

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN

***GENERAL PURPOSE
FINANCIAL STATEMENTS***

JUNE 30, 2025

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enlarged City School District of Middletown, New York, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Enlarged City School District of Middletown, New York, as of June 30, 2025, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 5 through 15 and 56 through 61, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Matters

The prior year summarized comparative information was derived from the District's June 30, 2024 financial statements and, in our report dated October 8, 2024, we expressed an unmodified opinion on the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2025 on our consideration of the Enlarged City School District of Middletown, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enlarged City School District of Middletown, New York's internal control over financial reporting and compliance.

Cooper Arias, LLP

Mongaup Valley, New York
October 14, 2025

Management's Discussion and

Analysis

Enlarged City School District of

Middletown

Year Ended June 30, 2025

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

Enlarged City School District of Middletown

The following is a discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2025. This section is a summary of the School District's financial activity based on currently known facts, decisions or conditions. Additionally, based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for 2025 are as follows:

District-Wide Statements

- Total net position - end of year was \$133,204,716 at June 30, 2025, an increase of \$28,307,634 from the prior year's restated net position.
- Real property tax revenues accounted for \$69,296,183 or 23% of total revenues. State, local and federal sources accounted for \$236,215,810 or 77% of total revenues. The percentage of tax revenues, as well as State, local and federal funding, remained consistent from last year to the current year.

General Fund Financial Statements

- Among major funds, the General Fund had \$273,791,478 in total revenues, of which \$69,584,083 or 25% comprised of real property tax revenues and \$204,207,395 or 75% comprised of State, local and federal sources. The General Fund expenditures totaled \$269,805,619 for the year ended June 30, 2025. The General Fund's fund balance increased from \$53,035,214 at June 30, 2024 to \$57,021,073 at June 30, 2025. Amounts restricted totaled \$35,447,242 and amounts encumbered at year end totaled \$3,474,425, leaving \$18,099,406 as unassigned. A Capital Reserve established in May 2021 by voters is currently funded with \$312,927 and a Capital Reserve established in May 2025 by voters is currently funded with \$12 million.

Using this Comprehensive Annual Report

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

Reporting the District as a Whole

The Statement of Net Position and Statement of Activities

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Government Funds

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

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee or fiduciary for assets that belong to others such as the student activities funds. It is the District's responsibility to ensure that assets reported in these funds are being used for their intended purposes. The District's fiduciary activities are reported in a separate "Statement of Fiduciary Net Position" schedule, as the District may not use these assets to finance its operations.

The District as a Whole

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

Statement of Net Position	2025	2024
<i>Current Assets</i>	133,973,354	114,491,712
<i>Net Pension Assets</i>	14,077,267	-
<i>Capital Assets, net</i>	293,162,263	274,814,853
<i>Total Assets</i>	441,212,884	389,306,565
<i>Pensions</i>	39,137,874	44,695,738
<i>OPEB Liability</i>	67,206,552	17,084,398
<i>Total Deferred Outflows of Resources</i>	106,344,426	61,780,136
<i>Current Liabilities</i>	38,403,676	24,430,633
<i>Long Term Liabilities</i>	308,603,266	254,354,725
<i>Total Liabilities</i>	347,006,942	278,785,358
<i>Pensions</i>	20,062,044	11,180,688
<i>OPEB Liability</i>	47,283,608	54,559,487
<i>Total Deferred Inflows of Resources</i>	67,345,652	65,740,175
<i>Net Investment in Capital Assets</i>	211,071,495	184,944,062
<i>Restricted</i>	36,142,818	29,933,003
<i>Unrestricted</i>	(114,009,597)	(108,315,897)
<i>Total Net Position</i>	133,204,716	106,561,168

GENERAL REVENUES

	2025	2024
<i>Real Property Taxes</i>	69,296,183	68,326,368
<i>Other Tax Items</i>	4,912,230	4,961,538
<i>Non-Property Taxes</i>	2,680,935	2,398,814
<i>Investment Earnings</i>	3,940,531	3,714,169
<i>Sale of Property and Compensation for Loss</i>	1,418,830	2,953,137
<i>Miscellaneous Local Sources</i>	2,302,715	1,643,878
<i>Premium on Obligations</i>	116,105	21,950
<i>State Sources</i>	187,999,509	176,492,199
<i>Federal Sources</i>	320,467	305,200
<i>Total General Revenues</i>	272,987,505	\$260,817,253

<i>General Expenditures</i>	2025	2024
<i>General Support</i>	(27,628,882)	(36,159,222)
<i>Instruction</i>	(198,834,893)	(197,457,429)
<i>Pupil Transportation</i>	(15,162,316)	(13,988,146)
<i>Community Service</i>	-	(950)
<i>Debt Service</i>	(3,193,555)	(2,898,085)
<i>School Lunch Program</i>	139,775	242,756
<i>Total Net Program (Expenditures)/Revenues</i>	(244,679,871)	(250,261,076)
<i>CHANGE IN NET POSITION</i>	28,307,634	10,556,177

Governmental Activities

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

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

The District's Funds

Information about the School District's major funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and Other Sources of \$328,236,512 and total expenditures and Other Uses of \$322,130,757. The District's governmental fund balances increased \$6,105,755 across all funds. The Capital Projects balance sheet has increased due to voter approval of several projects.

<i>Fund Balance</i>	2025	2024	Change
<i>General</i>	57,021,073	53,035,214	3,985,859
<i>Special Aid</i>	-	-	-
<i>School Lunch</i>	7,624,126	7,679,058	(54,932)
<i>Capital Projects</i>	27,585,749	25,929,955	1,655,794
<i>Non-Major</i>	1,820,404	1,301,370	519,034
<i>Total Governmental Funds</i>	94,051,352	87,945,597	6,105,755

General Fund Budget Information

The District's budget is prepared in accordance with New York State law and based on the modified accrual basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant fund is the General Fund. Changes from original budget to final budget are detailed in schedules included in the financial statements.

Governmental Fund Activity

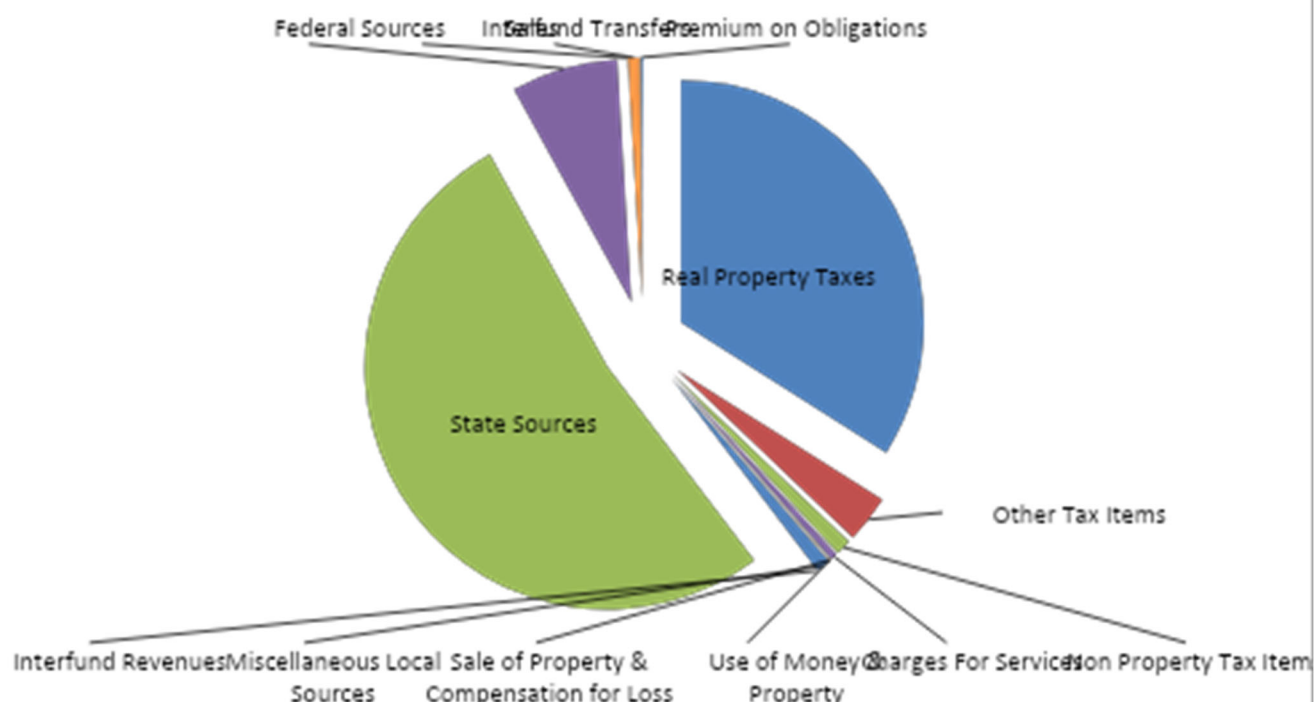
The tables and graphs that follow assist in illustrating the financial activities of the Total Governmental Funds.

