants are entitled to 94.5%/91% coverage for employee/spouse subject to years of service requirements. Administrators, directors and supervisors are entitled to 100% health insurance coverage upon retirement subject to years of service requirements. Retirees receiving benefits from the Teachers' Retirement System have increased levels of District contributions up to 70% for retiree and 60% for spouse based on years of service.

Employees Covered by Benefit Terms – At July 1, 2022 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	566
Active Employees	<u>1,019</u>
	<u><u>1,585</u></u>

Total OPEB Liability

The District's total OPEB liability of \$136,650,955 was measured as of June 30, 2022, using an actuarial valuation as of July 1, 2022.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS (Continued)

Measurement Date	June 30, 2022
Salary Increases	4.00%
Discount Rate	3.54%
Initial Healthcare Cost Trend Rate	8.27%
Ultimate Healthcare Cost Trend Rate	4.50%

The actuarial cost method used was Entry Age Normal – Level Percentage of Payroll.

The discount rate was based on the Bond Buyer 20 GO Bond Index as of to the Measurement Date.

Mortality rates were based on the PUB-2010 Headcount Weighted Mortality Table with projection scale MP-2021 varying based on bargaining unit classification.

Changes in the Total OPEB Liability

Balance at June 30, 2022		\$ 168,567,044
Changes for the Year -		
Service Cost	10,735,114	
Interest	3,836,010	
Changes of Benefit Terms	1,566	
Differences between expected and actual experience	(3,040,062)	
Changes in assumptions or other inputs	(40,012,255)	
Benefit Payments	<u>(3,436,462)</u>	
Net Changes		<u>(31,916,089)</u>
Balance at June 30, 2023		<u>\$ 136,650,955</u>

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 or 1 – percentage point higher than the current discount rate:

	1% Decrease <u>(2.54%)</u>	Current Assumption <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Total OPEB Liability	<u>\$ 162,900,522</u>	<u>\$ 136,650,955</u>	<u>\$ 115,869,723</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trends 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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current discount rate:

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS (Continued)

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>112,168,098</u>	\$ <u>136,650,955</u>	\$ <u>169,130,128</u>

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$6,563,537. At June 30, 2023, 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	\$ 1,605,582	\$ 4,207,396
Changes of assumptions or other inputs	13,286,770	58,079,932
Contributions subsequent to the measurement date	<u>3,162,147</u>	<u>-</u>
Total	\$ <u>18,054,499</u>	\$ <u>62,287,328</u>

Contributions subsequent to the measurement date of \$3,162,147 will be reorganized as a reduction of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$ (8,009,153)
2025	(8,009,153)
2026	(8,009,153)
2027	(6,115,913)
2028	(3,760,970)
Thereafter	<u>(13,490,634)</u>
TOTAL	\$ <u>(47,394,976)</u>

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES

Pension Plan Descriptions and Benefits Provided

Detailed descriptions of the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) are included in Note 9-A to the financial statements.

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

At June 30, 2023, 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, 2023 for ERS and June 30, 2022 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2022	June 30, 2021
Net pension asset/(liability)	\$ (13,274,891)	\$ (8,316,727)
District's portion of the Plan's total net pension asset/(liability)	0.0619048%	0.433413%

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES (Continued)

For the year ended June 30, 2023, the District recognized pension expense of \$4,696,812 for ERS and \$10,070,850 for TRS. At June 30, 2023, the District reported deferred outflows/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	\$ 1,413,880	\$ 8,714,877	\$ 372,809	\$ 166,653
Changes of assumptions	6,447,143	16,133,043	71,253	3,350,213
Net difference between projected and actual earnings on pension plan investments	-	10,746,000	77,989	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	576,359	23,414	419,316	1,992,035
District's contributions subsequent to the measurement date	<u>595,193</u>	<u>8,842,155</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,032,575</u>	<u>\$ 44,459,489</u>	<u>\$ 941,367</u>	<u>\$ 5,508,901</u>

District contributions subsequent to the measurement date of \$595,193 to ERS and \$8,842,155 to TRS will be recognized as a reduction of the net pension liability in the year June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
2023	\$ -	\$ 5,649,962
2024	1,792,017	2,694,713
2025	(665,750)	(1,772,068)
2026	2,768,227	20,884,727
2027	3,601,521	2,565,538
2028	-	-
Thereafter	<u>-</u>	<u>85,561</u>
TOTAL	<u>\$ 7,496,015</u>	<u>\$ 30,108,433</u>

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES (Continued)

Actuarial Assumptions

The total pension liability as of the measurement date was measured 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 valuations used the following significant actuarial assumptions:

