

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2026**

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and fiduciary activities of the Middleburgh Central School District (the District), as of and for the year ended June 30, 2026, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and fiduciary activities of the Middleburgh Central School District, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 1.T., during the year ended June 30, 2026, the District adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

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 issuance 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 GAAS and GAS 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 GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-20, budgetary comparison information on pages 69-71, schedule of changes in total OPEB liability on page 72, schedules of proportionate share of net pension liability (asset) on page 73 and schedules of District contributions on page 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 75-77 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These supplementary schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mengel, Metzger, Bar & Co. LLP

Latham, NY
October 1, 2026

Middleburgh Central School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2026

The following is a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2026. This section is a summary of the District's financial activities based on currently known facts, decisions, and/or conditions. It is also 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 an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains supplemental schedules in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. All the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the District's assets plus deferred outflow of resources and liabilities plus deferred inflow of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and facilities must also be considered to assess the District's overall health.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

The *governmental* activities of the District include instruction, pupil transportation, food service, general support, community service, employee benefits, depreciation and amortization, and interest on long-term debt.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds: General Fund, Special Aid Fund, School Lunch Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Aid Fund, School Lunch Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund which are reported as major funds. Additionally, for each major fund, a detailed analysis of the financial position (fund balance) and results of operations are also provided within the MDA.

The District adopts, and voters approve an annual budget for its General Fund. A budgetary comparison schedule is provided for the General Fund within the required supplementary information to demonstrate compliance with the budget.

Fiduciary funds are used to account for assets held by the District in an agency capacity which accounts for assets held by the District on behalf of others. Fiduciary funds are not reflected in the governmentwide financial statement because the resources of these funds are not available to support the District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statement section of this report.

<u>Major Feature of the Government-Wide and Fund Financial Statements</u>			
	Government-Wide Statements	Fund Financial Statements	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education, scholarship programs, and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when the cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statement section of this report.

Financial Summary and Detailed Analysis

Net Position

	<u>Governmental Activities</u>		<u>Total Variance</u>	<u>Percent Variance</u>
<u>ASSETS:</u>	<u>2026</u>	<u>2025</u>		
Current and Other Assets	\$ 10,497,194	\$ 11,495,881	\$ (998,687)	-8.69%
Net Pension Asset	2,111,039	1,075,397	1,035,642	96.30%
Capital and Lease Assets	18,538,543	17,605,910	932,633	5.30%
Total Assets	\$ 31,146,776	\$ 30,177,188	\$ 969,588	3.21%
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>				
Deferred Outflows of Resources	\$ 7,299,209	\$ 3,681,806	\$ 3,617,403	98.25%
<u>LIABILITIES:</u>				
Long-Term Debt Obligations	\$ 67,873,920	\$ 67,129,125	\$ 744,795	1.11%
Other Liabilities	3,450,344	3,448,802	1,542	0.04%
Total Liabilities	\$ 71,324,264	\$ 70,577,927	\$ 746,337	1.06%
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Deferred Inflows of Resources	\$ 22,403,647	\$ 28,510,973	\$ (6,107,326)	-21.42%
<u>NET POSITION:</u>				
Net Investment in Capital and Lease Assets	\$ 7,223,768	\$ 6,248,886	\$ 974,882	15.60%
Restricted	5,436,165	6,139,727	(703,562)	-11.46%
Unrestricted	(67,941,859)	(77,618,519)	9,676,660	-12.47%
Total Net Position	\$ (55,281,926)	\$ (65,229,906)	\$ 9,947,980	-15.25%

Key Variances:

- Current and other assets decreased as a result of changes in cash position from results of operations.
- Net pension asset increased as a result of changes from the TRS pension system actuarial calculation.
- Capital and lease assets increased as a result of ongoing capital projects.
- Deferred outflows of resources increased primarily as a result of changes in assumptions for the OPEB plan including a decrease in the discount rate.
- Long-term debt obligations increased primarily as a result of the OPEB obligation increasing.
- Deferred inflows of resources decreased primarily as a result of changes in assumptions decreasing with the OPEB plan.

The largest component of the District's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$5,436,165 is restricted for use on specific items. The remaining balance of unrestricted net position was a deficit of \$67,941,859 primarily a result of post-employment benefits related to retiree health care obligations for which the District cannot legally fund.

Changes in Net Position

	<u>Governmental Activities</u>		<u>Total Variance</u>	<u>Percent Variance</u>
	<u>2026</u>	<u>2025</u>		
<u>REVENUES:</u>				
<u>Program -</u>				
Charges for Service	\$ 251,642	\$ 349,836	\$ (98,194)	-28.07%
Operating Grants & Contributions	1,351,968	1,485,626	(133,658)	-9.00%
Total Program	\$ 1,603,610	\$ 1,835,462	\$ (231,852)	-12.63%
<u>General -</u>				
Property Taxes	\$ 10,625,778	\$ 10,474,074	\$ 151,704	1.45%
State and Federal Aid	12,961,917	12,720,493	241,424	1.90%
Investment Earnings	341,196	474,230	(133,034)	-28.05%
Compensation for Loss	38,301	1,157	37,144	3210.37%
Miscellaneous	221,681	350,793	(129,112)	-36.81%
Total General	\$ 24,188,873	\$ 24,020,747	\$ 168,126	0.70%
TOTAL REVENUES	\$ 25,792,483	\$ 25,856,209	\$ (63,726)	-0.25%
<u>EXPENSES:</u>				
General Support	\$ 2,719,125	\$ 2,572,428	\$ 146,697	5.70%
Instruction	12,304,457	11,974,030	330,427	2.76%
Employee Benefits	(3,269,254)	(3,669,817)	400,563	-10.92%
Pupil Transportation	1,562,355	1,441,916	120,439	8.35%
Community Services	14,334	13,195	1,139	8.63%
School Lunch	587,160	547,830	39,330	7.18%
Depreciation and Amortization	1,403,814	1,387,942	15,872	1.14%
Interest	522,512	513,913	8,599	1.67%
TOTAL EXPENSES	\$ 15,844,503	\$ 14,781,437	\$ 1,063,066	7.19%
CHANGE IN NET POSITION	\$ 9,947,980	\$ 11,074,772		
NET POSITION, BEGINNING OF YEAR	(65,229,906)	(76,304,678)		
NET POSITION, END OF YEAR	\$ (55,281,926)	\$ (65,229,906)		

The District's total revenue decreased slightly, by 0.25% to \$25,792,483. State and federal aid 50% and property taxes 41% accounted for most of the District's revenue. The remaining 9% of the revenue comes from operating grants, charges for services, use of money and property, compensation for loss, and miscellaneous revenues.

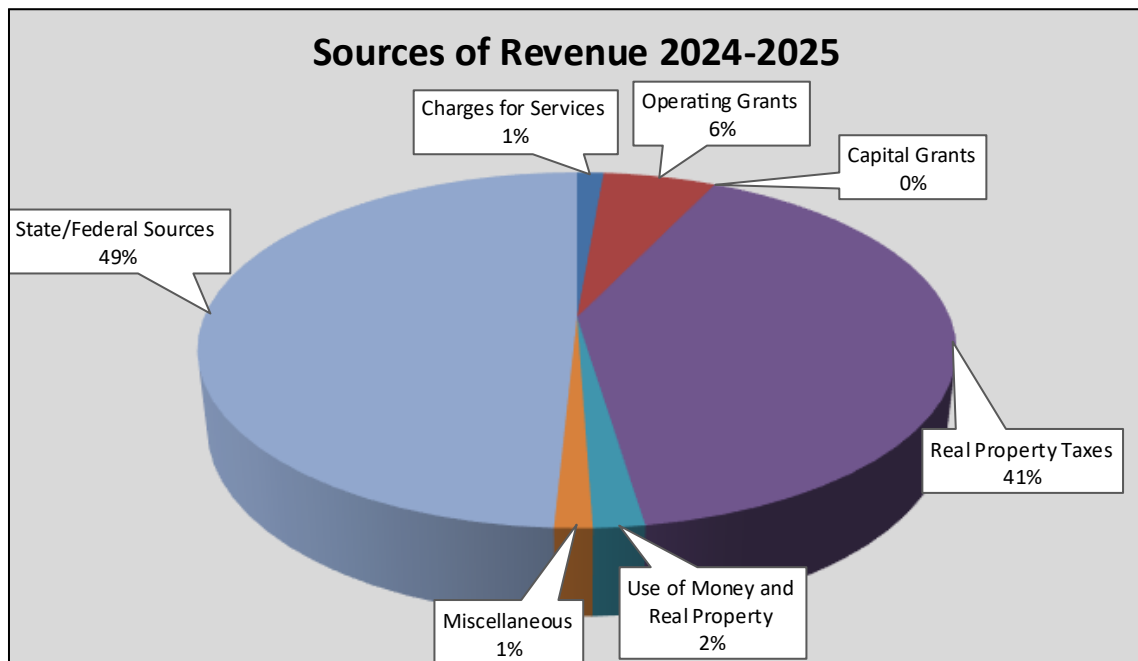
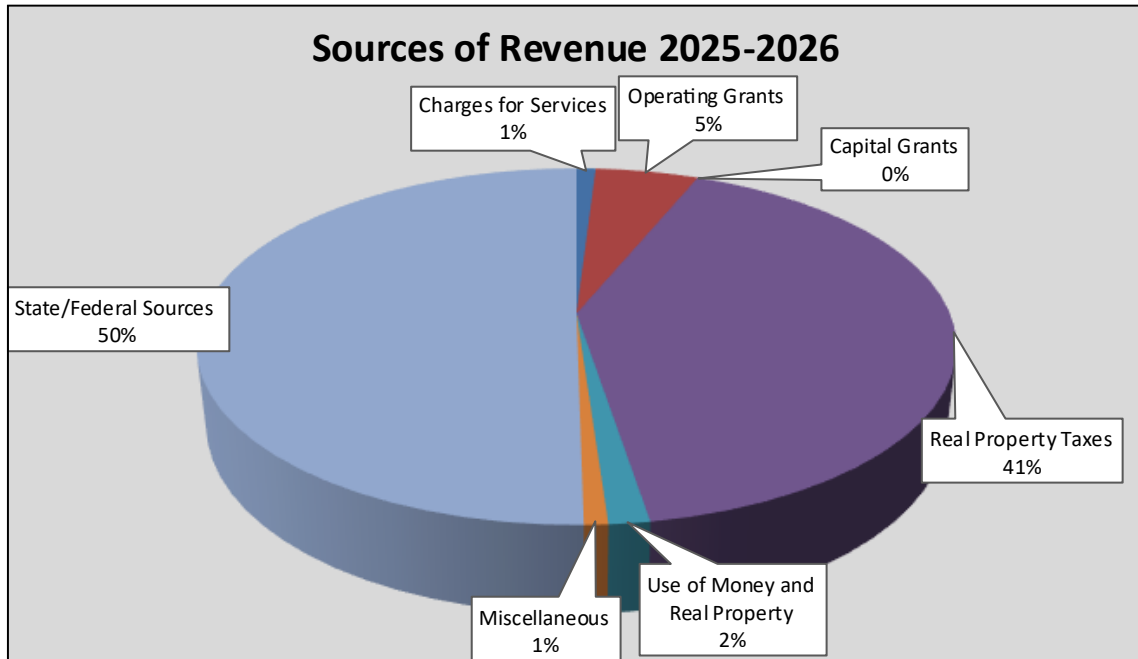
The total cost of all the programs and services increased 7% to \$15,844,503. The District's expenses are predominately related to education and caring for the students (instruction) 78%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 17% of the total costs.

The overall change in net position increased \$9,947,980 which is \$1,126,792 lower than the prior year change in net position. The most significant impact was from the net OPEB obligation.