<i>Revenues</i>	2025	2024
<i>Real Property Taxes</i>	69,584,083	67,809,619
<i>Other Tax Items</i>	4,912,230	4,961,538
<i>Non-Property Tax Items</i>	2,680,935	2,398,814
<i>Charges for Services</i>	647,844	644,992
<i>Use of Money & Property</i>	3,999,624	3,754,684
<i>Sale of Property & Compensation for Loss</i>	1,418,830	2,953,137
<i>Miscellaneous Local Sources</i>	2,377,652	1,673,439
<i>Interfund Revenues</i>	27,256	76,735
<i>State Sources</i>	194,448,378	182,212,103
<i>Federal Sources</i>	25,268,619	23,394,576
<i>Sales</i>	345,593	300,279
<i>Operating Interfund Transfers</i>	22,409,363	26,746,195
<i>Proceeds of Long-Term Debt</i>	-	17,390,000
<i>BAN's Redeemed</i>	-	1,795,000
<i>Premium on Obligations</i>	116,105	1,915,880
<i>Total Revenues and Other Sources</i>	328,236,512	338,026,991

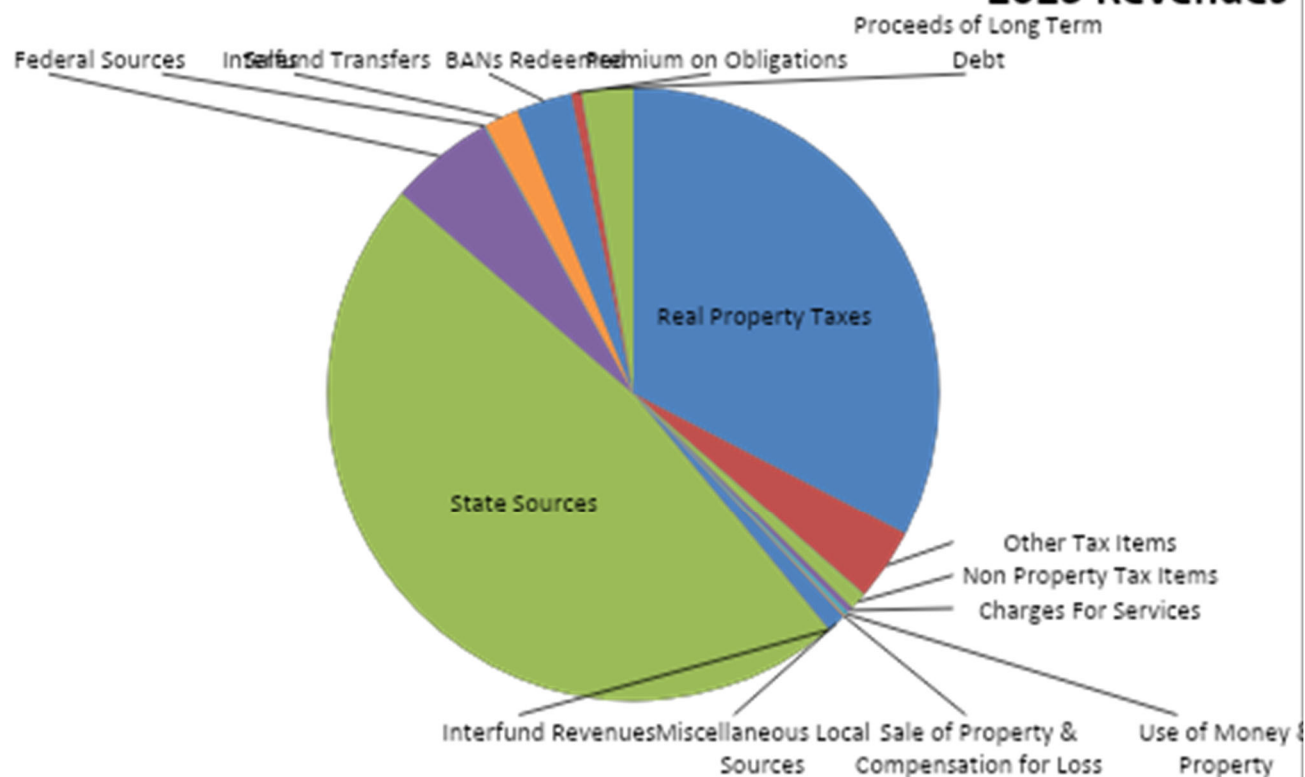
Overall revenues decreased slightly from the prior year mainly due to large decreases in debt related revenues, offset by smaller increases in property taxes and State aid. The property tax revenue, exclusive of STAR revenues, was up \$1,774,464. Expenditures increased slightly as a result of various different items. Revenues and expenditures are depicted on the graphs on the succeeding pages

<i>Expenditures</i>	2025	2024
<i>General Support</i>	38,684,421	37,448,504
<i>Instruction</i>	156,744,101	150,097,785
<i>Pupil Transportation</i>	15,807,879	14,438,588
<i>Community Service</i>	-	950
<i>Employee Benefits</i>	51,715,107	55,635,443
<i>Debt Service</i>	10,763,422	11,892,509
<i>Cost of Sales</i>	6,429,745	5,737,272
<i>Capital Outlay</i>	19,576,719	15,081,054
<i>Interfund Transfers Out</i>	22,409,363	26,746,195
<i>Total Expenditures and Other Uses</i>	322,130,757	317,078,300

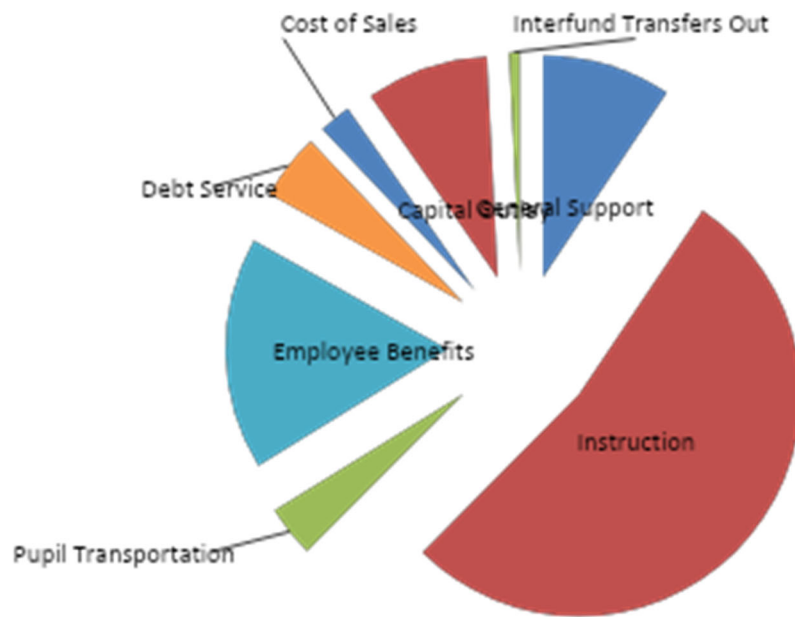
2024 Revenues



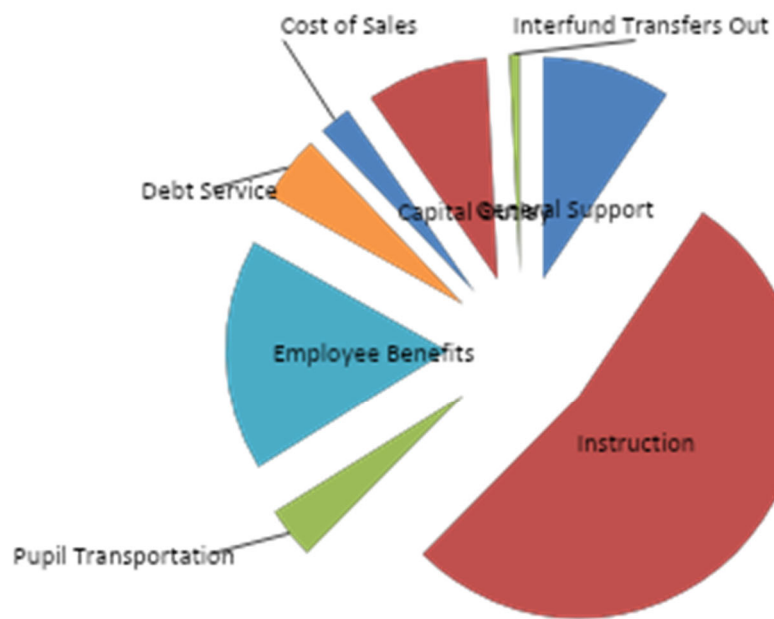
2025 Revenues



2024 Expenditures



2025 Expenditures



School Food Service Highlights

The School Food Service had an operating deficit of \$54,932, and a year-end fund balance of \$7,624,126. The food service department continues to be productive and efficient. There is a planned spend down of the fund balance. A little over \$5M will be allocated to the current Twin Towers revitalization project central prep and new cafe area.