	<u>ERS</u>		<u>TRS</u>	
	<u>Current Year</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Prior Year</u>
Measurement date	March 31, 2023	March 31, 2022	June 30, 2022	June 30, 2021
Actuarial valuation date	April 1, 2022	April 1, 2021	June 30, 2021	June 30, 2020
Interest rate	5.9%	5.9%	6.95%	6.95%
Salary scale	4.4%	4.4%	1.95%-5.18%	1.95%-5.18%
Cost of Living Adjustments	1.5%	1.4%	1.3%	1.3%
Inflation rate	2.9%	2.7%	2.40%	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 Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2022 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, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2015-June 30, 2020.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES (Continued)

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	<u>ERS</u> March 31, 2023	<u>TRS</u> June 30, 2022
Measurement date		
Asset Type:		
Domestic Equity	4.30%	6.5%
International Equity	6.85	7.2
Real Estate	4.60	6.2
Opportunistic/ARS Portfolio	5.38	-
Domestic fixed income securities	-	1.1
Global Bonds	-	0.6
Global Equities	-	6.9
Private Debt	-	5.3
Private Equities	7.50	9.9
High Yield Bonds	-	3.3
Real Estate Debt	-	2.4
Cash Equivalents	0.00	(0.3)
Credit	5.43	-
Real Assets	5.84	-
Fixed Income	1.50	-

Discount Rate

The discount rate used to calculate the total pension 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 employees will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension 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 or 1-percentage point higher than the current rate:

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 – PENSION REPORTING FOR ASSETS/LIABILITIES AND DEFERRED
OUTFLOWS/INFLOWS OF RESOURCES (Continued)

<u>ERS</u>	1% Decrease (<u>4.90%</u>)	Current Assumption (<u>5.90%</u>)	1% Increase (<u>6.90%</u>)
Employer's proportionate share of the net pension asset (liability)	\$ (32,079,718)	\$ (13,274,891)	\$ 2,438,729
<u>TRS</u>	1% Decrease (<u>5.95%</u>)	Current Assumption (<u>6.95%</u>)	1% Increase (<u>7.95%</u>)
Employer's proportionate share of the net pension asset (liability)	\$ (76,684,118)	\$ (8,316,727)	\$ 49,179,801

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:

	<u>ERS (in thousands)</u> April 1, 2023	<u>TRS</u> June 30, 2022
Valuation date		
Employers' total pension liability	\$ (232,627,259)	\$ (133,883,473,797)
Plan Net Position	<u>211,183,223</u>	<u>131,964,582,107</u>
Employer's net pension asset/(liability)	<u>\$ (21,444,036)</u>	<u>\$ (1,918,891,690)</u>
Ration of plan net position to the Employer's total pension asset/(liability)	90.78%	98.6%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30 represent the projected employer contribution for the period of April 1 through June 30 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$595,193.

For TRS, employer and employee contributions for the fiscal year ended June 30 are paid to the System in September, October, and November through a state aid intercept. Accrued retirement contributions represent employee and employer contributions for the fiscal year ended June 30 based on paid TRS wages multiplied by the employer's contribution rate by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2023 amounted to \$10,279,627.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 13 – TAX ABATEMENTS

The District is subject to tax abatement agreements entered into by the Orange County Industrial Development Agency, City of Middletown Industrial Development Agency and Town of Wallkill Industrial Development Agency, pursuant to Title I of Article 18-A of the General Municipal Law of the State of New York. For the year ended June 30, 2023, the District received \$437,351 in tax abatement payments, which resulted in abated property taxes totaling \$3,557,331.

NOTE 14 – EVENTS OCCURRING AFTER REPORTING DATE

The District has evaluated events and transactions that occurred between June 30, 2023 and October 12, 2023, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, OTHER USES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED JUNE 30, 2022)

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2022 ACTUAL
REVENUES					
Local Sources:					
Real Property Taxes	\$ 67,604,150	\$ 67,604,150	\$ 68,637,317	\$ 1,033,167	\$ 72,593,191
Other Tax Items	5,973,221	5,973,221	5,589,009	(384,212)	5,883,684
Non Property Taxes	2,100,000	2,100,000	2,576,238	476,238	2,237,832
Charges For Services	890,000	890,000	684,960	(205,040)	723,412
Use of Money and Property	32,000	32,000	992,600	960,600	127,610
Sale of Property and Compensation					
For Loss	78,750	78,750	9,917	(68,833)	61,472
Miscellaneous Local Sources	1,925,000	1,925,000	2,671,351	746,351	1,491,909
Interfund Revenues	-	-	19,509	19,509	21,531
State Sources:					
Basic Formula	121,595,066	121,595,066	115,881,097	(5,713,969)	102,171,090
Lottery Aid	15,357,000	15,357,000	20,307,757	4,950,757	14,721,301
BOCES	6,266,711	6,266,711	8,947,069	2,680,358	6,833,871
Other	1,593,894	1,593,894	2,005,259	411,365	765,675
Federal Sources	473,000	473,000	484,644	11,644	463,558
TOTAL REVENUES	223,888,792	223,888,792	228,806,727	4,917,935	208,096,136
OTHER FINANCING SOURCES					
Operating Transfers In	500,000	500,000	1,595,138	1,095,138	500,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	224,388,792	224,388,792	230,401,865	\$ 6,013,073	208,596,136
FUND BALANCE					
Appropriated Fund Balance	2,702,938	2,702,938			
Appropriated Reserves	1,550,000	7,568,875			
Prior Year Encumbrances	-	4,430,132			
TOTAL FUND BALANCE	4,252,938	14,701,945			
TOTAL REVENUES, OTHER FINANCING SOURCES AND FUND BALANCE	\$ 228,641,730	\$ 239,090,737			