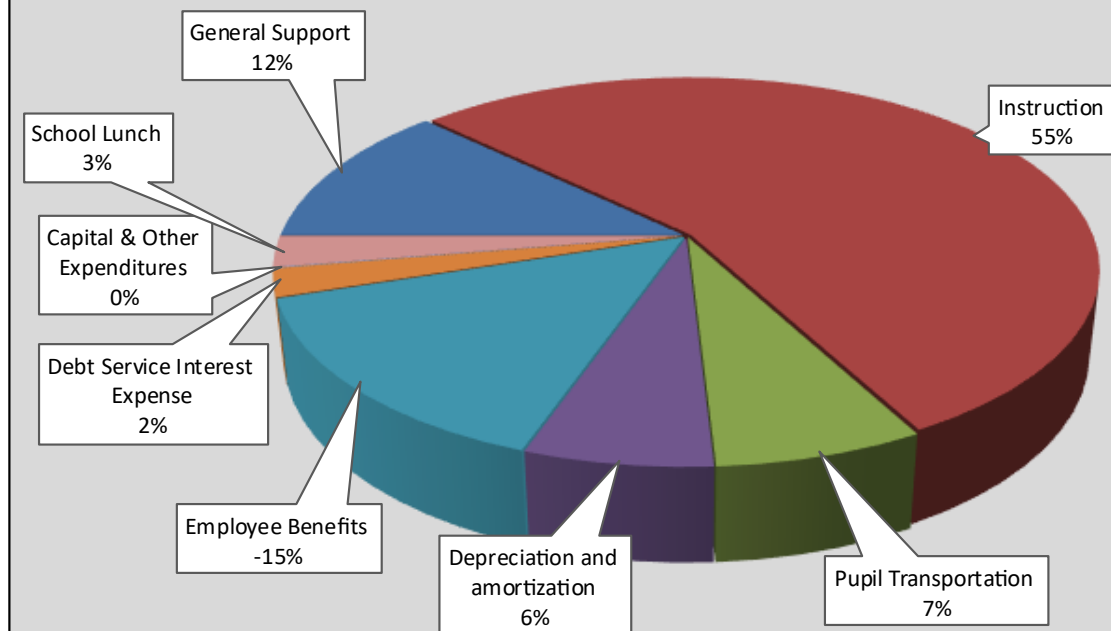
Key Variances:

- Instruction increased as a result of reduced grant funding available to offset instructional costs and retirement payout funded through the employee benefit accrued liability reserve (EBALR).
- Employee benefits increased as a result of rates and the changes in OPEB actuarial calculation.

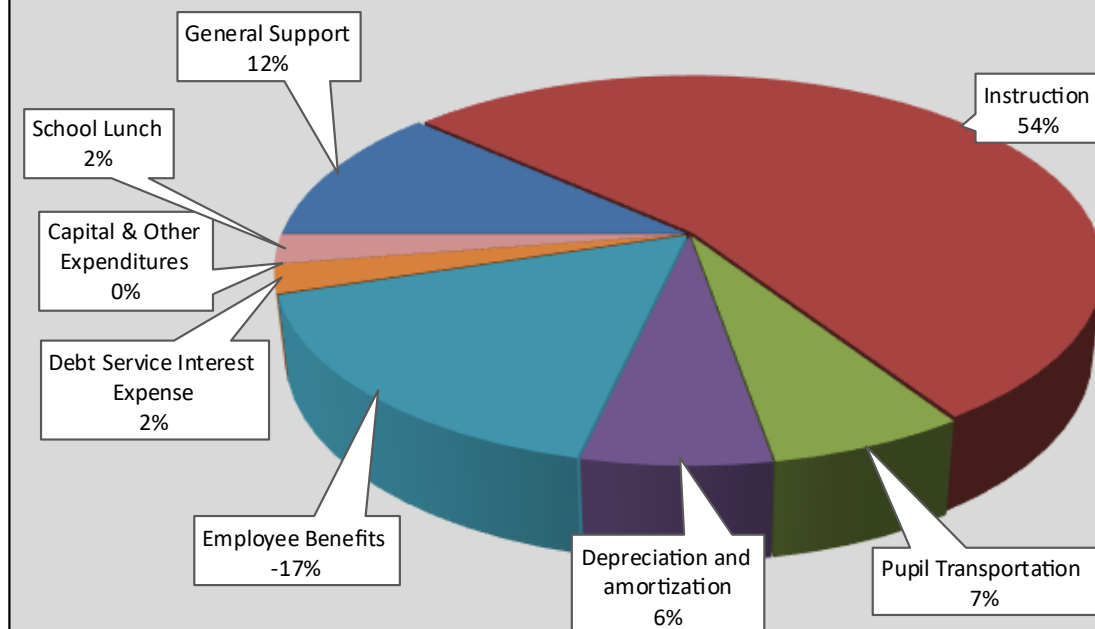
Sources of Revenue and Expenses:



Expenditures 2025-2026



Expenditures 2024-2025



Fund Financial Statements

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$7,121,660 which is less than last year's ending fund balance of \$9,012,797.

General Fund

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was \$7,696,752. See table below:

<u>General Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Percent Variance</u>
Total Revenues	\$ 24,351,338	\$ 24,312,162	\$ 39,176	0.16%
Total Expenditures	(24,431,080)	(23,869,134)	(561,946)	2.35%
Other Financing Sources/Uses				
Transfers-In	100,000	100,000	-	0.00%
Transfers-Out	(159,682)	(2,123,819)	1,964,137	-92.48%
Change in Fund Balance	\$ (139,424)	\$ (1,580,791)	\$ 1,441,367	-91.18%
<u>General Fund Balance:</u>				
Restricted	\$ 5,329,719	\$ 5,183,185	\$ 146,534	2.83%
Assigned	1,017,275	1,034,519	(17,244)	-1.67%
Unassigned	1,349,758	1,618,472	(268,714)	-16.60%
Total General Fund Balance	\$ 7,696,752	\$ 7,836,176	\$ (139,424)	-1.78%

The total change in fund balance for the year was a decrease of \$139,424.

The largest component of fund balance relates to the restricted reserves, 33% relate to the capital reserves 22% relate to the ERS and TRS reserves, and 20% relate to repair reserves. A detail of the restricted reserves can be found in the footnotes to the financial statements. Total unassigned fund balance is in excess of the 4% requirement of Section 1318 of the Real Property Tax Law by \$325,114.

The District appropriated \$921,815 to support the budget, which was the same amount appropriated in 2024-2025.

Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for the acquisition or construction of capital facilities and other capital assets, such as equipment. A Capital Projects Fund must be used if the acquisition or construction is financed in whole or in part from the proceeds of obligations, but may include funding from Federal, State and local sources. At the end of the current year, the total fund balance of the Capital Projects Fund was \$(790,839) and a summary of the projects can be found on the supplemental schedule of capital project expenditures in the financial statements.

The \$8.1 million reconstruction project approved by the voters in May 2025 is the largest component of the Capital Projects Fund. This project was funded with \$2 million from the District's capital reserve fund and approximately \$6 million in state aid. Fund balance for the Capital Projects Fund decreased by \$1,682,140 compared with the prior year. See table below:

<u>Capital Projects Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Percent Variance</u>
Total Revenues	\$ -	\$ 1,814	\$ (1,814)	-100.00%
Total Expenditures	(2,218,704)	(732,895)	(1,485,809)	202.73%
Other Financing Sources/Uses				
BANs Redeemed from Appropriations	395,408	368,608	26,800	7.27%
Premium on Obligations	6,236	3,934	2,302	58.52%
Transfers-In	134,920	2,099,399	(1,964,479)	-93.57%
Change in Fund Balance	<u>\$ (1,682,140)</u>	<u>\$ 1,740,860</u>	<u>\$ (3,423,000)</u>	<u>-196.63%</u>

Capital Projects Fund Balance:

Restricted	\$ -	\$ 747,058	\$ (747,058)	-100.00%
Assigned	-	144,243	(144,243)	-100.00%
Unassigned	(790,839)	-	(790,839)	-100.00%
Total Capital Projects Fund Balance	<u>\$ (790,839)</u>	<u>\$ 891,301</u>	<u>\$ (1,682,140)</u>	<u>-188.73%</u>

The Capital Project Fund received a transfer from the General Fund capital reserve to fund the local share of projects, which decreased from 2024-2025 to 2025-2026 as the full anticipated local share of the reconstruction project was made in 2024-2025. Expenditures increased due to work on the reconstruction project.

School Lunch Fund

School Food Service Programs (Lunch) Fund is a Special Revenue Fund used to account for and report transactions of the district nutrition programs. The District is a Community Eligible Program (CEP), whereby all students are eligible to receive a free lunch, funded by Federal and State grants.

<u>School Lunch Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Percent Variance</u>
Total Revenues	\$ 620,625	\$ 574,439	\$ 46,186	8.04%
Total Expenditures	(587,160)	(588,527)	1,367	-0.23%
Change in Fund Balance	<u>\$ 33,465</u>	<u>\$ (14,088)</u>	<u>\$ 47,553</u>	<u>-337.54%</u>

School Lunch Fund Balance:

Nonspendable	\$ 9,153	\$ 10,929	\$ (1,776)	-16.25%
Assigned	100,148	64,907	35,241	54.29%
Total School Lunch Fund Balance	<u>\$ 109,301</u>	<u>\$ 75,836</u>	<u>\$ 33,465</u>	<u>44.13%</u>

Total revenues and expenditures increased due to increases in the number of meals served as well as increases in the cost of food and supplies. The increase in food costs was offset by lower purchases of equipment during 2025-2026. At June 30, 2026, total fund balance in the School Lunch Fund was \$109,301, which is within Federal and State guidelines for Child Nutrition Programs.

Special Aid Fund

Special Aid Fund is a Special Revenue Fund used to account for and report special projects or programs supported in whole or in part by Federal funds or State-funded grants.

<u>Special Aid Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Percent Variance</u>
Total Revenues	\$ 802,994	\$ 955,595	\$ (152,601)	-15.97%
Total Expenditures	(827,756)	(980,015)	152,259	-15.54%
Other Financing Sources/Uses				
Transfers-In	24,762	24,420	342	1.40%
Change in Fund Balance	\$ -	\$ -	\$ -	0.00%

The Special Aid Fund received a budgeted transfer from the General Fund for the local share of approved grants. During the year, significant changes in revenues and expenditures were attributable to the drop-off of COVID-19 related funding which ended during the 2024-2025 year. At June 30, 2026, there was no Fund Balance in the Special Aid Fund as all of the District's grants reported in this fund are reimbursement-based.

Debt Service Fund

Debt Service Fund is used to account for and report the accumulation of resources that are restricted, committed or assigned to expenditure for the payment of principal and interest on long-term debt. Debt service funds are required when segregation of resources is legally mandated.

<u>Debt Service Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Percent Variance</u>
Total Revenues	\$ 10,119	\$ 7,685	\$ 2,434	31.67%
Other Financing Sources/Uses				
Transfers-Out	(100,000)	(100,000)	-	0.00%
Change in Fund Balance	\$ (89,881)	\$ (92,315)	\$ 2,434	-2.64%
<u>Debt Service Fund Balance:</u>				
Restricted	\$ 49,616	\$ 139,497	\$ (89,881)	-64.43%
Total Debt Service Fund Balance	\$ 49,616	\$ 139,497	\$ (89,881)	-64.43%

The Debt Service Fund transferred \$100,000 to the General Fund related to repayment of long-term debt. At June 30, 2026, Fund Balance in the Debt Service fund was \$49,616, which is restricted for repayment of related debt.

Miscellaneous Special Revenue Fund

Miscellaneous Special Revenue Fund is a Special Revenue Fund used to account for and report those revenues that are restricted or committed to expenditures for specified purposes.

<u>Special Revenue Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Percent Variance</u>
Total Revenues	\$ 1,178	\$ 585	\$ 593	101.37%
Total Expenditures	(14,335)	(13,195)	(1,140)	8.64%
Change in Fund Balance	\$ (13,157)	\$ (12,610)	\$ (547)	4.34%
<u>Special Revenue Fund Balance:</u>				
Restricted	\$ 56,830	\$ 69,987	\$ (13,157)	-18.80%
Total Special Revenue Fund Balance	\$ 56,830	\$ 69,987	\$ (13,157)	-18.80%

The Miscellaneous Special Revenue Fund of the District primarily includes scholarships. At June 30, 2026, Fund Balance in the Miscellaneous Special Revenue Fund was \$56,830, which is restricted for scholarships.