Capital Assets

As of June 30, 2025, the District has \$293,162,263 invested in capital assets, net of \$181,758,125 in accumulated depreciation, and depreciation expense was \$14,210,549.

Debt

As of June 30, 2025, the District has \$76,670,000 in outstanding bonds, \$15,000,000 in outstanding bond anticipation notes and \$814,032 outstanding in an energy performance contract. The District paid \$3,357,097 in long term debt interest and \$0 in short term debt interest during the year.

Moody's Investors Service, as of April 15, 2024, assigned rating for the District remains Aa3. Issuer Rating reflects the government's ability to repay debt and debt-like obligations without consideration of any pledge, security or structural features. In some circumstances, credit characteristics are sufficient to result in a GO bond rating that is higher than the Issuer Rating. Local governments with Moody's rated debt outstanding will have separate ratings detailed by security pledge on their Moody's.com issuer page and credit opinions explaining our credit view for each rating.

Factors Bearing on the District's Future

There are critical socioeconomic concerns that presently bear a factor on the Enlarged City School District of Middletown's future. The first and highest priority is any residual effects of COVID-19 and stability of State Aid projections. As of September 30, 2024 all federal funding programs (ARP, CRSAA) have ended, putting essential resources back into the General Fund expenditures. Also, the restrictions of the foundation aid formula, which directly influences the amount that taxes need to be levied when preparing the budget. New York State continues to have fiscal concerns and state aid is one of the largest revenue components for the District. The second factor is the stability of student enrollment in the District, which has increased over the past couple of years. In May 2022, the voters approved roof repairs at High School and William A Carter Elementary. Also, a new turf field at High School stadium, LED lighting, extended playground at Maple Hill Elementary, bus loop canopy at Presidential Park Elementary and new flooring at Monhagen MS and Presidential Park Elementary. Additionally, after a five-year building condition survey there are some immediate health and safety repairs that need immediate attention. The third factor is the state legislation that requires a 2% cap on the tax levy of the District. The tax cap is calculated using formulas based on current year's levy, growth in tax base and inflation rates. The District has been very successful with voting as community confidence is high. The voters can approve a tax levy over the cap if the budget is passed by 60% plus one by voters.

Contacting the District's Financial Management

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

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

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Cash	\$ 56,725,767	\$ 66,754,458
Cash - Restricted	51,142,818	29,954,953
Taxes Receivable	2,750,366	2,902,590
Accounts Receivable	132,663	153,333
State And Federal Aid Receivable	12,552,635	10,242,602
Due From Other Governments	10,345,408	4,093,680
Inventory	<u>323,697</u>	<u>390,096</u>
Total Current Assets	<u>133,973,354</u>	<u>114,491,712</u>
Non-Current Asset		
Net Pension Asset	14,077,267	-
Capital Assets, net	<u>293,162,263</u>	<u>274,814,853</u>
Total Non-Current Assets	<u>307,239,530</u>	<u>274,814,853</u>
TOTAL ASSETS	<u>441,212,884</u>	<u>389,306,565</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	39,137,874	44,695,738
OPEB Liability	<u>67,206,552</u>	<u>17,084,398</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>106,344,426</u>	<u>61,780,136</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

(Continued)

	<u>2025</u>	<u>2024</u>
LIABILITIES		
Accounts Payable	\$ 8,057,554	\$ 6,758,792
Accrued Liabilities	952,098	606,084
Bond Anticipation Notes	15,000,000	-
Due To Other Governments	2,068,295	5,577,851
Due To TRS	11,268,420	10,494,007
Due To ERS	997,883	850,777
Unearned Revenues	<u>59,426</u>	<u>143,122</u>
 Total Current Liabilities	 <u>38,403,676</u>	 <u>24,430,633</u>
 Non-Current Liabilities		
Due Within One Year:		
Serial Bonds	7,685,000	7,150,000
Unamortized Bond Premium	373,698	373,698
Energy Performance Contract	263,692	256,325
Total OPEB Liability	4,000,000	3,200,000
Due Beyond One Year:		
Serial Bonds	68,985,000	76,670,000
Unamortized Bond Premium	4,233,038	4,606,736
Energy Performance Contract	550,340	814,032
Compensated Absences	6,264,622	4,669,092
Total OPEB Liability	204,219,619	141,180,278
Net Pension Liability	<u>12,028,257</u>	<u>15,434,564</u>
 Total Non-Current Liabilities	 <u>308,603,266</u>	 <u>254,354,725</u>
 TOTAL LIABILITIES	 <u>347,006,942</u>	 <u>278,785,358</u>
 DEFERRED INFLOWS OF RESOURCES		
Pensions	20,062,044	11,180,688
OPEB Liability	<u>47,283,608</u>	<u>54,559,487</u>
 TOTAL DEFERRED INFLOWS OR RESOURCES	 <u>67,345,652</u>	 <u>65,740,175</u>
 NET POSITION		
Net Investment In Capital Assets	211,071,495	184,944,062
Restricted	36,142,818	29,933,003
Unrestricted	<u>(114,009,597)</u>	<u>(108,315,897)</u>
 TOTAL NET POSITION	 <u>\$ 133,204,716</u>	 <u>\$ 106,561,168</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

FUNCTIONS/ PROGRAM	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</u>	
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND DONATION</u>	<u>CAPITAL GRANTS AND CONTRIBUTION</u>	<u>2025</u>	<u>2024</u>
General Support	\$ 37,732,603	\$ 59,093	\$ 51,015	\$ 9,993,613	\$ (27,628,882)	\$ (36,159,222)
Instruction	213,018,991	647,844	13,536,254	-	(198,834,893)	(197,457,429)
Pupil Transportation	15,822,516	-	660,200	-	(15,162,316)	(13,988,146)
Community Service	-	-	-	-	-	(950)
Debt Service	3,292,655	-	99,100	-	(3,193,555)	(2,898,085)
School Lunch Program	<u>7,337,594</u>	<u>345,593</u>	<u>7,131,776</u>	<u>-</u>	<u>139,775</u>	<u>242,756</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>277,204,359</u>	<u>1,052,530</u>	<u>21,478,345</u>	<u>9,993,613</u>	<u>(244,679,871)</u>	<u>(250,261,076)</u>
GENERAL REVENUES						
Real Property Tax					69,296,183	68,326,368
Other Tax Items					4,912,230	4,961,538
Non-Property Taxes					2,680,935	2,398,814
Investment Earnings					3,940,531	3,714,169
Premium on Obligations					116,105	21,950
Sale Of Property and Compensation For Loss					1,418,830	2,953,137
Miscellaneous Local Sources					2,302,715	1,643,878
State Sources					187,999,509	176,492,199
Federal Sources					<u>320,467</u>	<u>305,200</u>
TOTAL GENERAL REVENUES					<u>272,987,505</u>	<u>260,817,253</u>
CHANGE IN NET POSITION					28,307,634	10,556,177
TOTAL NET POSITION- Beginning of Year (Restated)					<u>104,897,082</u>	<u>92,167,919</u>
TOTAL NET POSITION- End of Year					<u>\$ 133,204,716</u>	<u>\$ 106,561,168</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2024)