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, OTHER USES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED JUNE 30, 2022)

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	ENCUMBRANCES	VARIANCE FAVORABLE (UNFAVORABLE)	2022 ACTUAL
EXPENDITURES						
General Support:						
Board of Education	\$ 136,114	\$ 151,056	\$ 115,142	\$ -	\$ 35,914	\$ 144,297
Central Administration	365,500	457,893	437,093	-	20,800	550,912
Finance	1,236,198	1,101,037	1,053,154	25,700	22,183	1,018,271
Staff	1,287,380	1,820,354	1,686,344	-	134,010	1,392,011
Central Services	15,734,616	17,026,245	14,507,019	386,851	2,132,375	16,633,183
Special Items	2,449,163	3,156,699	3,154,176	-	2,523	2,359,577
Instructional:						
Instruction, Administration and Improvement	9,767,073	9,326,396	9,063,839	-	262,557	8,033,113
Teaching:						
Regular School	60,918,565	63,014,131	62,179,199	63,668	771,264	56,392,000
Programs For Children With Handicapped Conditions	36,085,954	39,478,037	36,277,407	217,187	2,983,443	34,673,268
Occupational Education	5,140,179	5,977,171	5,977,171	-	-	5,624,885
Special Schools	800,000	1,301,121	1,277,785	-	23,336	92,129
Instructional Media	5,473,800	6,906,888	5,272,702	94,678	1,539,508	8,264,305
Pupil Services	8,819,955	7,711,042	7,535,539	146,503	29,000	6,792,963
Pupil Transportation	10,659,582	11,607,608	11,459,273	-	148,335	10,082,327
Community Services	5,985	1,900	1,900	-	-	5,950
Employee Benefits	40,865,796	45,117,683	44,926,040	-	191,643	36,687,502
Debt Service:						
Principal	9,287,554	5,612,202	5,612,202	-	-	10,491,030
Interest	3,346,416					3,402,161
TOTAL EXPENDITURES	212,379,830	222,868,958	213,637,480	934,587	8,296,891	202,639,884
OTHER USES						
Operating Transfers Out	16,261,900	16,221,779	16,221,779			
	3,101,495	3,101,495				
TOTAL EXPENDITURES AND OTHER USES	\$ 228,641,730	\$		\$ -	\$ 26,716,905	
NET CHANGE IN FUND BALANCE			- 542,606			(20,760,653)
FUND BALANCE - Beginning of Year			43,532,060			64,292,713
FUND BALANCE - End of Year	239,090,737	229,859,259	\$ 44,074,666	-	229,356,789	\$
			-	8,296,891		

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
YEAR ENDED JUNE 30, 2022

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service Cost	\$ 10,735,114	\$ 8,742,556	\$ 7,074,247	\$ 6,123,729	\$ 7,111,727	\$ 8,712,950
Interest	3,836,010	3,442,321	5,140,800	4,968,093	5,877,888	5,144,536
Changes of Benefit Terms	1,566	-	4,986,110	-	(24,441,913)	-
Differences Between Expected and Actual Experience	(3,040,062)	755,333	1,134,249	375,764	(3,199,935)	-
Changes of Assumptions	(40,012,255)	10,189,072	(7,565,390)	8,755,800	(17,098,070)	(25,545,040)
Benefit Payments	<u>(3,436,462)</u>	<u>(3,144,562)</u>	<u>(3,123,059)</u>	<u>(3,048,625)</u>	<u>(3,101,087)</u>	<u>(2,974,166)</u>
Net Change in Total OPEB Liability	(31,916,089)	19,984,720	7,646,957	17,174,761	(34,851,390)	(14,661,720)
Beginning Total OPEB Liability	<u>168,567,044</u>	<u>148,582,324</u>	<u>140,935,367</u>	<u>123,760,606</u>	<u>158,611,996</u>	<u>173,273,716</u>
Ending Total OPEB Liability	<u>\$ 136,650,955</u>	<u>\$ 168,567,044</u>	<u>\$ 148,582,324</u>	<u>\$ 140,935,367</u>	<u>\$ 123,760,606</u>	<u>\$ 158,611,996</u>
Covered Employee Payroll	<u>\$ 86,813,038</u>	<u>\$ 81,726,998</u>	<u>\$ 78,549,788</u>	<u>\$ 75,496,095</u>	<u>\$ 70,642,541</u>	<u>\$ 62,902,623</u>
Total OPEB Liability as a Percentage of Covered Payroll	157.41%	206.26%	189.16%	186.68%	175.19%	252.15%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