Significant Capital Asset and Long-Term Financing Activity

Significant Capital and Lease Assets

Capital assets are accounted for at historical (actual) cost or, if the cost is not practicably determinable, at estimated cost. The cost of the capital asset should include ancillary charges necessary to place the asset into use. Donated capital assets and capital assets acquired in a service concession arrangement should be recorded at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date, or the amount at which a liability could be liquidated with the counter party at the acquisition. Lease assets (Leases) are valued at the present value of future minimum lease payments. By the end of the 2026 fiscal year, the District had invested \$18,538,543 in a broad range of capital assets, including land, work in progress, buildings and improvements, and machinery and equipment. The change in capital assets and leased assets, net of accumulated depreciation (capital assets) and amortization (leased assets), is reflected below:

	<u>2026</u>	<u>2025</u>	<u>Variance</u>	<u>Percent Variance</u>
<u>Capital Assets:</u>				
Land	\$ 120,400	\$ 120,400	\$ -	0.00%
Work in Progress	1,771,443	102,873	1,668,570	1621.97%
Buildings and Improvements	13,330,423	13,947,865	(617,442)	-4.43%
Machinery and Equipment	3,294,247	3,404,650	(110,403)	-3.24%
Total Capital Assets	\$ 18,516,513	\$ 17,575,788	\$ 940,725	5.35%
<u>Lease Assets:</u>				
Equipment	\$ 22,030	\$ 30,122	\$ (8,092)	-26.86%
Total	\$ 18,538,543	\$ 17,605,910	\$ 932,633	5.30%

As indicated above the work in progress related to the reconstruction project added \$1,668,570. Buildings and improvements and machinery and equipment decreased as a result of depreciation expense amortized over the life of the assets and additions exceeding depreciation expense.

More detailed information can be found in the notes to the financial statements.

Long-Term Financing Activity

At year end, the District had \$67,873,920 in general obligation bonds and other long-term debt outstanding as follows:

<u>Type</u>	<u>2026</u>	<u>2025</u>	<u>Variance</u>	<u>Percent Variance</u>
Serial Bonds	\$ 10,730,000	\$ 11,480,000	\$ (750,000)	-6.53%
Unamortized Bond Premium	678,844	794,315	(115,471)	-14.54%
Retainage Payable	23,865	-	23,865	100.00%
OPEB	55,602,352	54,097,164	1,505,188	2.78%
Net Pension Liability	376,969	1,134,336	(757,367)	-66.77%
Compensated Absences	461,890	524,231	(62,341)	-11.89%
Total Long-Term Obligations	\$ 67,873,920	\$ 68,030,046	\$ (156,126)	-0.23%

The District paid down debt totaling \$750,000 and did not issue any new long term debt during the year.

The District's OPEB Liability has also increased by 2.78% or \$1,505,188 primarily as a result of long-term changes in assumptions including health care cost trend and the discount rate. The District's share of the

ERS pension system liability decreased 66.8% primarily as a result of differences in projected and actual earnings on investments.

More detailed information can be found in the notes to the financial statements.

Currently Known Facts, Decision or Conditions

2026 - 2027 Budgetary Information

On May 19, 2026, the voters of the District approved the proposed 2026-2027 budget totaling \$25,616,095 with a 66% approval rate.

The overall expenditure budget increased 2.06%, while the local tax levy increased 1.5% which is within the property tax cap.

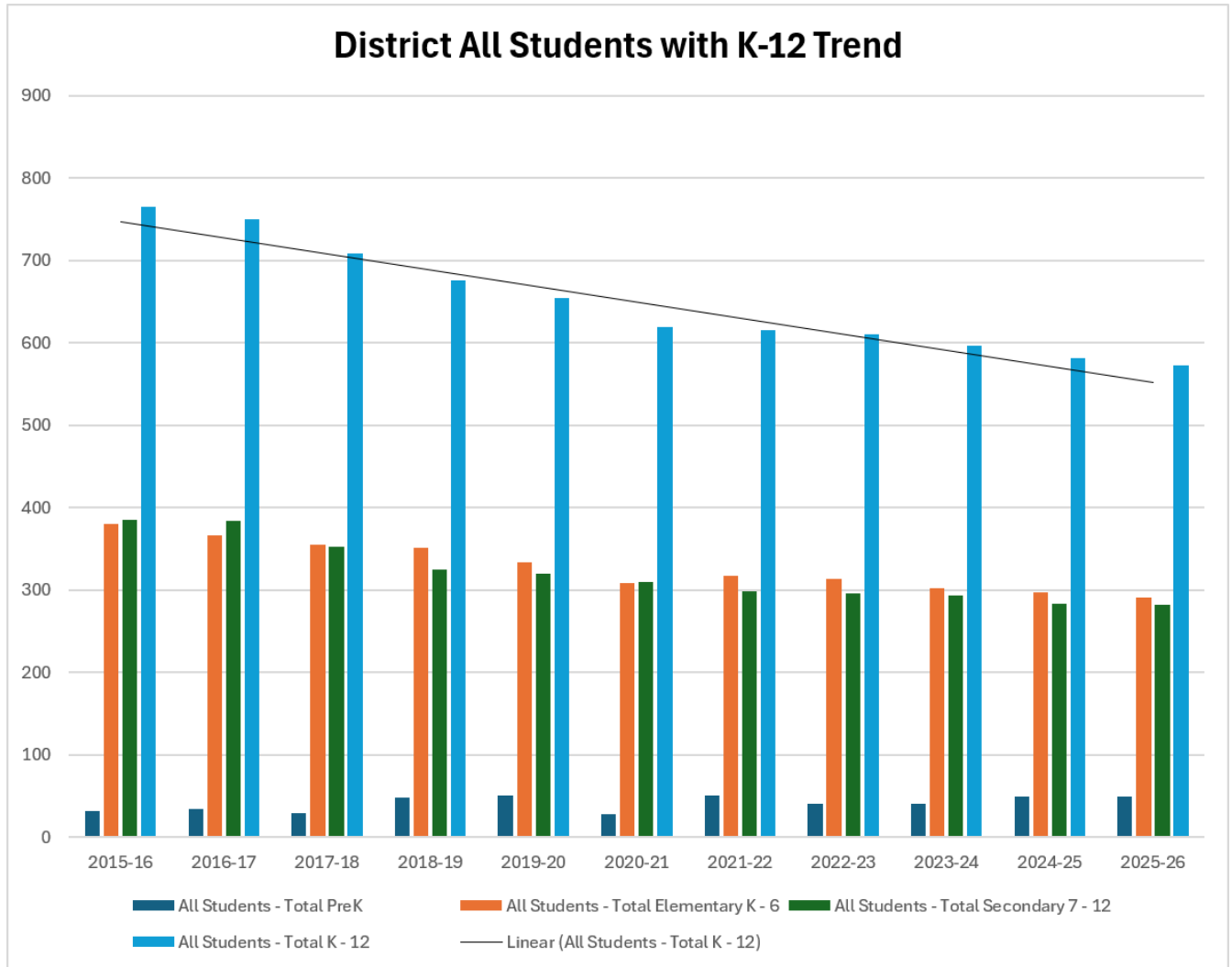
Although the District foundation aid increased \$86,779 based on State aid runs this was offset by projected increases to employee benefits of \$26,431, salaries of \$285,332, and special education-student placements of \$298,347.

The District's future revenue outlook remains uncertain. The state has fulfilled their obligation to fully fund state aid and has updated some factors in the Foundation Aid as a result of the Foundation Aid study. It is unknown how state aid will be calculated in future years. The District continues to be subject to the "Tax Cap" formula which limits the amount that taxes can increase each year which is limited by the Consumer Price Index or 2%, whichever is lower. Expenses will continue to increase due to contractual wage increases, state required minimum wage increases, health insurance premium increases, along with anticipated rate increase for the employer contribution to the Employees' Retirement System and the Teachers Retirement System.

In addition to the budget, voters approved a proposition to purchase four school vehicles not to exceed \$523,000, with \$35,324 from the capital reserve to reduce the local share of cost, and a debt maximum of \$487,676.

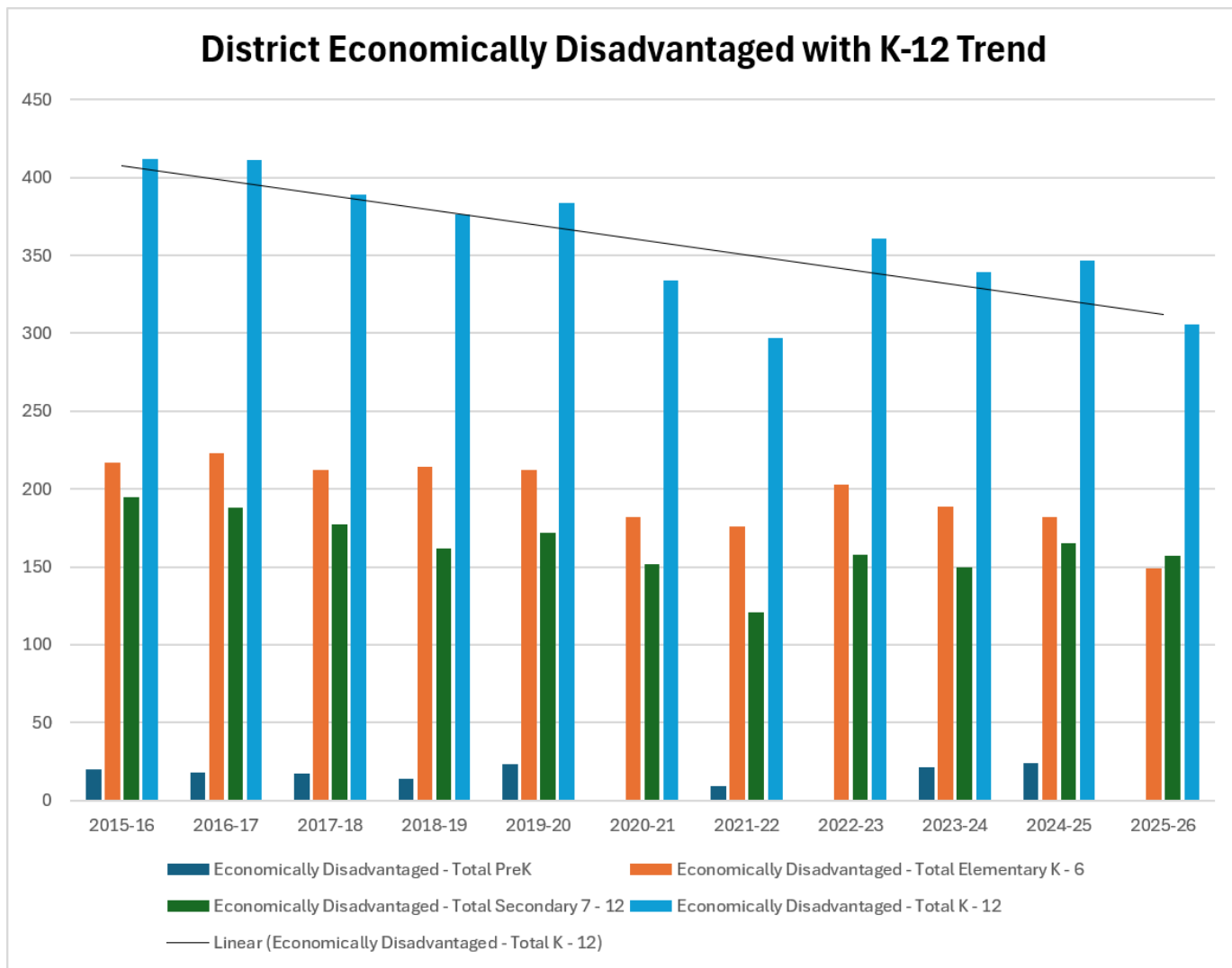
As a result of the District's strong financial position, we are supporting the budget with \$416,144 in reserve funds and anticipate ending the 2026-27 fiscal year within the 4% unappropriated fund balance cap.