	<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	<u>2024 TOTALS</u>
ASSETS							
Cash	\$ 16,443,276	\$ 2,531,520	\$ 6,694,055	\$ 29,997,743	\$ 1,059,173	\$ 56,725,767	\$ 66,754,458
Cash - Restricted	35,447,242	-	-	15,000,000	695,576	51,142,818	29,954,953
Taxes Receivable	2,750,366	-	-	-	-	2,750,366	2,902,590
Accounts Receivable	104,431	-	28,232	-	-	132,663	153,333
Due From Other Funds	6,145,284	-	-	-	65,655	6,210,939	22,867,626
Due From State and Federal	6,229,028	3,684,794	938,788	1,700,025	-	12,552,635	10,242,602
Due From Other Governments	10,345,408	-	-	-	-	10,345,408	4,093,680
Inventories	-	-	323,697	-	-	323,697	390,096
TOTAL ASSETS	<u>\$ 77,465,035</u>	<u>\$ 6,216,314</u>	<u>\$ 7,984,772</u>	<u>\$ 46,697,768</u>	<u>\$ 1,820,404</u>	<u>\$ 140,184,293</u>	<u>\$ 137,359,338</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 3,685,893	\$ 196,838	\$ 135,715	\$ 4,039,108	\$ -	\$ 8,057,554	\$ 6,758,792
Accrued Liabilities	452,177	2,517	50,005	-	-	504,699	467,941
Bond Anticipation Notes	-	-	-	15,000,000	-	15,000,000	-
Due To Other Funds	5,569	5,960,865	171,594	72,911	-	6,210,939	22,867,626
Due To Other Governments	2,068,295	-	-	-	-	2,068,295	5,577,851
Due To Teachers' Retirement System	11,268,420	-	-	-	-	11,268,420	10,494,007
Due To Employees' Retirement System	997,883	-	-	-	-	997,883	850,777
Unearned Revenues	-	56,094	3,332	-	-	59,426	143,122
TOTAL LIABILITIES	<u>18,478,237</u>	<u>6,216,314</u>	<u>360,646</u>	<u>19,112,019</u>	<u>-</u>	<u>44,167,216</u>	<u>47,160,116</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred Tax Revenues	<u>1,965,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,965,725</u>	<u>2,253,625</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,965,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,965,725</u>	<u>2,253,625</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2024)

	<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	<u>2024 TOTALS</u>
FUND BALANCES							
Non-spendable:							
Inventory	\$ -	\$ -	\$ 323,697	\$ -	\$ -	\$ 323,697	\$ 390,096
Restricted:							
Tax Certiorari	5,739,171	-	-	-	-	5,739,171	5,739,171
Unemployment Insurance	624,334	-	-	-	-	624,334	596,405
Retirement Contribution - ERS	4,660,993	-	-	-	-	4,660,993	3,505,930
Retirement Contribution - TRS	3,726,185	-	-	-	-	3,726,185	2,612,939
Employee Benefit Accrued Liability	4,595,960	-	-	-	-	4,595,960	4,669,092
Liability Claims	1,003,081	-	-	-	-	1,003,081	980,506
Property Loss	162,481	-	-	-	-	162,481	155,185
Workers Compensation	2,842,414	-	-	-	-	2,842,414	2,721,357
Capital	12,092,623	-	-	-	-	12,092,623	8,242,358
Scholarships	-	-	-	-	695,576	695,576	710,060
Assigned:							
Encumbrances	3,474,425	-	-	-	-	3,474,425	1,813,409
Appropriated	-	-	-	-	-	-	-
Unappropriated	-	-	7,300,429	27,585,749	1,124,828	36,011,006	33,821,772
Unassigned	<u>18,099,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,099,406</u>	<u>21,987,317</u>
TOTAL FUND BALANCES	<u>57,021,073</u>	<u>-</u>	<u>7,624,126</u>	<u>27,585,749</u>	<u>1,820,404</u>	<u>94,051,352</u>	<u>87,945,597</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 77,465,035</u>	<u>\$ 6,216,314</u>	<u>\$ 7,984,772</u>	<u>\$ 46,697,768</u>	<u>\$ 1,820,404</u>	<u>\$ 140,184,293</u>	<u>\$ 87,945,597</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2024)

	<u>2025</u>	<u>2024</u>
Total Governmental Fund Balances	\$ 94,051,352	\$ 87,945,597
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets and accumulated depreciation at June 30, 2025 are \$474,920,388 and \$181,758,125 respectively.	293,162,263	274,814,853
Proportionate share of long-term asset and liability associated with participation in State Retirement Systems are not current financial resources or obligations and are not reported in the governmental funds		
Net Pension Asset	14,077,267	
Deferred Outflows of Resources	39,137,874	
Net Pension Liability	(12,028,257)	
Deferred Inflows of Resources	<u>(20,062,044)</u>	21,124,840
		18,080,486
Long-term asset and liability associated with the Total OPEB Liability are not current financial resources or obligations and are not reported in the governmental funds		
Deferred Outflows of Resources	67,206,552	
Deferred Inflows of Resources	(47,283,608)	
Total OPEB Liability	<u>(208,219,619)</u>	(188,396,675)
		(181,855,367)
In the governmental funds, taxes receivable are offset by deferred inflows of resources representing taxes that will not be collected in the first 60 days of the subsequent year. In the statement of net position the receivable is fully recognized regardless of when received.	1,965,725	2,253,625
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds Payable	(76,670,000)	
Unamortized Bond Premium	(4,606,736)	
Energy Performance Contract	(814,032)	
Compensated Absences	<u>(6,264,622)</u>	(88,355,390)
		(94,539,883)
Accrued interest on debt is reported in the statement of net position, regardless of when due. In the governmental funds, interest is not reported until it is due.	<u>(447,399)</u>	<u>(138,143)</u>
Net Position of Governmental Activities	<u>\$ 133,204,716</u>	<u>\$ 106,561,168</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS	2024 TOTALS
REVENUES							
Real Property Taxes	\$ 69,584,083	\$ -	\$ -	\$ -	\$ -	\$ 69,584,083	\$ 67,809,619
Other Tax Items	4,912,230	-	-	-	-	4,912,230	4,961,538
Non-Property Tax Items	2,680,935	-	-	-	-	2,680,935	2,398,814
Charges For Services	647,844	-	-	-	-	647,844	644,992
Use of Money and Property	3,576,951	-	16,919	-	405,754	3,999,624	3,754,684
Sale of Property and Compensation For Loss	1,418,830	-	-	-	-	1,418,830	2,953,137
Miscellaneous Local Sources	2,192,330	10,654	-	-	174,668	2,377,652	1,673,439
Interfund Revenues	27,256	-	-	-	-	27,256	76,735
State Sources	187,999,509	5,792,499	556,370	100,000	-	194,448,378	182,212,103
Federal Sources	419,566	18,273,647	6,575,406	-	-	25,268,619	23,394,576
Sales	-	-	345,593	-	-	345,593	300,279
TOTAL REVENUES	273,459,534	24,076,800	7,494,288	100,000	580,422	305,711,044	290,179,916
OTHER FINANCING SOURCES							
Operating Transfers In	331,944	818,681	39,400	21,219,338	-	22,409,363	26,746,195
BANs Redeemed from Appropriations	-	-	-	-	-	-	1,795,000
Proceeds of Long Term Debt	-	-	-	-	-	-	17,390,000
Premium on Obligations	-	-	-	-	116,105	116,105	1,915,880
TOTAL REVENUES AND OTHER FINANCING SOURCES	273,791,478	24,895,481	7,533,688	21,319,338	696,527	328,236,512	338,026,991
EXPENDITURES							
General Support	28,739,792	9,944,629	-	-	-	38,684,421	37,448,504
Instruction	143,990,804	12,575,804	-	-	177,493	156,744,101	150,097,785
Pupil Transportation	14,982,628	825,251	-	-	-	15,807,879	14,438,588
Community Services	-	-	-	-	-	-	950
Employee Benefits	49,251,554	1,304,678	1,158,875	-	-	51,715,107	55,635,443
Debt Service:							
Principal	7,406,325	-	-	-	-	7,406,325	8,154,163
Interest	3,357,097	-	-	-	-	3,357,097	3,738,346
Cost of Sales	-	-	6,429,745	-	-	6,429,745	5,737,272
Capital Outlay	-	-	-	19,576,719	-	19,576,719	15,081,054
TOTAL EXPENDITURES	247,728,200	24,650,362	7,588,620	19,576,719	177,493	299,721,394	290,332,105
OTHER USES							
Operating Transfers Out	22,077,419	245,119	-	86,825	-	22,409,363	26,746,195
TOTAL EXPENDITURES AND OTHER USES	269,805,619	24,895,481	7,588,620	19,663,544	177,493	322,130,757	317,078,300
NET CHANGE IN FUND BALANCE	3,985,859	-	(54,932)	1,655,794	519,034	6,105,755	20,948,691
FUND BALANCE - Beginning of Year	53,035,214	-	7,679,058	25,929,955	1,301,370	87,945,597	66,996,906
FUND BALANCE - End of Year	\$ 57,021,073	\$ -	\$ 7,624,126	\$ 27,585,749	\$ 1,820,404	94,051,352	\$ 87,945,597