Changes of Benefit Terms

Eligibility for Teaching Assistants hired on or after 7/1/21 was updated and the current cost sharing was updated for Nurses and Teaching Assistants.

Changes of Methods, Assumptions or Other Inputs

The discount rate was updated from 2.16% to 3.54%

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.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
YEAR ENDED JUNE 30, 2023

TRS System

	<u> </u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
The District's proportion of the net pension asset (liability)	0.433413%	0.426085%	0.409522%	0.398009%	0.381629%	0.370552%	0.370956%	0.380979%
The District's proportionate share of the net pension asset (liability)	\$ (8,316,727)	\$ 73,836,511	\$ (11,316,196)	\$ 10,340,289	\$ 6,900,864	\$ 2,816,565	\$ (3,973,099)	\$ 39,571,540
The District's covered employee payroll	76,820,994	72,320,349	69,508,831	66,434,098	62,163,128	58,724,492	57,797,975	57,228,163
The District's proportionate share of the net pension asset (liability) as a percentage of covered employee payroll	10.83%	102.10%	16.28%	15.56%	11.10%	4.80%	6.87%	69.15%
Plan Fiduciary net position as a percentage of the total pension liability	98.6%	113.20%	97.8%	102.17%	101.53%	100.66%	99.01%	110.46%

ERS System

	<u> </u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
The District's proportion of the net pension liability	0.0619048%	0.0582527%	0.0517238%	0.0515246%	0.0484994%	0.0483928%	0.0471587%	0.0473699%
The District's proportionate share of the net pension asset (liability)	\$ (13,274,891)	\$ 4,761,916	\$ (51,503)	\$ (13,644,011)	\$ (3,436,328)	\$ (1,561,850)	\$ (4,431,132)	\$ (7,603,002)
The District's covered employee payroll	16,900,832	15,801,366	14,624,738	13,922,461	13,286,744	12,752,647	12,252,462	12,284,218
The District's proportionate share of the net pension liability as a percentage of covered employee payroll	78.55%	30.14%	00.35%	98.00%	25.86%	12.25%	36.17%	61.90%
Plan Fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.7%	90.7%

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2023

TRS System

	<u> </u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 8,842,155	\$ 7,528,457	\$ 6,892,196	\$ 6,158,482	\$ 7,055,301	\$ 6,091,987	\$ 6,882,510	\$ 7,664,011	\$ 10,032,097	\$ 8,940,477
Contribution in relation to the contractually required contribution	<u>8,842,155</u>	<u>7,528,457</u>	<u>6,892,196</u>	<u>6,158,482</u>	<u>7,055,301</u>	<u>6,091,987</u>	<u>6,882,510</u>	<u>7,664,011</u>	<u>10,032,097</u>	<u>8,940,477</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution as a percentage of covered employee payroll	10.29%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%

ERS System

2023	<u> </u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,928,534	\$ 2,219,854	\$ 2,074,841	\$ 1,932,500	\$ 1,857,780	\$ 1,803,978	\$ 1,896,426	\$ 2,021,960	\$ 2,129,500	\$ 2,437,734
Contribution in relation to the contractually required contribution	<u>1,928,534</u>	<u>2,219,854</u>	<u>2,074,841</u>	<u>1,932,500</u>	<u>1,857,780</u>	<u>1,803,978</u>	<u>1,896,426</u>	<u>2,021,960</u>	<u>2,129,500</u>	<u>2,437,734</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution as a percentage of covered employee payroll	11.41%	14.05%	14.19%	13.88%	13.98%	14.15%	15.48%	16.46%	16.54%	N/A