Overall District Enrollment Trend 2015-16 to 2025-26



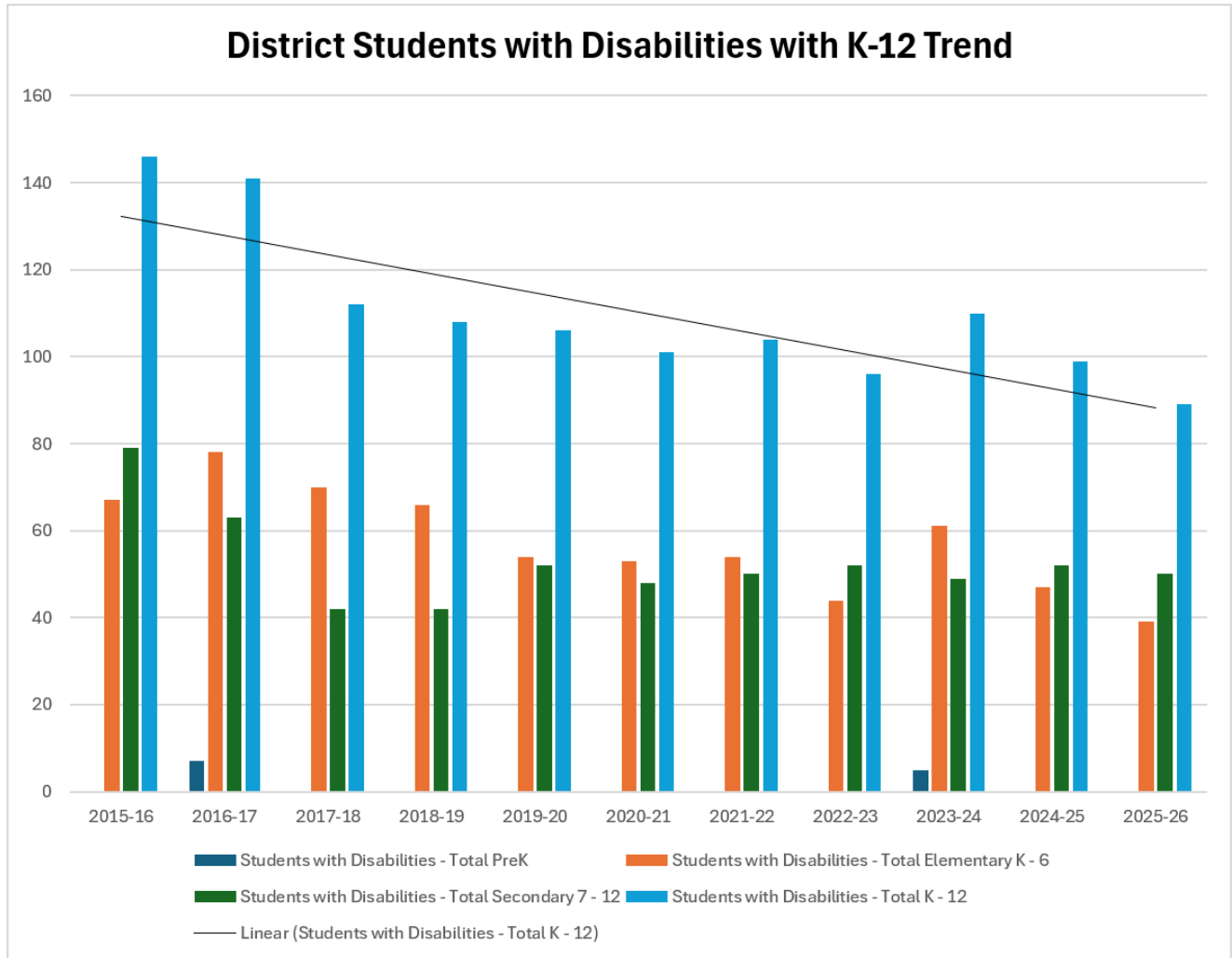
The District has experienced a decrease in K-12 student enrollment by 192 students from 2015-16 to 2025-26 or 25.09% in grades K-12 (average decrease of 17.45 students per year or 2.28% per year).

District Economically Disadvantaged Enrollment Trend 2015-16 to 2025-26



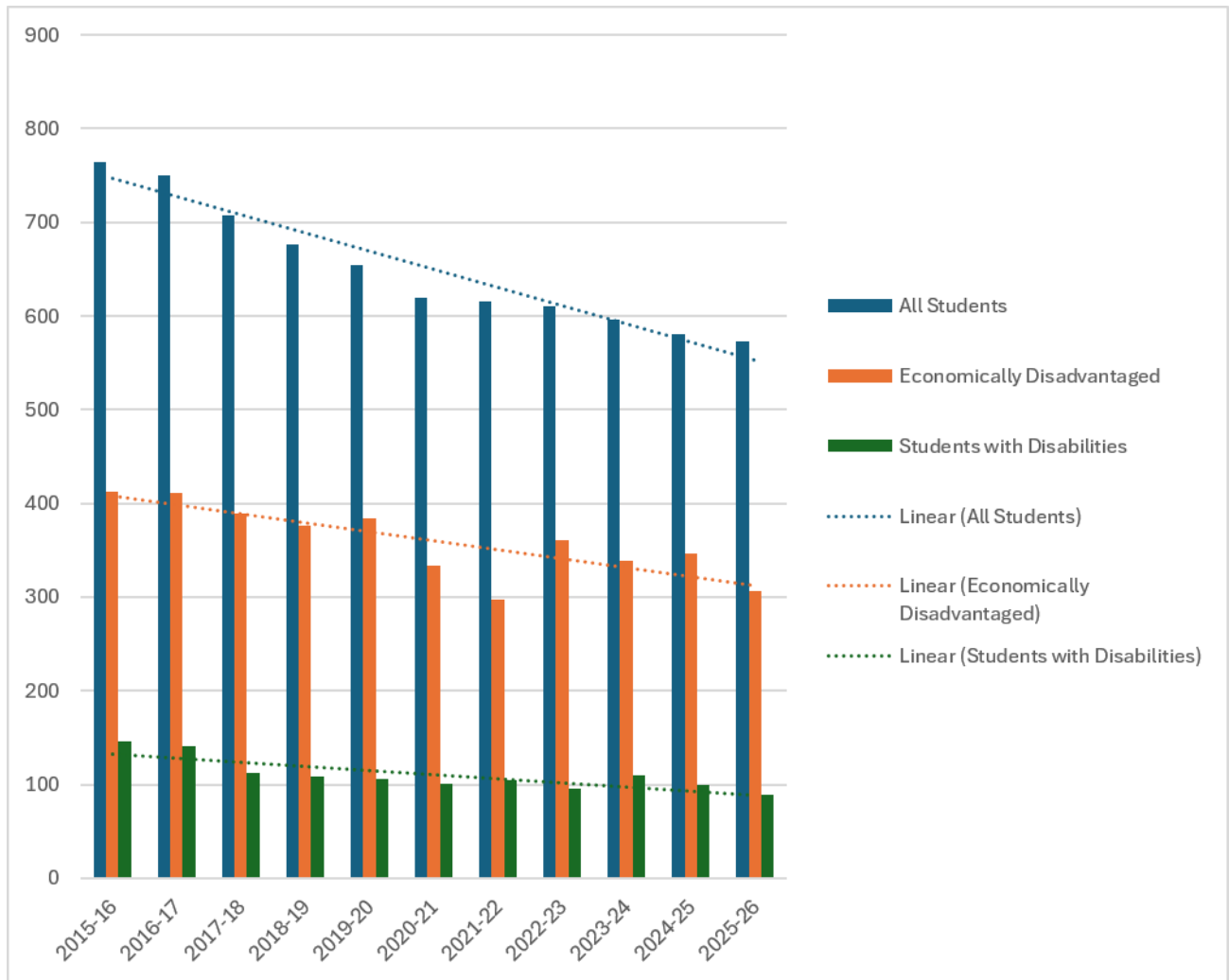
The District has experienced a decrease in economically disadvantaged student enrollment by 106 students from 2015-16 to 2025-26 or 25.73% in grades K-12 (average decrease of 9.64 students per year or 2.339% per year).

District Students with Disabilities Enrollment Trends 2015-16 to 2025-26



The District has experienced a decrease in student with disabilities student enrollment by 57 students from 2015-16 to 2025-26 or 39.04% in grades K-12 (average decrease of 5.2 students per year or 3.549% per year).

District Students: K-12 Total Enrollment, Economically Disadvantaged and Students with Disabilities Trends 2015-16 to 2025-26



Zero Emission Vehicle Mandate

New York State requires all newly purchased school buses to be zero-emission starting in 2032 and mandates that every school bus statewide be zero-emission by 2040, using electric or hydrogen fuel-cell technology. Districts facing challenges such as funding, infrastructure, or voter approval may apply for up to two waivers, each granting a two-year extension, allowing as much as four additional years to comply. To support the transition, the State has allocated over \$500 million through the Environmental Bond Act and the NY School Bus Incentive Program (NYSBIP), offering vouchers for buses, charging infrastructure, and Fleet Electrification Plans to help districts meet the required timelines.

Contacting the School District's Financial Management

This financial report is designed 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 money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2026

ASSETS

Cash and cash equivalents	\$ 874,050
Restricted cash and cash equivalents	1,575,835
Investments	1,641,078
Restricted investments	5,329,719
Accounts receivable	1,067,359
Inventories	9,153
Net pension asset	2,111,039
Capital assets, net	18,516,513
Lease assets, net	22,030
TOTAL ASSETS	\$ 31,146,776

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources	\$ 7,299,209
--------------------------------	---------------------

LIABILITIES

Accounts payable	\$ 1,085,865
Accrued liabilities	160,252
Due to other governments	133
Due to teachers' retirement system	700,502
Due to employees' retirement system	127,135
Bond anticipation notes payable	1,287,917
Other liabilities	88,540
Long-Term Obligations:	
Due in one year	978,202
Due in more than one year	66,895,718
TOTAL LIABILITIES	\$ 71,324,264

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources	\$ 22,403,647
-------------------------------	----------------------

NET POSITION

Net investment in capital assets/lease assets	\$ 7,223,768
Restricted	5,436,165
Unrestricted	(67,941,859)
TOTAL NET POSITION	\$ (55,281,926)

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2026

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General support	\$ 2,719,125	\$ -	\$ 4,002	\$ (2,715,123)
Instruction	12,304,457	223,387	798,992	(11,282,078)
Employee benefits	(3,269,254)	-	-	3,269,254
Pupil transportation	1,562,355	-	-	(1,562,355)
Community services	14,334	-	-	(14,334)
School lunch	587,160	28,255	548,974	(9,931)
Depreciation - unallocated	1,392,523	-	-	(1,392,523)
Amortization - unallocated	11,291	-	-	(11,291)
Interest	522,512	-	-	(522,512)
Total Functions/Programs	\$ 15,844,503	\$ 251,642	\$ 1,351,968	(14,240,893)
General Revenues:				
Property taxes and tax items				10,625,778
State and federal aid				12,961,917
Investment earnings				341,196
Compensation for loss				38,301
Miscellaneous				221,681
Total General Revenues				24,188,873
Changes in Net Position				9,947,980
Net Position, Beginning of Year				(65,229,906)
Net Position, End of Year				\$ (55,281,926)

MIDDLEBURGH CENTRAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2026

	General Fund	Special Aid Fund	School Lunch Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 827,707	\$ -	\$ 46,343	\$ -	\$ -	\$ -	\$ 874,050
Restricted cash and cash equivalents	70,888	-	-	56,830	42,266	1,405,851	1,575,835
Investments	1,641,078	-	-	-	-	-	1,641,078
Restricted Investments	5,329,719	-	-	-	-	-	5,329,719
Receivables	810,118	203,303	53,938	-	-	-	1,067,359
Inventories	-	-	9,153	-	-	-	9,153
Due from other funds	203,303	-	-	-	7,350	35,324	245,977
TOTAL ASSETS	\$ 8,882,813	\$ 203,303	\$ 109,434	\$ 56,830	\$ 49,616	\$ 1,441,175	\$ 10,743,171
LIABILITIES AND FUND BALANCE (DEFICIENCY)							
Liabilities -							
Accounts payable	\$ 149,118	\$ -	\$ -	\$ -	\$ -	\$ 936,747	\$ 1,085,865
Accrued liabilities	85,442	-	-	-	-	-	85,442
Notes payable - bond anticipation notes	-	-	-	-	-	1,287,917	1,287,917
Due to other funds	35,324	203,303	-	-	-	7,350	245,977
Due to other governments	-	-	133	-	-	-	133
Due to TRS	700,502	-	-	-	-	-	700,502
Due to ERS	127,135	-	-	-	-	-	127,135
Other liabilities	88,540	-	-	-	-	-	88,540
TOTAL LIABILITIES	\$ 1,186,061	\$ 203,303	\$ 133	\$ -	\$ -	\$ 2,232,014	\$ 3,621,511
Fund Balance (Deficiency) -							
Nonspendable	\$ -	\$ -	\$ 9,153	\$ -	\$ -	\$ -	\$ 9,153
Restricted	5,329,719	-	-	56,830	49,616	-	5,436,165
Assigned	1,017,275	-	100,148	-	-	-	1,117,423
Unassigned	1,349,758	-	-	-	-	(790,839)	558,919
TOTAL FUND BALANCE (DEFICIENCY)	\$ 7,696,752	\$ -	\$ 109,301	\$ 56,830	\$ 49,616	\$ (790,839)	\$ 7,121,660
TOTAL LIABILITIES							
DEFERRED INFLOWS AND							
FUND BALANCE (DEFICIENCY)	\$ 8,882,813	\$ 203,303	\$ 109,434	\$ 56,830	\$ 49,616	\$ 1,441,175	