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

		<u>2025</u>	<u>2024</u>
Total Net Change in Fund Balances – Governmental Funds		\$6,105,755	\$ 20,948,691
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.			
Depreciation Expenses	(14,210,549)		
Capital Outlay	<u>32,557,959</u>	18,347,410	9,667,683
Repayments of principal on long term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.			
Serial Bonds	7,150,000		
Energy Performance Contract	<u>256,325</u>	7,406,325	6,359,163
In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid).			
Compensated Absences		68,556	(36,218)
(Increases) decreases in proportionate share of net pension asset/liability reported in the statement of activities do not provide for, or require the use of, current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.			
Teachers' Retirement System	2,535,070		
Employees' Retirement System	<u>509,284</u>	3,044,354	(7,369,692)

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

(Continued)

		<u>2025</u>	<u>2024</u>
(Increases) decreases in the Total OPEB Liability reported in the statement of activities do not provide for, or require the use of, current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.			
Total OPEB Liability		\$ (6,441,308)	\$ (971,583)
Bond premiums are reported in the governmental funds as revenues in the year received. However, in the statement of activities, the premium is added to the outstanding debt and amortized as a reduction of interest expense over the life of the bond.			
Bond Premium	-		
Amortization Expense	<u>373,698</u>	373,698	(1,664,644)
In the governmental funds, taxes receivable are only recognized as an asset in the amount that will be received in the first sixty days of the subsequent year. In the statement of activities, the full amount is recognized as an asset. Therefore, current year tax revenues are adjusted for amounts that were accrued and recognized in past years.			
		(287,900)	516,749
In the governmental funds, proceeds of long term debt are reported as revenues. In the statement of net position, the proceeds increase the long term liability, and no revenue is recognized in the statement of activities.			
Serial Bonds		--	(17,390,000)
In the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due.			
Current Year Accrued Interest	(447,399)		
Prior Year Accrued Interest	<u>138,143</u>	<u>(309,256)</u>	<u>496,028</u>
Change in Net Position of Governmental Activities		<u>\$ 28,307,634</u>	<u>\$ 10,556,177</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

1. Included in the Reporting Entity

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

a. The Extraclassroom Activity Funds

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Joint Venture

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

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

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

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

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

C. Basis of Presentation

1. District-wide statements:

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fund financial statements

The fund statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column. The District reports the following major Governmental Funds:

a. General Fund

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

b. Special Revenue Fund

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

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

c. Capital Projects Fund

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following non-major governmental funds.

a. *Debt Service Fund*

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

b. *Miscellaneous Special Revenue Fund*

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

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

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

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

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

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. **Property Taxes**

1. Calendar

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

2. Enforcement

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

F. **Budgetary Procedures And Budgetary Accounting**

1. **Budget Policies**

The budget policies are as follows:

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

I. General Fund

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. **Encumbrances**

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

3. **Budget Basis of Accounting**

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

G. **Cash and Cash Equivalents**

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

H. **Inventory**

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

I. **Accounts Receivable**

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

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

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

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

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

K. Unearned Revenue

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

L. Vested Employee Benefits

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consistent with GASB Statement 101 Compensated Absences, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated on the pay rates in effect at year-end.

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

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

M. Interfund Activity

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

N. Equity Classifications

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

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Order of Use of Net Position:

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

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

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$323,697.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

Tax Certiorari

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

Unemployment Insurance

Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. This reserve is accounted for in the General Fund.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefit Accrued Liability

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

Workers' Compensation

Used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. This reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. This reserve is accounting for in the General Fund.

Retirement Contribution

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

Liability Claims and Property Loss

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

Capital

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance

Used to pay for any loss, claim, action or judgment for which the municipal corporation is authorized or required to purchase or maintain insurance. The District received approval from the NYS Legislature to utilize this reserve to plan for unexpected expenses related to its self-funded health insurance plan. The reserve is established by Board action and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated but annual contributions may not exceed the greater of \$33,000 or 5% of the budget. This reserve is accounted for in the General Fund.

Capital Projects

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

Scholarships

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

Committed – includes amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the District's highest level of decision making authority before the end of the fiscal year, and requires the same level of formal action to remove the constraint. The Board of Education is the decision making authority that can, by resolution prior to the end of the fiscal year, commit fund balance. The District has no committed fund balances as of June 30, 2025.

Assigned – includes amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision making authority, or by their designated official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance generally includes encumbrances in the General Fund and appropriated fund balance. The Board of Education is the decision making authority that can, by resolution, assign fund balance. The District reported encumbrances of \$3,474,425 as assigned fund balance in the General Fund as of June 30, 2025.

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Order of Use of Fund Balance:

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

O. Use of Estimates

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

P. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2025, the District implemented the following new standards issued by GASB:

GASB 101 – *Compensated Absences*

GASB 102 – *Certain Risk Disclosures*

Q. Future Accounting Standards

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

GASB 103 – *Financial Reporting Model Improvements*, effective for the year ending June 30, 2026.

GASB 104 – *Disclosure of Certain Capital Assets*, effective for the year ending June 30, 2026

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience. The District reports \$39,137,874 in deferred outflows of resources related to pensions and \$67,206,552 in deferred outflows of resources related to the Total OPEB Liability as of June 30, 2025.

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District recognized \$1,965,725 in deferred inflows of resources in the governmental fund financial statements for deferred tax revenues in the General Fund as of June 30, 2025. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension system not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs. The District reports \$20,062,044 in deferred inflows of resources related to pensions and \$47,283,608 in deferred inflows of resources related to the Total OPEB Liability as of June 30, 2025.

The reporting of deferred outflows of resources and deferred inflows of resources related to pensions resulted in a net increase of \$19,075,830 to unrestricted net position as of June 30, 2025.

The reporting of deferred outflows of resources and deferred inflows of resources related to the Total OPEB Liability resulted in a net increase of \$19,922,944 to unrestricted net position as of June 30, 2025.

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

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

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

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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

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

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

- a) Long-term revenue differences:

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

- b) Capital related differences:

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

- c) Long-term debt transaction differences:

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund Balance

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

NOTE 4 – PARTICIPATION IN BOCES

During the year ended June 30, 2025, the Enlarged City School District of Middletown was billed \$37,866,310 for BOCES administrative and program costs. General purpose financial statements for the BOCES are available at the BOCES' administrative office.

The School District's share of BOCES income amounted to \$13,913,007.

NOTE 5 – CASH AND INVESTMENTS

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

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

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

Collateralized with securities held by the pledging financial
institution, or its trust department, but not in the District's name. \$ 111,396,859

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2025 were as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS/ RECLASSIFICATIONS</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 37,085,707	\$ -	\$ -	\$ 37,085,707
Total non-depreciable historical cost	<u>37,085,707</u>	<u>-</u>	<u>-</u>	<u>37,085,707</u>
Capital assets that are depreciated:				
Building and Improvements	381,580,272	28,636,368	-	410,216,640
Furniture and Equipment	<u>23,696,450</u>	<u>3,921,591</u>	<u>-</u>	<u>27,618,041</u>
Total depreciable historical cost	<u>405,276,722</u>	<u>32,557,959</u>	<u>-</u>	<u>437,834,681</u>
Less accumulated depreciation:				
Building and Improvements	154,478,525	12,444,927	-	166,923,452
Furniture and Equipment	<u>13,069,051</u>	<u>1,765,622</u>	<u>-</u>	<u>14,834,673</u>
Total Accumulated Depreciation	<u>167,547,576</u>	<u>14,210,549</u>	<u>-</u>	<u>181,758,125</u>
Total historical cost, net (Restated)	<u>\$ 274,814,853</u>	<u>\$ 18,347,410</u>	<u>\$ -</u>	<u>\$ 293,162,263</u>
Depreciation expense was charged to				
Governmental functions as follows:				
General Support		\$ 5,353,854		
Instruction		8,735,235		
School Lunch		<u>121,460</u>		
		<u>\$ 14,210,549</u>		