2023

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>DEBT SERVICE</u>	<u>MISCELLANEOUS SPECIAL REVENUE</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
ASSETS			
Cash	\$ 449,480	\$ 253,003	\$ 702,483
Cash - Restricted	-	727,208	727,208
Due From Other Funds	<u>4,356</u>	<u>-</u>	<u>4,356</u>
 TOTAL ASSETS	 <u>\$ 453,836</u>	 <u>\$ 980,211</u>	 <u>\$ 1,434,047</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>-</u>	 <u>-</u>	 <u>-</u>
FUND BALANCES			
Restricted:			
Scholarships	-	727,208	727,208
Assigned:			
Unappropriated	<u>453,836</u>	<u>253,003</u>	<u>706,839</u>
 TOTAL FUND BALANCES	 <u>453,836</u>	 <u>980,211</u>	 <u>1,434,047</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 453,836</u>	 <u>\$ 980,211</u>	 <u>\$ 1,434,047</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2023

	<u>DEBT SERVICE</u>	<u>MISCELLANEOUS SPECIAL REVENUE</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
REVENUES			
Use of Money and Property	\$ 135,878	\$ 1,734	\$ 137,612
Miscellaneous Local Sources	<u>-</u>	<u>195,191</u>	<u>195,191</u>
TOTAL REVENUES	135,878	196,925	332,803
OTHER FINANCING SOURCES			
Premium on Obligations	<u>39,770</u>	<u>-</u>	<u>39,770</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>175,648</u>	<u>196,925</u>	<u>372,573</u>
EXPENDITURES			
Instruction	-	168,824	168,824
Debt Service:			
Principal	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>
TOTAL EXPENDITURES	3,000,000	168,824	3,168,824
OTHER USES			
Interfund Transfers Out	<u>500,000</u>	<u>-</u>	<u>500,000</u>
TOTAL EXPENDITURES AND OTHER USES	<u>3,500,000</u>	<u>168,824</u>	<u>3,668,824</u>
NET CHANGE IN FUND BALANCE	(3,324,352)	28,101	(3,296,251)
FUND BALANCE - Beginning of Year	<u>3,778,188</u>	<u>952,110</u>	<u>4,730,298</u>
FUND BALANCE - End of Year	<u>\$ 453,836</u>	<u>\$ 980,211</u>	<u>\$ 1,434,047</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2023

ADOPTED BUDGET	\$ 228,641,730
ADDITIONS:	
Encumbrances From Prior Year	4,430,132
Appropriated Reserves	6,018,875
Supplemental Appropriations	<u>-</u>
FINAL BUDGET	<u>\$ 239,090,737</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REAL PROPERTY TAX LIMIT
YEAR ENDED JUNE 30, 2023

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

Subsequent Year's Voter Approved Expenditure Budget		<u>\$ 253,659,540</u>
Maximum allowed (4% Budget)		<u>\$ 10,146,381</u>
General Fund Balance subject to Section 1318 of Real Property Tax Law:		
Unrestricted Fund Balance:		
Assigned Fund Balance	934,587	
Unassigned Fund Balance	<u>13,970,316</u>	
Total Unrestricted Fund Balance		14,904,903
Less:		
Appropriated Fund Balance	-	
Encumbrances included in Assigned Fund Balance	<u>934,587</u>	
Total Adjustments		<u>934,587</u>
General Fund Balance subject to Section 1318 of Real Property Tax Law:		<u>\$ 13,970,316</u>
Actual Percentage		5.51%