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

Capital assets/lease assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,538,543
Interest is accrued on outstanding bonds in the statement of net position but not in the funds.	(74,810)
The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:	
Serial bonds payable	(10,730,000)
Retainage	(23,865)
OPEB	(55,602,352)
Compensated absences	(461,890)
Net pension asset	2,111,039
Unamortized premium	(678,844)
Deferred outflow - pension	3,317,016
Deferred outflow - OPEB	3,982,193
Net pension liability	(376,969)
Deferred inflow - pension	(2,461,489)
Deferred inflow - OPEB	(19,942,158)
Net Position of Governmental Activities	\$ (55,281,926)

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For The Year Ended June 30, 2026

	General Fund	Special Aid Fund	School Lunch Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES							
Real property taxes and tax items	\$ 10,625,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,625,778
Charges for services	223,387	-	-	-	-	-	223,387
Use of money and property	330,971	-	12	99	10,119	-	341,201
Sale of property and compensation for loss	38,301	-	-	-	-	-	38,301
Miscellaneous	170,984	4,002	43,383	1,079	-	-	219,448
State sources	12,809,251	342,283	68,959	-	-	-	13,220,493
Federal sources	152,666	456,709	480,015	-	-	-	1,089,390
Sales	-	-	28,256	-	-	-	28,256
TOTAL REVENUES	\$ 24,351,338	\$ 802,994	\$ 620,625	\$ 1,178	\$ 10,119	\$ -	\$ 25,786,254
EXPENDITURES							
General support	\$ 2,719,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,719,131
Instruction	11,626,747	777,913	-	-	-	-	12,404,660
Pupil transportation	1,506,187	49,843	-	-	-	484,000	2,040,030
Community services	-	-	-	14,335	-	-	14,335
Employee benefits	6,805,637	-	-	-	-	-	6,805,637
Debt service - principal	1,145,408	-	-	-	-	-	1,145,408
Debt service - interest	627,970	-	-	-	-	-	627,970
Cost of sales	-	-	576,120	-	-	-	576,120
Capital outlay	-	-	11,040	-	-	1,734,704	1,745,744
TOTAL EXPENDITURES	\$ 24,431,080	\$ 827,756	\$ 587,160	\$ 14,335	\$ -	\$ 2,218,704	\$ 28,079,035
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (79,742)	\$ (24,762)	\$ 33,465	\$ (13,157)	\$ 10,119	\$ (2,218,704)	\$ (2,292,781)
OTHER FINANCING SOURCES (USES)							
Transfers - in	\$ 100,000	\$ 24,762	\$ -	\$ -	\$ -	\$ 134,920	\$ 259,682
Transfers - out	(159,682)	-	-	-	(100,000)	-	(259,682)
BAN's redeemed from appropriations	-	-	-	-	-	395,408	395,408
Premium on obligations issued	-	-	-	-	-	6,236	6,236
TOTAL OTHER FINANCING SOURCES (USES)	\$ (59,682)	\$ 24,762	\$ -	\$ -	\$ (100,000)	\$ 536,564	\$ 401,644
NET CHANGE IN FUND BALANCE	\$ (139,424)	\$ -	\$ 33,465	\$ (13,157)	\$ (89,881)	\$ (1,682,140)	\$ (1,891,137)
FUND BALANCE, BEGINNING OF YEAR	7,836,176	-	75,836	69,987	139,497	891,301	9,012,797
FUND BALANCE, END OF YEAR	\$ 7,696,752	\$ -	\$ 109,301	\$ 56,830	\$ 49,616	\$ (790,839)	\$ 7,121,660

See accompanying notes to financial statements.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2026

NET CHANGE IN FUND BALANCE -

TOTAL GOVERNMENTAL FUNDS

\$ (1,891,137)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets in excess depreciation in the current period:

Additions to Assets, Net	\$ 2,336,669
Loss on Disposal	(3,421)
Lease Additions, Net	3,199
Amortization of Lease Assets	(11,291)
Depreciation	<u>(1,392,523)</u>

932,633

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:

Debt Repayments	\$ 1,145,408
Proceeds from BAN Redemption	<u>(395,408)</u>

750,000

Amortization of bond premium is an adjustment to interest expense in the statement of activities

115,471

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(10,013)

The Retainage liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds

(23,865)

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

9,312,982

(Increase) decrease 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	726,961
Employees' Retirement System	(27,393)

In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences	<u>62,341</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 9,947,980

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2026

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ -
TOTAL ASSETS	<u>\$ -</u>
NET POSITION	
Restricted for individuals, organizations and other governments	\$ -
TOTAL NET POSITION	<u><u>\$ -</u></u>

Statement of Changes in Fiduciary Net Position
For The Year Ended June 30, 2026

	Custodial Funds
ADDITIONS	
Library taxes	\$ 203,851
TOTAL ADDITIONS	<u>\$ 203,851</u>
DEDUCTIONS	
Library taxes	203,851
TOTAL DEDUCTIONS	<u>\$ 203,851</u>
CHANGE IN NET POSITION	\$ -
NET POSITION, BEGINNING OF YEAR	<u>-</u>
NET POSITION, END OF YEAR	<u><u>\$ -</u></u>

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The Extraclassroom Activity Fund

The extraclassroom activity fund of the District represents funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. As a result of applying this guidance and due to the administrative involvement defined in footnote 1 to paragraph 8b of GASB 84, the District accounts for these student organization funds within the General Fund. Separate audited financial statements (cash basis) of the extraclassroom activity fund can be found at the District's business office, located at 291 Main Street, Middleburgh, NY 12122.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

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

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

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

During the year ended June 30, 2026, the District was billed \$2,528,084 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$893,677.

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

C. Basis of Presentation

District-wide statements

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

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

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

The District reports the following major funds:

1. General Fund

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

2. Special Revenue Funds

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

a. Special Aid Fund

These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

b. School Lunch Fund

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

c. Special Revenue Fund

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

3. Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of or the right-to-use capital facilities and other capital and intangible assets.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund financial statements

4. Debt Service Fund

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

Fiduciary Funds

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to the District and are not available to be used. Tax collection for local libraries is included in the custodial fund.

D. Basis of Accounting/Measurement Focus

General Information

Measurement focus describes what type of information is reported and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities, and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities, and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available resources would not be reported.

Basis of accounting describes when changes are recognized and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Accounting/Measurement Focus

General Information

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

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

E. Refundable Advances

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

F. Property Taxes

I. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on July 30, 2025. Taxes were collected during the period September 1 to November 2, 2025.

II. Enforcement

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

G. Restricted Resources

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

I. Budget Policies

The budget policies are as follows:

- a. The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the program line-item level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the fiscal year end unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not located in the original budget (when permitted by law). Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. Supplemental appropriations from insurance proceeds totaled \$35,332.
- e. Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.
- f. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

II. Encumbrances

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Budgetary Procedures and Budgetary Accounting

III. Budget Basis of Accounting

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

I. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

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

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

Certain cash balances are restricted by various legal or contractual obligations, such as legal reserves or debt agreements.

J. Accounts Receivable

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

K. Inventories and Prepaid Items

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

Refer to Note 3.A.III. for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

M. Short-Term Debt

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

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

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

District-wide statements

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

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

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

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

Fund statements:

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

	<u>Total</u>
Inventory in School Lunch	\$ 9,153
Total Nonspendable Fund Balance	<u>\$ 9,153</u>

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

Reserve for Employee Benefit Accrued Liability

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Repair

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

Unemployment Insurance Reserve

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

Retirement Contributions

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

Insurance Reserve

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Capital Reserve

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be place on the ballot are set forth in §3651 of the Education Law.

Workers' Compensation

According to General Municipal Law §6-j, these reserve funds must be used to pay compensation and benefits, medical, hospital, or other expenses authorized by Article 2 of the Workers' Compensation Law and to pay the expenses of administering a self-insurance workers' compensation program. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year the Board may elect to transfer all or part of the excess amount to certain other reserve funds, or may apply all or part of the excess to the budget appropriation of the next succeeding fiscal year.

Property Loss and Liability

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

Special Revenue Fund

Restricted for scholarships for students that meet donor specified criteria.

Debt Service

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Restricted fund balance includes the following:

<u>General Fund -</u>	<u>Total</u>
Workers' Compensation	\$ 171,900
Unemployment Insurance	169,045
Retirement Contribution - ERS	522,370
Retirement Contribution - TRS	655,319
Insurance	286,499
Repair	1,069,032
Property Loss and Liability	229,200
Capital Reserves	1,753,707
Employee Benefit Accrued Liability	472,647
<u>Special Revenue Fund -</u>	
Scholarships	56,830
<u>Debt Service Fund -</u>	
Debt Service	49,616
Total Restricted Fund Balance	<u><u>\$ 5,436,165</u></u>

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, i.e., the Board of Education. The District has no committed fund balance as of June 30, 2026.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Assigned fund balance includes the following:

	<u>Total</u>
General Fund - Encumbrances	\$ 95,460
General Fund - Appropriated for Taxes	921,815
School Lunch Fund - Year End Balance	100,148
Total Assigned Fund Balance	<u><u>\$ 1,117,423</u></u>

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Reserve for Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Purpose of Encumbrances

General Fund -

General Support	\$ 70,553
Instruction	23,282
Pupil Transportation	1,625
Total General Fund Encumbrances	<u>\$ 95,460</u>

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

NYS Real Property Tax Law Section 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund 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. The District exceeded the 4% limitation by approximately \$325,000 at June 30, 2026.

Net Position/Fund Balance:

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

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Equity Classifications

Order of Use of Fund Balance:

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

O. Post-Employment Benefits

In addition to providing the retirement benefits described in Note 3.B.I, the District provides postemployment health insurance coverage to its retired employees in accordance with the provisions of the employment contract negotiated between the District and its employee groups.

In addition to providing these benefits, the District provides individual, family, or surviving spouse post-employment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare 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 by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with the criteria set forth by GASB.

See Note 5 for additional information related to postemployment benefits.

P. Payables, Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due and payable after one year in the Statement of Net Position.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Capital Assets

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

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	\$ 1,000	SL	15-50 Years
Machinery and Equipment	\$ 1,000	SL	5-25 Years

R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, potential contingent liabilities, actuarial calculation of net pension asset/liability, deferred inflows/outflows, and useful lives of long-term assets.

S. Employee Benefits – Compensated Absences

District employees are granted leave time in varying amounts, based principally on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. Eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Leave time use is based on last-in, first-out (LIFO) basis. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated leave, based on contractual provisions.

Consistent with GASB Statement 101, *Compensated Absences*, an accrual for accumulated vacation leave is included in the compensated absences liability in the district-wide financial statements at year-end. The compensated absences liability is calculated when employees have earned the right to leave and it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through other means. The liability is measured at the employee's rate of pay at the reporting date, including salary-related payments such as social security and Medicare taxes.

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

T. Implementation of New Accounting Standards

The District has adopted all current Statements of the GASB that are applicable. At June 30, 2026, the District implemented the following new standards issued by GASB:

GASB has issued Statement 103, *Financial Reporting Model Improvements*, effective for the year ending June 30, 2026. Implementation of this standard had a significant impact on the information required in the management's discussion and analysis and required supplementary information budgetary schedules sections of the financial statements.

GASB has issued Statement 104, *Disclosure of Certain Capital Assets*, effective for the year ending June 30, 2026. This statement did not have a significant impact on the District.

GASB has issued Statement 105, *Subsequent Events*, effective for the year ending June 30, 2027. The District was implemented early, as permitted. This statement did not have a significant impact on the District.

U. Future Changes in Accounting Standards

None. As pronouncements are issued, the District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

V. Lease Assets

The District-wide financial statements, lease assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is between 3 and 5 years based on the contract terms and/or estimated replacement of the assets.

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

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

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

Total fund balance of the District's governmental funds differs from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District’s proportionate share of the collective pension expense of the plan.

OPEB Differences

OPEB differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and OPEB costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2026 all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

Custodial Credit Risk

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

The District restricts the securities to the following eligible items:

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

The District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants.

At June 30, 2026, the District held \$6,970,797 in these investments consisting of various investments in securities issued by the United States and its agencies.