NOTE 7 – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2025 are as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>	<u>INTERFUND REVENUES</u>	<u>INTERFUND EXPENDITURES</u>
General Fund	\$ 6,145,284	\$ 5,569	\$ 331,944	\$ 22,077,419
Special Aid Fund	-	5,960,865	818,681	245,119
School Lunch Fund	-	171,594	39,400	-
Capital Fund	-	72,911	21,219,338	86,825
Debt Service Fund	<u>65,655</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>6,210,939</u>	<u>6,210,939</u>	<u>22,409,363</u>	<u>22,409,363</u>
TOTALS	<u>\$ 6,210,939</u>	<u>\$ 6,210,939</u>	<u>\$ 22,409,363</u>	<u>\$ 22,409,363</u>

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

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

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

NOTE 8 – INVENTORY

Inventory in the School Lunch Fund at June 30, 2025 consisted of the following:

Food and Supplies	<u>\$ 323,697</u>
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NOTE 9 – LIABILITIES

A. Pension Plans and Post-Employment Benefits

1. General Information

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

2. Plan Descriptions

a. Teachers' Retirement System (TRS)

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LIABILITIES (Continued)

b. Employees' Retirement System (ERS)

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

3. Funding Policy

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

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

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

For the NYSTRS, employers are required to contribute at an actuarially determined rate, currently 10.11% of the annually covered payroll for the fiscal year ended June 30, 2025. Rates applicable to the fiscal years ended June 30, 2024 and 2023 were 9.76% and 10.29%, respectively.

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LIABILITIES (Continued)

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

	<u>ERS</u>	<u>TRS</u>
2025	\$ 3,240,965	\$ 9,387,281
2024	2,611,265	8,792,697
2023	1,928,534	8,842,155

B. Indebtedness

1. Long-Term Debt

Long-Term Debt Interest

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

Interest Paid	\$ 3,357,097
Less: Interest Accrued in the Prior Year	(138,143)
Amortization of Bond Premium	(373,698)
Plus: Interest Accrued in the Current Year	<u>97,419</u>
Total Expense	<u>\$ 2,942,675</u>

Changes

The changes in the School District's indebtedness during the year ended June 30, 2025 are summarized as follows:

	<u>BALANCE</u> <u>07/01/24</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/25</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
Serial Bonds – General Obligations	\$ 46,830,000	\$ -	\$ 4,830,000	\$ 42,000,000	\$ 5,000,000
Serial Bonds – Direct Placement	36,990,000	-	2,320,000	34,670,000	2,685,000
Unamortized Bond Premium	4,980,434	-	373,698	4,606,736	373,698
Energy Performance Contract – Direct Borrowing	1,070,357	-	256,325	814,032	263,692
Compensated Absences (Restated)	6,333,178	-	68,556	6,264,622	-
Total OPEB Liability	<u>144,380,278</u>	<u>71,238,437</u>	<u>7,399,096</u>	<u>208,219,619</u>	<u>4,000,000</u>
TOTAL	<u>\$ 240,584,247</u>	<u>\$ 71,238,437</u>	<u>\$ 15,247,675</u>	<u>\$ 296,575,009</u>	<u>\$ 12,322,390</u>

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9 – LIABILITIES (Continued)

Maturity

The following is a summary of maturity of indebtedness:

<u>DESCRIPTION</u>	<u>ISSUE DATE</u>	<u>FINAL MATURITY</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING 06/30/25</u>
Refunding Serial Bond	2013	2026	2.00%-3.00%	\$ 290,000
Refunding Serial Bond	2015	2026	2.00%-5.00%	2,400,000
Serial Bond	2020	2035	2.00%	3,295,000
Serial Bond	2012	2031	1.70%-4.75%	2,015,000
Serial Bond	2016	2042	2.00%-3.00%	34,000,000
Serial Bond	2019	2038	3.00%-5.00%	18,095,000
Serial Bond	2024	2036	5.00%	11,365,000
Serial Bond	2024	2038	5.00%	5,210,000
Energy Performance Contract	2014	2028	2.85%	<u>814,032</u>
				<u>\$ 77,484,032</u>

<u>YEAR</u>	<u>Direct Borrowings and Direct Placements</u>		<u>General Obligations</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2026	\$ 2,948,692	\$ 1,644,763	\$ 5,000,000	\$ 1,169,851
2027	3,091,271	1,502,934	2,365,000	1,055,525
2028	3,239,069	1,354,137	2,425,000	1,002,957
2029	3,115,000	1,200,150	2,485,000	945,924
2030	3,265,000	1,044,400	2,555,000	884,612
2031-2035	15,095,000	3,027,900	11,420,000	3,335,162
2036-2040	4,730,000	344,950	10,905,000	1,728,000
2041-2042	<u>-</u>	<u>-</u>	<u>4,845,000</u>	<u>219,150</u>
TOTAL	<u>\$ 35,484,032</u>	<u>\$ 10,119,234</u>	<u>\$ 42,000,000</u>	<u>\$ 10,344,181</u>

2. Short-Term Debt

a. Short-Term Debt Interest

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

Interest Paid	\$ -
Less: Interest Accrued in the Prior Year	-
Plus: Interest Accrued in the Current Year	<u>349,980</u>
Total Expense	<u>\$ 349,980</u>

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LIABILITIES (Continued)

b. Summary

Transactions in short-term debt for the year ended June 30, 2024 are summarized below:

<u>Purpose</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Capital Projects	12/25	4.00%	\$ _____ -	\$ 15,000,000	\$ _____ -	\$ 15,000,000
			\$ _____ -	\$15,000,000	\$ _____ -	\$15,000,000

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. **Risk Financing and Related Insurance**

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

B. **Other Items**

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS

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

General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms – At July 1, 2024 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	562
Active Employees	<u>1,152</u>
	<u><u>1,714</u></u>

Total OPEB Liability

The District's total OPEB liability of \$208,219,619 was measured as of June 30, 2024, using an actuarial valuation as of July 1, 2024.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS (Continued)

Measurement Date	June 30, 2024
Salary Increases	4.00%
Discount Rate	3.93%
Initial Healthcare Cost Trend Rate	8.92%
Ultimate Healthcare Cost Trend Rate	4.50%

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

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

Mortality rates were based on the PUB-2016 Headcount Weighted Mortality Table with projection scale MP-2021 varying based on bargaining unit classification.

Changes in the Total OPEB Liability

Balance at June 30, 2024		\$ 144,380,278
Changes for the Year -		
Service Cost	8,011,040	
Interest	5,493,409	
Changes of Benefit Terms	(67,469)	
Differences between expected and actual experience	(3,523,582)	
Changes in assumptions or other inputs	57,733,988	
Benefit Payments	<u>(3,808,045)</u>	
Net Changes		<u>63,839,341</u>
Balance at June 30, 2025		<u>\$ 208,219,619</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 – percentage point higher than the current discount rate:

	1% Decrease <u>(2.93%)</u>	Current Assumption <u>(3.93%)</u>	1% Increase <u>(4.93%)</u>
Total OPEB Liability	<u>\$ 249,276,473</u>	<u>\$ 208,219,619</u>	<u>\$ 175,838,260</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trends Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current discount rate:

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS (Continued)

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 170,650,727</u>	<u>\$ 208,219,619</u>	<u>\$ 258,096,361</u>

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$10,781,965. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,614,619	\$ 6,053,312
Changes of assumptions or other inputs	61,251,276	41,230,296
Contributions subsequent to the measurement date	<u>4,340,657</u>	<u>-</u>
Total	<u>\$ 67,206,552</u>	<u>\$ 47,283,608</u>

Contributions subsequent to the measurement date of \$4,340,657 will be reorganized as a reduction of the total OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2026	\$ (2,655,015)
2027	(761,775)
2028	1,593,168
2029	1,898,473
2030	1,579,824
Thereafter	<u>13,927,612</u>
TOTAL	<u>\$ 15,582,287</u>

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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

Pension Plan Descriptions and Benefits Provided

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

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

At June 30, 2025, 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, 2025 for ERS and June 30, 2024 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	April 1, 2024	June 30, 2023
Net pension asset/(liability)	\$ (12,028,257)	\$ 14,077,267
District's portion of the Plan's total net pension asset/(liability)	0.0701531%	0.471820%

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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