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023

PROJECT TITLE	EXPENDITURES					METHODS OF FINANCING					FUND BALANCE JUNE 30, 2023
	ORIGINAL APPROPRIATIONS	REVISED APPROPRIATIONS	PRIOR YEARS	CURRENT YEAR	TOTAL	UNEXPENDED BALANCE	STATE AID	PROCEEDS OF OBLIGATIONS	LOCAL SOURCES	TOTAL	
Carter Site Improvements	\$ 9,625,000	\$ 9,625,000	\$ 9,245,454	\$ 210,579	\$ 9,456,033	\$ 168,967	\$	\$ 5,530,000	\$ 4,095,000	\$ 9,625,000	\$ 168,967
Smart Schools Bond Act	6,897,920	6,897,920	5,891,329	468,955	6,360,284	537,636	6,355,321	-	-	6,355,321	(4,963)
Capital Project - 2018	35,340,000	35,340,000	34,732,623	240,907	34,973,530	366,470	-	2,898,873	18,340,000	21,238,873	(13,734,657)
HS Track/Field/Scoreboard	1,975,000	2,375,000	2,265,694	-	2,265,694	109,306	-	-	2,375,000	2,375,000	109,306
Security Film	500,000	500,000	315,925	-	315,925	184,075	-	-	315,925	315,925	-
DW Air Conditioning	9,500,000	9,500,000	8,913,519	158,978	9,072,497	427,503	-	1,376,127	1,400,000	2,776,127	(6,296,370)
Capital Project – 2019	9,470,000	9,010,000	8,612,078	81,140	8,693,218	316,782	-	-	9,010,000	9,010,000	316,782
HS Sidewalk Repair	175,000	425,000	44,582	380,418	425,000	-	250,000	-	175,000	425,000	-
TM Emergency Fire Alarm	250,000	250,000	232,286	-	232,286	17,714	-	-	232,286	232,286	-
Wall of Fame	40,000	40,000	-	40,000	40,000	-	-	-	40,000	40,000	-
PPK Fire Alarm	500,000	500,000	7,722	323,785	331,507	168,493	-	-	500,000	500,000	168,493
Capital Project - 2021	83,232,000	83,232,000	990,853	4,189,018	5,179,871	78,052,129	-	-	27,769,404	27,769,404	22,589,533
Clemson House Renovation	350,000	350,000	225,649	65,077	290,726	59,274	-	-	350,000	350,000	59,274
Bulk Materials Storage Shed	30,000	30,000	-	-	-	30,000	-	-	30,000	30,000	30,000
HS & Carter Roofing	2,895,000	2,895,000	-	688,549	688,549	2,206,451	-	-	2,895,000	2,895,000	2,206,451
HS Turf Field & Lighting	4,785,000	4,785,000	-	759,899	759,899	4,025,101	-	-	4,785,000	4,785,000	4,025,101
HS Stadium Elevator	375,000	375,000	-	27,821	27,821	347,179	-	-	375,000	375,000	347,179
Performance Space											
Improvements	3,115,000	3,115,000	-	193,783	193,783	2,921,217	-	-	3,115,000	3,115,000	2,921,217
PPK Flooring & Bus Loop	2,125,000	2,125,000	-	142,893	142,893	1,982,107	-	-	2,125,000	2,125,000	1,982,107
Playground Infrastructure	2,290,000	2,290,000	-	<u>408,618</u>	408,618	1,881,382	-	-	2,290,000	2,290,000	<u>1,881,382</u>
				<u>\$ 8,380,420</u>							<u>\$ 16,769,802</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2023

Capital Assets, Net	\$ 261,310,098
Less: Outstanding Bonds	(72,540,000)
Unamortized Bond Premiums	(3,315,790)
Outstanding Energy Performance Contract	(1,319,520)
Outstanding Bond Anticipation Notes	(20,825,000)
Plus: Unspent Debt Proceeds	<u>962,940</u>
Net Investment in Capital Assets	<u>\$ 164,272,728</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

<u>GRANTOR AGENCY</u>	<u>ASSISTANCE LISTING NUMBER</u>	<u>PASS- THROUGH GRANTORS NUMBER</u>	<u>EXPENDITURES CURRENT YEAR</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Passed Through State Dept. of Education:			
School Lunch Program	10.555	N/A	\$ 3,447,674
School Breakfast Program	10.553	N/A	1,291,566
Snack Program	10.555	N/A	28,750
Summer Food Service Program	10.559	N/A	279,261
Fresh Fruit and Vegetables	10.582	N/A	245,910
COVID-19 – Supply Chain	10.555	N/A	<u>211,524</u>
Total Child Nutrition Cluster			<u>5,504,685</u>
COVID-19 - Pandemic EBT Food Benefits	10.542	N/A	13,796
Passed Through State Dept. of Health:			
Child and Adult Care Food Program	10.558	N/A	166,978
Passed Through State Dept. of Health and Human Services:			
Commodity Supplement Food Program (Non-cash)	10.565	N/A	<u>435,718</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>6,121,177</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
IDEA, Part B	84.027A	032-23-0683	2,071,999
IDEA, Pre-School	84.173A	033-23-0683	<u>59,931</u>
Total Special Education Cluster			<u>2,131,930</u>
Title I	84.010A	021-23-2255	2,381,234
Title I	84.010A	021-22-2255	215,916
Title IIA	84.367A	147-22-2255	150
Title IIA	84.367A	147-23-2255	325,968
Title IIIA	84.365A	293-23-2255	124,269
Title IIIA	84.365A	293-22-2255	4,921
Title IIIA, Immigrant Education	84.365A	149-22-2255	1,177
Title III A, Immigrant Education	84.365A	149-23-2255	83,640
Title IV	84.424A	204-23-2255	25,172
Title IV	84.424A	204-22-2255	229,507
Homeless Children	84.196A	212-23-3011	15,657
COVID-19 – CRRSA - ESSER II	84.425D	5891-21-2255	2,137,224
COVID-19 - ARP-ESSER III	84.425U	5880-21-2255	969,652
COVID-19 - ARP-ESSER-Learning Loss	84.425U	5884-21-2255	2,555,263
COVID-19 - ARP-ESSER-Extended Day	84.425U	5883-21-2255	172,233
COVID-19 - ARP-ESSER-Summer Enrichment	84.425U	5882-21-2255	252,363
COVID-19 - ARP- Homeless	84.425W	5212-21-3011	<u>41,909</u>
TOTAL DEPARTMENT OF EDUCATION			<u>11,668,185</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 17,789,362</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

1. GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Enlarged City School District of Middletown. The Enlarged City School District of Middletown's reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance passed through other governmental agencies are included on the schedule.