Total investments of the NYCLASS cooperative as of year-end, based on un-audited numbers, are \$15,823,474,053 which consists of \$3,384,641,100 in repurchase agreements, \$672,497,647 collateralized bank deposits, \$291,151,923 in FDIC insured bank deposits and \$11,475,183,383 in U.S. Government Treasury Securities.

**Investments in
Securities at
Fair Value**

General Fund	\$ 6,970,797
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The above amounts represent the fair value of the stocks and investment pool shares. NYCLASS measures its investments at fair value and therefore, the District's investments in the pool are not required to be categorized in the fair value hierarchy for purposes of Paragraph 81a(2) of GASB Statement No. 72.

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

Risks and Uncertainties with Investments

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

3. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Restricted Cash and Investments

Restricted cash and investments consists of the following:

	<u>Total</u>
General Fund:	
Workers' Compensation	\$ 171,900
Unemployment Insurance	169,045
Retirement Contribution - ERS	522,370
Retirement Contribution - TRS	655,319
Insurance	286,499
Repair	1,069,032
Property Loss and Liability	229,200
Capital Reserves	1,753,707
Employee Benefit Accrued Liability	472,647
Extraclassroom Activity Fund	70,888
Special Revenue Fund -	
Scholarships	56,830
Debt Service Fund -	
Debt Service	42,266
Capital Projects Fund-	
Capital Projects	1,405,851
Total	<u><u>\$ 6,905,554</u></u>

II. Receivables

Receivable balances for the year ended June 30, 2026 are:

<u>Description</u>	<u>Governmental Activities</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>School Lunch Fund</u>	
Accounts Receivable	\$ 21,630	\$ -	\$ 4,299	\$ 25,929
Due From State and Federal	314,428	203,303	49,639	567,370
Due From Other Governments	474,060	-	-	474,060
Total Receivables	<u><u>\$ 810,118</u></u>	<u><u>\$ 203,303</u></u>	<u><u>\$ 53,938</u></u>	<u><u>\$ 1,067,359</u></u>

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Interfund Transactions

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

During 2025-2026, the General Fund transferred \$24,762 to the Special Aid Fund for the District's share of the special education summer school program its students attended and \$134,920 to the Capital Projects Fund for state approved projects. The Debt Service Fund transferred \$100,000 to the General Fund for debt repayment.

Interfund transactions and balances at June 30, 2026 are as follows:

	Interfund			
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 203,303	\$ 35,324	\$ 100,000	\$ 159,682
Special Aid Fund	-	203,303	24,762	-
School Lunch Fund	-	-	-	-
Debt Service Fund	7,350	-	-	100,000
Capital Projects Fund	35,324	7,350	134,920	-
Total	<u>\$ 245,977</u>	<u>\$ 245,977</u>	<u>\$ 259,682</u>	<u>\$ 259,682</u>

IV. Capital Assets

Capital asset balances and activity for the year ended June 30, 2026 are as follows:

<u>Type</u>	<u>Balance 7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2026</u>
<u>Governmental Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 120,400	\$ -	\$ -	\$ 120,400
Work in progress	102,873	1,668,570	-	1,771,443
Total Nondepreciable	<u>\$ 223,273</u>	<u>\$ 1,668,570</u>	<u>\$ -</u>	<u>\$ 1,891,843</u>
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 18,608,809	\$ 8,150	\$ -	\$ 18,616,959
Machinery and equipment	8,797,278	659,949	29,400	9,427,827
Total Depreciated Assets	<u>\$ 27,406,087</u>	<u>\$ 668,099</u>	<u>\$ 29,400</u>	<u>\$ 28,044,786</u>
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 4,660,944	\$ 625,592	\$ -	\$ 5,286,536
Machinery and equipment	5,392,628	766,931	25,979	6,133,580
Total Accumulated Depreciation	<u>\$ 10,053,572</u>	<u>\$ 1,392,523</u>	<u>\$ 25,979</u>	<u>\$ 11,420,116</u>
Total Capital Assets Depreciated, Net of Accumulated Depreciation	<u>\$ 17,352,515</u>	<u>\$ (724,424)</u>	<u>\$ 3,421</u>	<u>\$ 16,624,670</u>
Total Capital Assets	<u>\$ 17,575,788</u>	<u>\$ 944,146</u>	<u>\$ 3,421</u>	<u>\$ 18,516,513</u>

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

3. DETAIL NOTES ON ALL FUNDS

A. Assets

V. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District may have four items that qualify for reporting in this category. First is the deferred loss on refunding reported in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date. The fourth item relates to the OPEB and pension systems reporting in the District Wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience and change in assumptions.

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

B. Liabilities

I. Pension Plans

General Information

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Plan Descriptions

Teachers' Retirement System

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

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. This is a cost-sharing multiple-employer retirement system. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Contributions

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

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

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2026	\$ 390,374	\$ 707,749
2025	343,315	671,682
2024	306,894	624,770

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

Pension Liabilities

At June 30, 2026, 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, 2026 for ERS and June 30, 2025 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of the dates noted below.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
Net pension assets/(liability)	\$ (376,969)	\$ 2,111,039
District's portion of the Plan's total net pension asset/(liability)	0.007%	0.036%

Pension Expense (Credit)

For the year ended June 30, 2026, the District recognized its proportionate share of pension expense of \$404,348 for ERS and (\$113,182) for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 215,724	\$ 1,106,655	\$ -	\$ -
Changes of assumptions	64,709	835,695	-	22,760
Net difference between projected and actual earnings on pension plan investments	-	-	675,927	1,648,716
Changes in proportion and differences between the District's contributions and proportionate share of contributions	65,295	201,301	69,369	44,717
Subtotal	<u>\$ 345,728</u>	<u>\$ 2,143,651</u>	<u>\$ 745,296</u>	<u>\$ 1,716,193</u>
District's contributions subsequent to the measurement date	127,135	700,502	-	-
Grand Total	<u><u>\$ 472,863</u></u>	<u><u>\$ 2,844,153</u></u>	<u><u>\$ 745,296</u></u>	<u><u>\$ 1,716,193</u></u>

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Deferred Outflows and Inflows of Resources Related to Pensions

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2027 for ERS and June 30, 2026 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2026	\$ -	\$ 1,108,439
2027	143,078	(411,796)
2028	(246,854)	(439,228)
2029	(149,878)	(62,471)
2030	(145,914)	192,389
Thereafter	-	40,125
Total	<u><u>\$ (399,568)</u></u>	<u><u>\$ 427,458</u></u>

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
Actuarial valuation date	April 1, 2025	June 30, 2024
Interest rate	5.90%	6.95%
Salary scale	5.20%	5.80%-2.04%
Decrement tables	April 1, 2020- March 31, 2025 System's Experience	July 1, 2019- June 30, 2024 System's Experience
Inflation rate	2.90%	2.50%
COLA's	1.50%	1.40%

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

For ERS, annuitant mortality rates are based on April 1, 2020 - March 31, 2025 System's experience with adjustments for mortality improvements based on MP-2021. For TRS, annuitant mortality rates are based on System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

For ERS, the actuarial assumptions used in the April 1, 2025 valuation are based on the results of an actuarial experience study for the period April 1, 2020 - March 31, 2025. For TRS, actuarial assumptions were computed by the TRS Office of the Actuary and summarized in the Recommended Actuarial Assumptions 2025 report. The actuarial assumptions are based on recent TRS member experience. Detailed assumption information may be found in the TRS annual Actuarial Valuation Report.

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

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

	Long Term Expected Rate of Return	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
<u>Asset Type -</u>		
Domestic equity	3.29%	6.70%
International equity	5.85%	7.40%
Global equity	-	7.00%
Private equity	7.00%	9.80%
Real estate equity	5.20%	6.50%
Opportunistic/ARS portfolio	5.13%	-
Real assets	5.54%	-
Cash equivalents	0.25%	0.60%
Private debt	-	6.10%
Real estate debt	-	3.80%
High-yield bonds	-	4.70%
Domestic fixed income	-	2.60%
Global bonds	-	2.40%
Credit	5.10%	-
Fixed income	1.75%	-

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, as actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

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

The following presents the District's proportionate share of the net pension asset/(liability) as of June 30, 2026 calculated using the discount rate of 5.9% 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 one percentage point lower (4.9% for ERS and 5.95% for TRS) or one percentage point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

	1% Decrease	Current	1% Increase
<u>ERS</u>	<u>(4.90%)</u>	<u>(5.90%)</u>	<u>(6.90%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (2,574,598)	\$ (376,969)	\$ 1,460,345

	1% Decrease	Current	1% Increase
<u>TRS</u>	<u>(5.95%)</u>	<u>(6.95%)</u>	<u>(7.95%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (4,056,388)	\$ 2,111,039	\$ 7,300,607

Changes in Assumptions

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

Collective Pension Expense (Credit)

Collective pension expenses includes certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2026 is \$411,604 for ERS and (\$42,715) for TRS.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Payables to Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2026 represent the projected employer contribution for the period of April 1, 2026 through June 30, 2026 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to \$127,135.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2026 are paid to the System in September, October and November 2026 through a state aid intercept. Accrued retirement contributions as of June 30, 2026 represent employee and employer contributions for the fiscal year ended June 30, 2026 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, 2026 amounted to \$700,502.

Other Benefits

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

II. Indebtedness

1. Short-Term Debt

Bond Anticipation Notes

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

Transactions in short-term debt are summarized below:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2026</u>
BAN - Buses	7/11/2025	4.50%	\$ 1,199,325	\$ -	\$ 1,199,325	\$ -
BAN - Buses	7/10/2026	4.25%	-	1,287,917	-	1,287,917
Total Short-Term Debt			<u><u>\$ 1,199,325</u></u>	<u><u>\$ 1,287,917</u></u>	<u><u>\$ 1,199,325</u></u>	<u><u>\$ 1,287,917</u></u>

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

1. Short-Term Debt

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

Interest Paid	\$ 53,970
Less: Interest Accrued in the Prior Year	(40,880)
Plus: Interest Accrued in the Current Year	51,721
Total Short-Term Interest Expense	<u>\$ 64,811</u>

2. Long-Term Debt

a. Serial Bonds

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

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

Interest Paid	\$ 574,000
Less: Interest Accrued in the Prior Year	(23,917)
Less: Amortization of bond premium	(115,471)
Plus: Interest Accrued in the Current Year	23,089
Total Long-Term Interest Expense	<u>\$ 457,701</u>

Long-Term Obligations

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

b. Other Long-Term Debt

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

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

Other Post-employment Benefits - Represents the net liability for other post-employment benefits calculated in accordance with GASB 75 (See Note 5).

3. Changes

The changes in the District's indebtedness during the year ended June 30, 2026, are summarized as follows:

	<u>Balance</u> <u>7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2026</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
<u>Bonds and Notes Payable -</u>					
Serial Bonds	\$ 11,480,000	\$ -	\$ 750,000	\$ 10,730,000	\$ 790,000
Bond Premium, Net of Amortization	794,315	-	115,471	678,844	107,927
Total Bonds and Notes Payable	\$ 12,274,315	\$ -	\$ 865,471	\$ 11,408,844	\$ 897,927
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 1,134,336	\$ -	\$ 757,367	\$ 376,969	\$ -
OPEB	54,097,164	9,719,470	8,214,282	55,602,352	-
Retainage Payable	-	23,865	-	23,865	23,865
Compensated Absences	524,231	-	62,341	461,890	56,410
Total Other Liabilities	\$ 55,755,731	\$ 9,743,335	\$ 9,033,990	\$ 56,465,076	\$ 80,275
Total Long-Term Obligations	\$ 68,030,046	\$ 9,743,335	\$ 9,899,461	\$ 67,873,920	\$ 978,202

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

The above liabilities are liquidated by the general fund.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

4. Maturity

The following is a summary of maturity of indebtedness:

<u>Description</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2026</u>
Serial Bond 2022	\$ 13,320,000	2022	2038	5.00%	10,730,000
Total Serial Bonds					<u>\$ 10,730,000</u>

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

<u>Year</u>	<u>Serial Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2027	\$ 790,000	\$ 536,500	\$ 107,927
2028	825,000	497,000	99,981
2029	870,000	455,750	91,683
2030	910,000	412,250	82,932
2031	960,000	366,750	73,779
2032-36	5,555,000	1,065,250	214,295
2037	820,000	41,000	8,247
Total	<u>\$ 10,730,000</u>	<u>\$ 3,374,500</u>	<u>\$ 678,844</u>

As of June 30, 2026, the District had authorized the issuance of \$487,676 for purchases of buses, which remained unissued.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

3. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

5. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit do not exceed 10% of the average full valuation of taxable real estate within such District. At June 30, 2026 the District has exhausted 17.12% of its constitutional debt limit.