For the year ended June 30, 2025, the District recognized pension expense of \$2,731,715 for ERS and \$6,903,590 for TRS. At June 30, 2025, the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 2,985,494	\$ 15,158,631	\$ 140,828	\$ -
Changes of assumptions	504,441	8,421,058	-	1,416,501
Net difference between projected and actual earnings on pension plan investments	943,703	-	-	15,641,043
Changes in proportion and differences between the District's contributions and proportionate share of contributions	733,486	-	526,264	2,337,408
District's contributions subsequent to the measurement date	<u>1,003,780</u>	<u>9,387,281</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,170,904</u>	<u>\$ 32,966,970</u>	<u>\$ 667,092</u>	<u>\$ 19,394,952</u>

District contributions subsequent to the measurement date of \$1,003,780 to ERS and \$9,387,281 to TRS will be recognized as a reduction of the net pension liability in the year June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
2025	\$ -	\$ (7,971,415)
2026	2,189,205	16,678,855
2027	3,142,826	(3,274,213)
2028	(939,190)	(3,522,140)
2029	107,191	1,594,535
2030	-	-
Thereafter	<u>-</u>	<u>679,115</u>
TOTAL	<u>\$ 4,500,032</u>	<u>\$ 4,184,737</u>

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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

Actuarial Assumptions

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

	<u>ERS</u>		<u>TRS</u>	
	<u>Current Year</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Prior Year</u>
Measurement date	March 31, 2025	March 31, 2024	June 30, 2024	June 30, 2023
Actuarial valuation date	April 1, 2024	April 1, 2023	June 30, 2023	June 30, 2022
Interest rate	5.9%	5.9%	6.95%	6.95%
Salary scale	4.3%	4.4%	1.95%-5.18%	1.95%-5.18%
Cost of Living Adjustments	1.5%	1.5%	1.3%	1.3%
Inflation rate	2.9%	2.9%	2.40%	2.40%

For ERS, annuitant mortality rates are based on April 1, 2015-March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2024 valuation are based on the results of an actuarial experience study for the period April 1, 2015-March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2015-June 30, 2020.

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2025	June 30, 2024
Asset Type:		
Domestic Equity	3.54%	6.6%
International Equity	6.57	7.4
Real Estate	4.95	6.3
Opportunistic/ARS Portfolio	5.25	-
Domestic fixed income securities	-	2.6
Global Bonds	-	2.5
Global Equities	-	6.9
Private Debt	-	5.9
Private Equities	7.25	10.0
High Yield Bonds	-	4.8
Real Estate Debt	-	3.9
Cash Equivalents	0.25	0.5
Credit	5.40	-
Real Assets	5.55	-
Fixed Income	2.00	-

Discount Rate

The discount rate used to calculate the total pension liability was 5.90% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employees will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.90% for ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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

<u>ERS</u>	1% Decrease <u>(4.90%)</u>	Current Assumption <u>(5.90%)</u>	1% Increase <u>(6.90%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (34,811,291)	\$ (12,028,257)	\$ 6,995,591

<u>TRS</u>	1% Decrease <u>(5.95%)</u>	Current Assumption <u>(6.95%)</u>	1% Increase <u>(7.95%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (65,023,708)	\$ 14,077,267	\$ 80,603,309

Pension Plan Fiduciary Net Position

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

	<u>ERS (in thousands)</u>	<u>TRS</u>
Valuation date	April 1, 2024	June 30, 2023
Employers' total pension liability	\$ 247,600,329	\$ 142,837,826,465
Plan Net Position	<u>230,454,512</u>	<u>145,821,434,780</u>
Employer's net pension asset/(liability)	<u>\$ (17,145,727)</u>	<u>\$ 2,983,608,315</u>
Ration of plan net position to the Employer's total pension asset/(liability)	93.08%	102.1%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30 represent the projected employer contribution for the period of April 1 through June 30 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2025 amounted to \$ 1,003,780.

For TRS, employer and employee contributions for the fiscal year ended June 30 are paid to the System in September, October, and November through a state aid intercept. Accrued retirement contributions represent employee and employer contributions for the fiscal year ended June 30 based on paid TRS wages multiplied by the employer's contribution rate by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2025 amounted to \$11,268,420.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 13 – TAX ABATEMENTS

The District is subject to tax abatement agreements entered into by the Orange County Industrial Development Agency, City of Middletown Industrial Development Agency and Town of Wallkill Industrial Development Agency, pursuant to Title I of Article 18-A of the General Municipal Law of the State of New York. For the year ended June 30, 2025, the District received \$526,898 in tax abatement payments, which resulted in abated property taxes totaling \$3,365,323.

NOTE 14 – EVENTS OCCURRING AFTER REPORTING DATE

The District has evaluated events and transactions that occurred between June 30, 2025 and October 14, 2025, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 15 – RESTATED BALANCES

The beginning net position in the statement of activities has been decreased by \$1,664,086 to account for the new liability criteria for compensated absences in accordance with GASB 101. The restatement increases the previous year's Compensated Absences and decreases the previous year's Unrestricted Net Position by \$1,664,086, and has no effect on the governmental funds financial statements.

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, OTHER USES AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED JUNE 30, 2024)

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2024 ACTUAL
REVENUES					
Local Sources:					
Real Property Taxes	\$ 69,588,451	\$ 69,588,451	\$ 69,584,083	\$ (4,368)	\$ 67,809,619
Other Tax Items	4,841,340	4,841,340	4,912,230	70,890	4,961,538
Non Property Taxes	2,277,949	2,277,949	2,680,935	402,986	2,398,814
Charges For Services	861,404	861,404	647,844	(213,560)	644,992
Use of Money and Property	768,748	768,748	3,576,951	2,808,203	3,495,660
Sale of Property and Compensation					
For Loss	78,250	78,250	1,418,830	1,340,580	2,953,137
Miscellaneous Local Sources	2,276,477	2,276,477	2,192,330	(84,147)	1,458,711
Interfund Revenues	-	-	27,256	27,256	76,735
State Sources:					
Basic Formula	152,889,862	152,889,862	149,597,456	(3,292,406)	147,317,193
Lottery Aid	18,679,829	18,679,829	22,792,167	4,112,338	20,290,931
BOCES	8,330,256	8,330,256	13,913,007	5,582,751	7,100,215
Other	1,599,071	1,599,071	1,696,879	97,808	1,783,860
Federal Sources	481,000	481,000	419,566	(61,434)	420,147
TOTAL REVENUES	262,672,637	262,672,637	273,459,534	10,786,897	260,711,552
OTHER FINANCING SOURCES					
Operating Transfers In	-	-	331,944	331,944	8,998,736
TOTAL REVENUES AND OTHER FINANCING SOURCES	262,672,637	262,672,637	273,791,478	\$ 11,118,841	269,710,288
FUND BALANCE					
Appropriated Fund Balance	-	13,256,676			
Appropriated Reserves	-	8,979,384			
Prior Year Encumbrances	-	1,813,409			
TOTAL FUND BALANCE	-	24,049,469			
TOTAL REVENUES, OTHER FINANCING SOURCES AND FUND BALANCE	\$ 262,672,637	\$ 286,722,106			

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES, OTHER USES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL -
GENERAL FUND
YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED JUNE 30, 2024)

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	ENCUMBRANCES	VARIANCE FAVORABLE (UNFAVORABLE)	2024 ACTUAL
EXPENDITURES						
General Support:						
Board of Education	\$ 161,390	\$ 171,142	\$ 145,851	\$ -	\$ 25,291	\$ 147,918
Central Administration	509,940	505,538	453,775	6,132	45,631	425,933
Finance	1,491,668	1,447,817	1,182,758	-	265,059	1,184,034
Staff	1,645,329	2,109,434	1,483,731	313,770	311,933	2,362,563
Central Services	25,489,165	26,049,422	21,317,342	1,750,555	2,981,525	20,173,302
Special Items	4,010,838	4,630,558	4,156,335	-	474,223	7,105,724
Instructional:						
Instruction, Administration and Improvement	12,407,224	11,981,171	10,931,037	-	1,050,134	9,958,000
Teaching:						
Regular School	73,110,639	69,033,866	67,216,680	417,699	1,399,487	65,121,325
Programs For Children With Handicapped Conditions	44,096,409	46,717,317	41,538,492	575,076	4,603,749	39,071,637
Occupational Education	6,727,549	6,862,689	6,597,710	-	264,979	6,318,837
Special Schools	750,000	563,036	563,036	-	-	99,268
Instructional Media	7,030,183	8,291,941	8,121,275	135,368	35,298	7,800,948
Pupil Services	8,924,898	9,720,638	9,022,574	31,514	666,550	7,664,121
Pupil Transportation	11,358,293	15,109,642	14,982,628	125,947	1,067	13,875,536
Community Services	5,985	-	-	-	-	950
Employee Benefits	52,377,704	50,686,448	49,251,554	118,364	1,316,530	52,917,397
Debt Service:						
Principal	8,811,881	7,406,788	7,406,325	-	463	8,154,163
Interest	3,086,642	3,357,240	3,357,097	-	143	3,738,346
TOTAL EXPENDITURES	261,995,737	264,644,687	247,728,200	3,474,425	13,442,062	246,120,002
OTHER USES						
Operating Transfers Out	676,900	22,077,419	22,077,419	-	-	14,629,738
TOTAL EXPENDITURES AND OTHER USES	\$ 262,672,637	\$ 286,722,106	269,805,619	\$ 3,474,425	\$ 13,442,062	260,749,740
NET CHANGE IN FUND BALANCE			3,985,859			8,960,548
FUND BALANCE - Beginning of Year			53,035,214			44,074,666
FUND BALANCE - End of Year			\$ 57,021,073			\$ 53,035,214