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements.

3. RELATIONSHIP TO GENERAL PUPOSE FINANCIAL STATEMENTS

Federal financial assistance revenues are reported in the District's financial statements as follows:

Governmental Funds:	
Special Aid Fund	\$ 11,668,185
School Lunch Fund	<u>6,121,177</u>
 TOTAL	 <u>\$ 17,789,362</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 of the
Enlarged City School District of Middletown
Middletown, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enlarged City School District of Middletown, New York as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Enlarged City School District of Middletown, New York's basic financial statements and have issued our report thereon dated October 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Enlarged City School District of Middletown, New York'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 Enlarged City School District of Middletown, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Enlarged City School District of Middletown, New York's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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, as defined above. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Cooper Arias, LLP

Mongaup Valley, New York
October 12, 2023



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

To the Board of Education of the
Enlarged City School District of Middletown
Middletown, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Enlarged City School District of Middletown, New York's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Enlarged City School District of Middletown, New York's major federal programs for the year ended June 30, 2023. The Enlarged City School District of Middletown, New York's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Enlarged City School District of Middletown, New York complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Enlarged City School District of Middletown, New York and to meet our ethical requirements, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Enlarged City School District of Middletown, New York's compliance with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Enlarged City School District of Middletown, New York's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Enlarged City School District of Middletown, New York's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Enlarged City School District of Middletown, New York's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Enlarged City School District of Middletown, New York's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Enlarged City School District of Middletown, New York's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Enlarged City School District of Middletown, New York's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Cooper Arias, LLP

Mongaup Valley, New York
October 12, 2023

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Summary of Auditors' Results:

1. The auditors' report expresses an unmodified opinion on the financial statements of the Enlarged City School District of Middletown.
2. There were no significant deficiencies disclosed during the audit of the financial statements of the Enlarged City School District of Middletown.
3. No instances of non-compliance material to the financial statements of the Enlarged City School District of Middletown, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of internal control over major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Enlarged City School District of Middletown expresses an unmodified on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported on this schedule.
7. The programs tested as major programs included:

Title IV	84.424A
IDEA, Part B	84.027A
IDEA, Pre-School	84.173A
COVID-19 – CRRSA – ESSER II	84.425D
COVID-19 - ARP-ESSER III	84.425U
COVID-19 - ARP-ESSER-Learning Loss	84.425U
COVID-19 - ARP-ESSER-Extended Day	84.425U
COVID-19 - ARP-ESSER-Summer Enrichment	84.425U
COVID-19 - ARP-Homeless	84.425W
School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program	10.559
COVID-19 – Supply Chain	10.555
Fresh Fruit & Vegetables	10.582
School Snack Program	10.555
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Enlarged City School District of Middletown was determined to be a high-risk auditee.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2023

Department of Agriculture

2022-001 School Lunch Program – Assistance Listing No. 10.555; Grant period – Year ending June 30, 2022; Summer Food Service Program – Assistance Listing No. 10.559; Grant period – Year ending June 30, 2022

Condition: We noted several instances in which the documentation justifying the meals claimed could not be located at the time of testing.

Recommendation: The District should ensure that all records are filed in a secure location for three years after submission of the final claim for reimbursement for the fiscal year.

Current Status: All documentation related to meals claimed was available for review during our testing.

INDEPENDENT AUDITORS' REPORT

To the Board of Education of the
Enlarged City School District of Middletown
Middletown, New York

Opinions

We have audited the accompanying statements of assets, liabilities and fund balance – cash basis, of the Extraclassroom Activity Funds of the Enlarged City School District of Middletown as of June 30, 2023, and the related statements of cash receipts, disbursements and changes in fund balance – cash basis for the year then ended, and the related notes to the financial statements, which collectively comprise the financial statements of the Extraclassroom Activity Funds of the Enlarged City School District of Middletown as listed in the table of contents.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position – cash basis, of the Extraclassroom Activity Funds of the Enlarged City School District of Middletown as of June 30, 2023, and the changes in financial position – cash basis, for the year then ended in accordance with the basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity, 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.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the

cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 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.

In performing an audit in accordance with generally accepted 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 entity'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 entity'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.