III. Deferred Inflows of Resources

Deferred inflows of resources on the balance sheet - governmental funds arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. The District has established a ninety-day availability period.

IV. Deferred Outflows and Inflows of Resources

The deferred outflows and inflows reported on the statement of net position consist of the following:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	\$ 3,317,016	\$ 2,461,489
OPEB	3,982,193	19,942,158
Total	<u>\$ 7,299,209</u>	<u>\$ 22,403,647</u>

4. COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. Federal and State Grants

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

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026

4. COMMITMENTS AND CONTINGENCIES

C. Risk Financing and Related Insurance

General Information

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

Self-Insured Pharmacy

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

All known claims filed and an estimate of all incurred, but not reported claims existing at June 30, 2026, have been recorded as accrued liabilities in the general fund.

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

Health Insurance Plan

The District is a member of the Capital Area Schools Health Insurance Consortium (the Consortium), which is a trust formed under New York State Law on May 1, 1994. The Consortium is considered a public entity risk pool which is defined as a cooperative group of governmental entities joining together to finance an exposure, liability or risk, and is tax-exempt under Section 501(c)(9) of the Internal Revenue Code. The Consortium is governed by a trust agreement and a board of trustees who execute the provisions of the Trust, as set forth in the agreement. The Consortium has contracted with Amsure Associates for third party administration.

The Consortium was formed to allow its member school districts to obtain health insurance and prescription drug benefits at lower cost through a pooled purchasing arrangement. The Consortium procures group insurance contracts with insurance carriers for medical, prescription drug and dental benefits, in which the Consortium is not liable for any medical, prescription drug or dental claims. However, the Consortium also maintains a self-insured prescription drug plan for which the individual Consortium members are liable for any claims in excess of the balances maintained by the Consortium. As of June 30, 2026, the District's prescription drug plan account balance maintained by the Consortium is \$1,990,388.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

4. COMMITMENTS AND CONTINGENCIES

C. Risk Financing and Related Insurance

Health Insurance Plan

The District has chosen to establish a self-funded prescription drug benefit program for all eligible employees. The pharmacy benefit manager is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the District. At year-end, the District has a liability of \$0. With electronic claims submissions, all incurred claims are reported within two weeks, and have been included within the fiscal year's claims, effectively representing reported and unreported claims which were incurred on or before year-end, but which were not paid by the District as of that date. Claims activity is summarized below for the past fiscal year and when available in future years, comparative data will also be reported:

	<u>2025-2026</u>
Claims and Administration Fees	\$ 2,534,250
Claim Payments	(2,534,250)
Estimated Incurred but not reported as of June 30	-
Balance at End of Year	<u><u>\$ -</u></u>

Risks of Losses of Unemployment

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

The activity for the unemployment insurance reserve for the year ended June 30, 2026, is as follows:

	<u>Beginning Balance</u>	<u>Change in Estimates</u>	<u>Payments Made (Transfers)</u>	<u>Ending Balance</u>
Unemployment insurance reserve	<u>\$ 162,818</u>	<u>\$ -</u>	<u>\$ (6,227)</u>	<u>\$ 169,045</u>

Claims are recognized as expenditures when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. At June 30, 2026, management estimates there are no outstanding liabilities.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

4. COMMITMENTS AND CONTINGENCIES

C. Risk Financing and Related Insurance

Risks of Losses of Worker's Compensation

The District participates in the Schoharie Area Workers' Compensation Plan, a risk sharing pool of thirteen area school districts formed by a trust agreement to fund the costs of workers' compensation coverage through a group self-insurance program. At June 30, 2026, management estimates there are no outstanding liabilities.

5. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Plan Description

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

The obligations of the Plan members, employers and other contributing entities are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are eligible for the retiree health benefits upon meeting the following requirements: Teachers and Administrators age 55 with 5 years of service who are eligible to retire and collect benefits according to the NYSTRS are eligible for retiree health care benefits for life from the School District. Support staff hired before January 1, 2010 age 55 with 5 years of service are eligible to retire and collect benefits for life from the School District according to NYSERS. Members after January 1, 2010 must be 55 years old with 10 years of service to qualify for NYSERS health care benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis.

Funding Policy

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

Benefits Provided

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

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

5. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	165
Inactive employees entitled to but not yet receiving benefit payments	-
Active Employees	<u>146</u>
Total	<u><u>311</u></u>

Net OPEB Liability

The District's total OPEB liability was measured as of June 30, 2026; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2025.

Actuarial Assumption and Other Inputs

The total OPEB liability at June 30, 2026 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary Increases	2.2% - 12.3% based on NYS TRS or ERS Assumptions
Discount Rate	4.32%
Healthcare Cost Trend Rates	
Medical/RX	Initial rate of 6.60% for 2025 decreasing to an ultimate rate of 4.04%
Part B	Initial rate of 9.68% for 2025 decreasing to an ultimate rate of 4.04%
Vision	3.00%

Mortality rates were based Pub-2010 General Employees Headcount-Weighted table projected fully generationally using MP-2021 for employees participating in NYS ERS and TRS.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

5. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

Actuarial Assumption and Other Inputs

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

Balance at June 30, 2025	\$ 54,097,164
<u>Changes for the Year -</u>	
Service cost	\$ 1,430,614
Interest	2,622,863
Changes of benefit terms	1,133,509
Differences between expected and actual experience	(6,193,758)
Changes in assumptions or other inputs	4,532,484
Benefit payments	(2,020,524)
Net Changes	<u>\$ 1,505,188</u>
Balance at June 30, 2026	<u>\$ 55,602,352</u>

Changes in assumptions or other inputs for the year ended June 30, 2026 related to the change in discount rate in accordance with provision of GASB Statement No. 75.

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

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using discount rate that is 1 percentage point lower (3.32%) or 1 percentage point higher (5.32%) than the current discount rate:

	1% Decrease (3.32%)	Discount Rate (4.32%)	1% Increase (5.32%)
Total OPEB Liability	\$ 64,316,767	\$ 55,602,352	\$ 48,569,664

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.60% decreasing to 3.04%) or 1 percentage point higher (7.60% decreasing to 5.04%) than the current healthcare cost trend rate:

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

	1% Decrease (5.60% Decreasing to 3.04%)	Healthcare Cost Trend Rates (6.60% Decreasing to 4.04%)	1% Increase (7.60% Decreasing to 5.04%)
Total OPEB Liability	\$ 47,766,212	\$ 55,602,352	\$ 65,571,428

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

5. OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS PAYABLE

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

For the year ended June 30, 2026, the District recognized OPEB expense (recovery) of \$(7,292,458). At June 30, 2026, 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	\$ 205,123	\$ 13,600,307
Changes of assumptions	3,777,070	6,341,851
Total	<u>\$ 3,982,193</u>	<u>\$ 19,942,158</u>

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

<u>Year</u>	
2027	\$ (5,284,870)
2028	(5,284,871)
2029	(4,083,430)
2030	(1,029,915)
2031	(276,879)
Thereafter	-
Total	<u>\$ (15,959,965)</u>

6. LEASE ASSETS

A summary of the lease asset activity during the year ended June 30, 2026 is as follows:

<u>Type</u>	<u>Balance 7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2026</u>
<u>Lease Assets:</u>				
Equipment	\$ 152,931	\$ 3,199	\$ -	\$ 156,130
Total Lease Assets	<u>\$ 152,931</u>	<u>\$ 3,199</u>	<u>\$ -</u>	<u>\$ 156,130</u>
<u>Less Accumulated Amortization -</u>				
Equipment	\$ 122,809	\$ 11,291	\$ -	\$ 134,100
Total Accumulated Amortization	<u>\$ 122,809</u>	<u>\$ 11,291</u>	<u>\$ -</u>	<u>\$ 134,100</u>
Total Lease Assets, Net	<u>\$ 30,122</u>	<u>\$ (8,092)</u>	<u>\$ -</u>	<u>\$ 22,030</u>

Amortization expense of \$11,291 is included in amortization - unallocated on the statement of activities.

**MIDDLEBURGH CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2026**

7. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 1, 2026, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2026, have been incorporated into these statements herein.

Required Supplementary Information
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For The Year Ended June 30, 2026

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Over (Under) Original Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Revised Budget</u>
REVENUES					
Local Sources -					
Real property taxes	\$ 10,565,742	\$ 10,565,742	\$ -	\$ 10,573,927	\$ 8,185
Real property tax items	49,653	49,653	-	51,851	2,198
Charges for services	142,500	142,500	-	223,387	80,887
Use of money and property	51,000	51,008	8	330,971	279,963
Sale of property and compensation for loss	-	-	-	38,301	38,301
Miscellaneous	80,000	80,000	-	170,984	90,984
State Sources -			-		
Basic formula	11,903,526	11,903,526	-	11,834,064	(69,462)
BOCES	761,858	761,858	-	893,677	131,819
Textbooks	36,115	36,115	-	26,052	(10,063)
All Other Aid -			-		
Computer software	18,108	18,108	-	17,250	(858)
Library loan	3,888	3,888	-	3,706	(182)
Other aid	-	-	-	34,502	34,502
Federal Sources	60,000	60,000	-	152,666	92,666
TOTAL REVENUES	<u>\$ 23,672,390</u>	<u>\$ 23,672,398</u>	<u>\$ 8</u>	<u>\$ 24,351,338</u>	<u>\$ 678,940</u>
Other Sources -					
Transfer - in	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ -
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 23,772,390</u>	<u>\$ 23,772,398</u>	<u>\$ 8</u>	<u>\$ 24,451,338</u>	<u>\$ 678,940</u>
Appropriated reserves	405,795	441,119			
Appropriated fund balance	921,815	921,815			
Prior year encumbrances	\$ 112,704	\$ 112,704			
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	<u><u>\$ 25,212,704</u></u>	<u><u>\$ 25,248,036</u></u>			

Required Supplementary Information
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For The Year Ended June 30, 2026

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Over (Under) Original Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
EXPENDITURES						
General Support -						
Board of education	\$ 32,870	\$ 32,870	\$ -	\$ 24,276	\$ -	\$ 8,594
Central administration	277,841	270,505	(7,336)	261,946	-	8,559
Finance	382,787	407,678	24,891	396,346	6,228	5,104
Staff	148,442	148,442	-	138,835	-	9,607
Central services	1,612,815	1,812,992	200,177	1,692,522	64,325	56,145
Special items	211,677	206,096	(5,581)	205,206	-	890
Instructional -						
Instruction, administration and improvement	573,341	571,415	(1,926)	519,883	-	51,532
Teaching - regular school	5,176,196	5,121,215	(54,981)	4,976,671	21,042	123,502
Programs for children with disabilities school age - school year	3,643,853	3,706,992	63,139	3,668,069	442	38,481
Occupational education	570,711	570,012	(699)	570,012	-	-
Instructional media	868,160	883,000	14,840	857,620	1,798	23,582
Pupil services	1,041,037	1,045,358	4,321	1,034,492	-	10,866
Pupil Transportation	1,487,176	1,543,696	56,520	1,506,187	1,625	35,884
Employee Benefits	7,257,420	6,981,596	(275,824)	6,805,637	-	175,959
Debt service - principal	1,153,408	1,153,408	-	1,145,408	-	8,000
Debt service - interest	639,970	632,070	(7,900)	627,970	-	4,100
TOTAL EXPENDITURES	<u>\$ 25,077,704</u>	<u>\$ 25,087,345</u>	<u>\$ 9,641</u>	<u>\$ 24,431,080</u>	<u>\$ 95,460</u>	<u>\$ 560,805</u>
Other Uses -						
Transfers - out	\$ 135,000	\$ 160,691	\$ 25,691	\$ 159,682	\$ -	\$ 1,009
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 25,212,704</u>	<u>\$ 25,248,036</u>	<u>\$ 35,332</u>	<u>\$ 24,590,762</u>	<u>\$ 95,460</u>	<u>\$ 561,814</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -		\$ (139,424)		
FUND BALANCE, BEGINNING OF YEAR	<u>7,836,176</u>	<u>7,836,176</u>		<u>7,836,176</u>		
FUND BALANCE, END OF YEAR	<u><u>\$ 7,836,176</u></u>	<u><u>\$ 7,836,176</u></u>		<u><u>\$ 7,696,752</u></u>		

Required Supplementary Information
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Note to Budgetary Comparison Schedule
For The Year Ended June 30, 2026

The difference between the adopted budget and the final amended budget was \$148,036. This change is attributable to \$112,704 for carry over encumbrances from the prior year and \$35,332 for insurance proceeds received.