Cooper Arias, LLP

Mongaup Valley, New York
October 12, 2023

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE-CASH BASIS
JUNE 30, 2023

ASSETS	
Cash-High School	\$ 155,440
Cash-Middle School	72,406
Cash-Elementary	<u>25,157</u>
 TOTAL ASSETS	 <u>\$ 253,003</u>
 FUND BALANCE	 <u>\$ 253,003</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
EXTRACLASROOM ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE- CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

<u>ACTIVITY</u>	<u>CASH & FUND BALANCE 7/1/22</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH & FUND BALANCE 6/30/23</u>
<u>HIGH SCHOOL</u>				
Class of 2022	\$ 12,121	\$ -	\$ 12,121	\$ -
Class of 2023	3,961	27,840.00	21,844.00	9,957
Class of 2024	412	43,902	38,457	5,857
Class of 2025	333	1,334	-	1,667
Class of 2026	-	-	-	-
Student Council	12,595	5,075	608	17,062
MHS Choirs Club	5,850	-	281	5,569
Graduate-Service Account	50,681	120	12,567	38,234
Epilogue	9,221	20,193	8,079	21,335
Softball Club	5,913	903	2,053	4,763
Art Honor Society	354	986	202	1,138
MHS Band	1,585	-	-	1,585
Tennis Club	5,156	959	2,647	3,468
Science Club	1,572	-	37	1,535
Drama Club	3,049	820	1,237	2,632
MAC-Athletes	333	-	-	333
Girls Lacrosse	410	860	107	1,163
MHS Musical	2,311	1,688	1,293	2,706
Youth In Government	213	110	-	323
Boys Basketball Club	1,748	3,528	3,011	2,265
Dance Club	1	280	-	281
Girls Soccer	5,841	-	-	5,841
Sports Medicine	905	-	-	905
Friends of Rachel/SADD	1,506	2,853	1,000	3,359
Wrestling	1,113	1,750	1,511	1,352
Boys Swimming	3,440	5,840	5,318	3,962
Girls Swimming	3,120	2,990	1,532	4,578
Middie Ambassadors	3,837	1,093	109	4,821
National Honor Society	5,251	13,560	13,021	5,790
Track Club	56	150	-	206
Interact Club	705	-	705	-
Flag Football	-	3,590	3,128	462
Mock Trial	-	70	-	70
Step Dance Team	-	4,617	2,396	2,221
TOTALS	<u>\$ 143,593</u>	<u>\$ 145,111</u>	<u>\$ 133,264</u>	<u>\$ 155,440</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE- CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

<u>ACTIVITY</u>	<u>CASH & FUND BALANCE 7/1/22</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH & FUND BALANCE 6/30/23</u>
<u>MIDDLE SCHOOL</u>				
Monhagen Student Council	\$ 13,347	\$ 4,775	\$ 1,871	\$ 16,251
Monhagen Yearbook	1,124	3,912	4,203	833
Monhagen Drama	22,169	5,753	5,347	22,575
Twin Towers Student Council	17,122	19,276	11,307	25,091
Twin Towers Yearbook	<u>9,887</u>	<u>12</u>	<u>2,243</u>	<u>7,656</u>
	-			
TOTAL MIDDLE SCHOOL	<u>63,649</u>	<u>33,728</u>	<u>24,971</u>	<u>72,406</u>
<u>ELEMENTARY SCHOOL</u>				
Presidential Park	32	-	-	32
Carter	672	39	590	121
Maplehill	682	1	293	390
JROTC	<u>14,630</u>	<u>10,940</u>	<u>956</u>	<u>24,614</u>
TOTAL ELEMENTARY SCHOOL	<u>16,016</u>	<u>10,980</u>	<u>1,839</u>	<u>25,157</u>
TOTAL	<u>\$ 223,258</u>	<u>\$ 189,819</u>	<u>\$ 160,074</u>	<u>\$ 253,003</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
HIGH SCHOOL EXTRACLASSROOM ACTIVITY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - DESCRIPTION OF OPERATIONS

Student activity funds are defined by the New York State Education Department as “funds raised other than by taxation, or through charges of a Board of Education, for, by or in the name of a school, student body or any subdivision thereof.”

Activity funds are raised and expended by student bodies to promote the general welfare, education, and morale of all pupils, and to finance the normal, legitimate extracurricular activities of the student body organization.

The Superintendent of the District has responsibility and authority to implement all policies and rules pertaining to the supervision and administration of school activity funds in accordance with established policies and rules of the District’s Board of Education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The books and records of the High School Extraclassroom Activity Fund of Enlarged City School District of Middletown are maintained on the cash basis of accounting. Consequently, receipts and related assets are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred.

Interest Income

Interest earned from the investment of the activity fund is distributed pro-rata to all activities having a cash balance.

Bank Charges

All bank service charges have been charged to the respective activity fund.

Inactive Accounts

The District’s policy is to transfer account balance of inactive clubs to the Student Council Fund.