The key factors for budget variances in the General fund are listed below along with explanations for each:

Expenditure Items	Budget Variance Original Vs. Amended	Explanation for Budget Variance
Central services	\$ 200,177	The variance is primarily attributable to the use of available year-end funding to complete one-time expenditures and purchases for the Buildings and Grounds Department
Employee Benefits	\$ (275,824)	The variance is primarily attributable to lower-than-anticipated expenditures for HRA benefits, dental insurance, and Medicare Part B reimbursements.
Revenue Items	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Use of money and property	\$ 279,963	The variance is primarily attributable to higher-than-anticipated interest earnings due to favorable rates of return on the District's NYCLASS investments.
BOCES Aid	\$ 131,819	The variance is primarily attributable to additional BOCES services utilized during the year, which resulted in higher-than-anticipated BOCES aid.
Teaching - regular school	\$ 123,502	The variance is primarily attributable to lower-than-anticipated expenditures for tuition, contractual services, materials and supplies, and textbooks.
Employee Benefits	\$ 175,959	The variance is primarily attributable to lower-than-anticipated employee participation in the District's benefit plans.

Required Supplementary Information
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Schedule of Changes in Total OPEB Liability
For The Year Ended June 30, 2026

	TOTAL OPEB LIABILITY									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
Service cost	\$ 1,430,614	\$ 1,627,035	\$ 1,601,711	\$ 1,834,776	\$ 3,197,472	\$ 3,029,018	\$ 1,355,014	\$ 1,167,442	\$ 1,229,622	
Interest	2,622,863	2,414,400	3,273,604	2,979,320	2,559,547	2,527,061	1,808,501	1,893,617	1,898,289	
Changes in benefit terms	1,133,509	-	(6,386,250)	-	(302,630)	-	133,723	-	-	
Differences between expected and actual experiences	(6,193,758)	289,032	(16,877,683)	37,311	(13,087,179)	6,681	32,129,703	-	-	
Changes of assumptions or other inputs	4,532,484	(4,807,238)	(1,443,409)	(7,245,964)	(22,885,699)	983,229	28,451,151	3,306,320	(2,577,004)	
Benefit payments	<u>(2,020,524)</u>	<u>(2,272,962)</u>	<u>(1,947,089)</u>	<u>(2,589,956)</u>	<u>(2,329,704)</u>	<u>(2,794,542)</u>	<u>(2,657,181)</u>	<u>(5,238,781)</u>	<u>(3,217,965)</u>	
Net Change in Total OPEB Liability	\$ 1,505,188	\$ (2,749,733)	\$ (21,779,116)	\$ (4,984,513)	\$ (32,848,193)	\$ 3,751,447	\$ 61,220,911	\$ 1,128,598	\$ (2,667,058)	
Total OPEB Liability - Beginning	\$ 54,097,164	\$ 56,846,897	\$ 78,626,013	\$ 83,610,526	\$ 116,458,719	\$ 112,707,272	\$ 51,486,361	\$ 50,357,763	\$ 53,024,821	
Total OPEB Liability - Ending	\$ 55,602,352	\$ 54,097,164	\$ 56,846,897	\$ 78,626,013	\$ 83,610,526	\$ 116,458,719	\$ 112,707,272	\$ 51,486,361	\$ 50,357,763	
Covered Employee Payroll	\$ 8,981,692	\$ 8,935,133	\$ 8,718,564	\$ 9,143,519	\$ 7,993,200	\$ 8,470,700	\$ 8,534,798	\$ 8,363,249	\$ 8,507,795	
Total OPEB Liability as a Percentage of Covered Employee Payroll	619.06%	605.44%	652.02%	859.91%	1046.02%	1374.84%	1320.56%	615.63%	591.90%	

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Schedules of Proportionate Share of the Net Pension Liability (Asset)
For The Year Ended June 30, 2026

NYSERS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net pension liability (assets)	0.0067%	0.0066%	0.0075%	0.0069%	0.0068%	0.0064%	0.0068%	0.0073%	0.0075%	0.0077%
Proportionate share of the net pension liability (assets)	\$ 376,969	\$ 1,134,336	\$ 1,104,037	\$ 1,481,750	\$ (553,301)	\$ 6,390	\$ 1,802,900	\$ 513,400	\$ 241,600	\$ 718,400
Covered-employee payroll	\$ 2,770,930	\$ 2,189,663	\$ 2,144,813	\$ 1,918,206	\$ 2,339,154	\$ 2,027,125	\$ 1,904,600	\$ 1,906,500	\$ 1,989,200	\$ 2,018,000
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	13.6%	51.8%	51.5%	77.2%	-23.65%	0.32%	94.66%	26.93%	12.15%	35.60%
Plan fiduciary net position as a percentage of the total pension liability	97.78%	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%
NYSTRS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net pension liability (assets)	0.0357%	0.0360%	0.0372%	0.0416%	0.0399%	0.0416%	0.0414%	0.0447%	0.0450%	0.0454%
Proportionate share of the net pension liability (assets)	\$ (2,111,039)	\$ (1,075,397)	\$ 425,860	\$ 798,435	\$ (6,906,727)	\$ 1,150,073	\$ (1,075,400)	\$ (807,700)	\$ (342,000)	\$ 486,300
Covered-employee payroll	\$ 7,284,109	\$ 7,204,680	\$ 7,140,073	\$ 7,106,674	\$ 7,583,553	\$ 7,011,533	\$ 7,064,300	\$ 6,909,200	\$ 6,301,600	\$ 7,006,700
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-28.98%	-14.93%	5.96%	11.24%	-91.08%	16.40%	-15.22%	-11.69%	-5.43%	6.94%
Plan fiduciary net position as a percentage of the total pension liability	102.10%	102.10%	99.20%	98.60%	113.20%	97.80%	102.20%	101.53%	100.66%	99.01%

Required Supplementary Information
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Schedules of District Contributions
For The Year Ended June 30, 2026

NYSERS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 390,374	\$ 343,315	\$ 282,501	\$ 220,940	\$ 309,594	\$ 274,934	\$ 277,500	\$ 292,000	\$ 293,300	\$ 303,100
Contributions in relation to the contractually required contribution	(390,374)	(343,315)	(282,501)	(220,940)	(309,594)	(274,934)	(277,500)	(292,000)	(293,300)	(303,100)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,770,930	\$ 2,189,663	\$ 2,144,813	\$ 1,918,206	\$ 2,339,154	\$ 2,027,125	\$ 1,904,600	\$ 1,906,500	\$ 1,989,200	\$ 2,018,000
Contributions as a percentage of covered-employee payroll	14.09%	15.68%	13.17%	11.52%	13.24%	13.56%	14.57%	15.32%	14.74%	15.02%

NYSTRS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 707,749	\$ 671,682	\$ 707,717	\$ 722,376	\$ 644,695	\$ 625,891	\$ 625,900	\$ 756,800	\$ 835,600	\$ 929,100
Contributions in relation to the contractually required contribution	(707,749)	(671,682)	(707,717)	(722,376)	(644,695)	(625,891)	(625,900)	(756,800)	(835,600)	(929,100)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,284,109	\$ 7,204,680	\$ 7,140,073	\$ 7,106,674	\$ 7,583,553	\$ 7,011,533	\$ 7,064,300	\$ 6,909,200	\$ 6,301,600	\$ 7,006,700
Contributions as a percentage of covered-employee payroll	9.72%	9.32%	9.91%	10.16%	8.50%	8.93%	8.86%	10.95%	13.26%	13.26%

Supplementary Information
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Schedule of Changes From Adopted Budget To Final Budget
And The Schedule of Real Property Tax Limit
For The Year Ended June 30, 2026

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 25,100,000
Prior year's encumbrances	<u>112,704</u>
Original Budget	\$ 25,212,704
Budget revisions -	
Insurance proceeds	<u>35,332</u>
FINAL BUDGET	<u><u>\$ 25,248,036</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2026-27 voter approved expenditure budget	\$ 25,616,095
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Unrestricted fund balance:

Assigned fund balance	\$ 1,017,275
Unassigned fund balance	<u>1,349,758</u>
Total Unrestricted fund balance	<u>\$ 2,367,033</u>

Less adjustments:

Appropriated fund balance	\$ 921,815
Encumbrances included in assigned fund balance	<u>95,460</u>
Total adjustments	<u>\$ 1,017,275</u>

General fund fund balance subject to Section 1318 of

Real Property Tax Law	<u>1,349,758</u>
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ACTUAL PERCENTAGE	<u><u>5.27%</u></u>
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Supplementary Information
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures - Capital Projects Fund
For The Year Ended June 30, 2026

<u>Project Title</u>	<u>Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>				<u>Fund Balance</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		<u>Obligations</u>	<u>Local Sources</u>	<u>State / Federal Sources</u>	<u>Total</u>	
Misc Prior Projects	\$ 621,306	\$ 878,946	\$ -	\$ 878,946	\$ (257,640)	\$ 215,524	\$ 285,504	\$ 355,599	\$ 856,627	\$ (22,319)
Reconstruction/Additions	4,123,271	4,070,758	-	4,070,758	52,513	3,376,959	125,000	733,328	4,235,287	164,529
Bus Purchases	1,293,440	1,711,293	-	1,711,293	(417,853)	-	1,085,338	35,324	1,120,662	(590,631)
Flood Remediation	2,743,391	2,743,391	-	2,743,391	-	-	455,318	2,335,681	2,790,999	47,608
Reconstruction Project	15,000,000	14,946,179	-	14,946,179	53,821	14,275,000	438,686	-	14,713,686	(232,493)
Reconstruction Project - 2026	8,100,000	108,930	1,634,704	1,743,634	6,356,366	-	2,000,000	-	2,000,000	256,366
Bus Purchases 21/22 & 22/23	819,541	692,883	-	692,883	126,658	-	376,235	-	376,235	(316,648)
Bus Purchases 23/24	-	256,987	-	256,987	(256,987)	367,908	-	-	367,908	110,921
Bus Purchases 24/25	-	527,640	-	527,640	(527,640)	368,609	-	-	368,609	(159,031)
Bus Purchases 25/26	-	-	484,000	484,000	(484,000)	401,644	-	-	401,644	(82,356)
Security Project	300,000	166,381	100,000	266,381	33,619	-	299,596	-	299,596	33,215
Smart School Bond Act	922,936	755,360	-	755,360	167,576	-	-	755,360	755,360	-
TOTAL	\$ 33,923,885	\$ 26,858,748	\$ 2,218,704	\$ 29,077,452	\$ 4,846,433	\$ 19,005,644	\$ 5,065,677	\$ 4,215,292	\$ 28,286,613	\$ (790,839)

Supplementary Information
MIDDLEBURGH CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets/Lease Assets
June 30, 2026

Capital assets/right to use assets, net		\$ 18,538,543
Add:		
Unspent proceeds	<u>\$ 1,405,851</u>	1,405,851
Deduct:		
Bond payable	\$ 10,730,000	
Retainage payable	23,865	
Unamortized bond premium	678,844	
Assets purchased with short-term financing	<u>1,287,917</u>	
		<u>12,720,626</u>
Net Investment in Capital Assets/Lease Assets		<u><u>\$ 7,223,768</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and fiduciary activities of the Middleburgh Central School District (the District), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2026-001.

District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mengel, Metzger, Barw & Co. LLP

Latham, NY
October 1, 2026

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2026

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____yes <u> X </u> no
• Significant deficiency(ies) identified?	_____yes <u> X </u> none reported
Noncompliance material to financial statements noted?	_____Xyes _____no

Section II: Financial Statement Findings

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

Noncompliance Material to the Financial Statements

2026-001 Compliance with New York State Real Property Tax Law

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 2026/2027 general fund budget by \$325,114.

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

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

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

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

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

Views of responsible officials and planned corrective actions: The District reviews fund balance projections quarterly to ensure excess fund balance is considered when preparing the subsequent year's budget and in reviewing reserve balances. The District anticipates using a portion of fund balance to balance the budget and keep the tax levy increase minimal or at 0%.

MIDDLEBURGH CENTRAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2026

2025-001 Compliance with New York State Real Property Tax Law

Condition: Unassigned fund balance of the general fund exceeds 4% of the 24/25 general fund budget by \$614,472.

Current Status: This item is repeated as finding 2026-001.