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
YEAR ENDED JUNE 30, 2025

	<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	\$ 8,011,040	\$ 7,942,971	\$ 10,735,114	\$ 8,742,556	\$ 7,074,247	\$ 6,123,729	\$ 7,111,727	\$ 8,712,950
Interest	5,493,409	5,063,142	3,836,010	3,442,321	5,140,800	4,968,093	5,877,888	5,144,536
Changes of Benefit Terms	(67,469)	-	1,566	-	4,986,110	-	(24,441,913)	-
Differences Between Expected and Actual Experience	(3,523,582)	594,841	(3,040,062)	755,333	1,134,249	375,764	(3,199,935)	-
Changes of Assumptions	57,733,988	(2,709,484)	(40,012,255)	10,189,072	(7,565,390)	8,755,800	(17,098,070)	(25,545,040)
Benefit Payments	<u>(3,808,045)</u>	<u>(3,162,147)</u>	<u>(3,436,462)</u>	<u>(3,144,562)</u>	<u>(3,123,059)</u>	<u>(3,048,625)</u>	<u>(3,101,087)</u>	<u>(2,974,166)</u>
Net Change in Total OPEB Liability	63,839,341	7,729,323	(31,916,089)	19,984,720	7,646,957	17,174,761	(34,851,390)	(14,661,720)
Beginning Total OPEB Liability	<u>144,380,278</u>	<u>136,650,955</u>	<u>168,567,044</u>	<u>148,582,324</u>	<u>140,935,367</u>	<u>123,760,606</u>	<u>158,611,996</u>	<u>173,273,716</u>
Ending Total OPEB Liability	<u>\$ 208,219,619</u>	<u>\$ 144,380,278</u>	<u>\$ 136,650,955</u>	<u>\$ 168,567,044</u>	<u>\$ 148,582,324</u>	<u>\$ 140,935,367</u>	<u>\$ 123,760,606</u>	<u>\$ 158,611,996</u>
Covered Employee Payroll	<u>\$ 103,302,428</u>	<u>\$ 98,257,868</u>	<u>\$ 86,813,038</u>	<u>\$ 81,726,998</u>	<u>\$ 78,549,788</u>	<u>\$ 75,496,095</u>	<u>\$ 70,642,541</u>	<u>\$ 62,902,623</u>
Total OPEB Liability as a Percentage of Covered Payroll	201.56%	146.94%	157.41%	206.26%	189.16%	186.68%	175.19%	252.15%

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

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

Changes of Benefit Terms

None

Changes of Methods, Assumptions or Other Inputs

The discount rate was updated from 3.65% to 3.93%

Trust Assets

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

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY
YEAR ENDED JUNE 30, 2025

<u>TRS System</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>	<u>2016</u>
The District's proportion of the net pension asset (liability)	0.471820%	0.465196%	0.433413%	0.426085%	0.409522%	0.398009%	0.381629%	0.370552%	0.370956%	0.380979%
The District's proportionate share of the net pension asset (liability)	\$ 14,077,267	\$ (5,319,908)	\$ (8,316,727)	\$ 73,836,511	\$ (11,316,196)	\$ 10,340,289	\$ 6,900,864	\$ 2,816,565	\$ (3,973,099)	\$ 39,571,540
The District's covered employee payroll	90,089,112	85,929,588	76,820,994	72,320,349	69,508,831	66,434,098	62,163,128	58,724,492	57,797,975	57,228,163
The District's proportionate share of the net pension asset (liability) as a percentage of covered employee payroll	15.63%	6.19%	10.83%	102.10%	16.28%	15.56%	11.10%	4.80%	6.87%	69.15%
Plan Fiduciary net position as a percentage of the total pension liability	102.1%	99.2%	98.6%	113.20%	97.8%	102.17%	101.53%	100.66%	99.01%	110.46%

<u>ERS System</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>	<u>2016</u>
The District's proportion of the net pension liability	0.0701531%	0.0686948%	0.0619048%	0.0582527%	0.0517238%	0.0515246%	0.0484994%	0.0483928%	0.0471587%	0.0473699%
The District's proportionate share of the net pension asset (liability)	\$(12,028,257)	\$ (10,114,656)	\$ (13,274,891)	\$ 4,761,916	\$ (51,503)	\$ (13,644,011)	\$ (3,436,328)	\$(1,561,850)	\$ (4,431,132)	\$ (7,603,002)
The District's covered employee payroll	22,310,617	20,006,395	16,900,832	15,801,366	14,624,738	13,922,461	13,286,744	12,752,647	12,252,462	12,284,218
The District's proportionate share of the net pension liability as a percentage of covered employee payroll	53.91%	50.56%	78.55%	30.14%	00.35%	98.00%	25.86%	12.25%	36.17%	61.90%
Plan Fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.7%	90.7%

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2025

TRS System

	<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>	<u>2016</u>
Contractually required contribution	\$ 9,387,281	\$ 8,792,697	\$ 8,842,155	\$ 7,528,457	\$ 6,892,196	\$ 6,158,482	\$ 7,055,301	\$ 6,091,987	\$ 6,882,510	\$ 7,664,011
Contribution in relation to the contractually required contribution	<u>9,387,281</u>	<u>8,792,697</u>	<u>8,842,155</u>	<u>7,528,457</u>	<u>6,892,196</u>	<u>6,158,482</u>	<u>7,055,301</u>	<u>6,091,987</u>	<u>6,882,510</u>	<u>7,664,011</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution as a percentage of covered employee payroll	10.11%	9.76%	10.29%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%

ERS System

	<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>	<u>2016</u>
Contractually required contribution	\$ 3,240,965	\$ 2,611,265	\$ 1,928,534	\$ 2,219,854	\$ 2,074,841	\$ 1,932,500	\$ 1,857,780	\$ 1,803,978	\$ 1,896,426	\$ 2,021,960
Contribution in relation to the contractually required contribution	<u>3,240,965</u>	<u>2,611,265</u>	<u>1,928,534</u>	<u>2,219,854</u>	<u>2,074,841</u>	<u>1,932,500</u>	<u>1,857,780</u>	<u>1,803,978</u>	<u>1,896,426</u>	<u>2,021,960</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contribution as a percentage of covered employee payroll	14.53%	13.05%	11.41%	14.05%	14.19%	13.88%	13.98%	14.15%	15.48%	16.46%

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	<u>DEBT SERVICE</u>	MISCELLANEOUS SPECIAL <u>REVENUE</u>	TOTAL NON-MAJOR GOVERNMENTAL <u>FUNDS</u>
ASSETS			
Cash	\$ 794,479	\$ 264,694	\$ 1,059,173
Cash - Restricted	-	695,576	695,576
Due From Other Funds	<u>65,655</u>	<u>-</u>	<u>65,655</u>
TOTAL ASSETS	<u>\$ 860,134</u>	<u>\$ 960,270</u>	<u>\$ 1,820,404</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted:			
Scholarships	-	695,576	695,576
Assigned:			
Unappropriated	<u>860,134</u>	<u>264,694</u>	<u>1,124,828</u>
TOTAL FUND BALANCES	<u>860,134</u>	<u>960,270</u>	<u>1,820,404</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 860,134</u>	<u>\$ 960,270</u>	<u>\$ 1,820,404</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2025

	<u>DEBT SERVICE</u>	<u>MISCELLANEOUS SPECIAL REVENUE</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
REVENUES			
Use of Money and Property	\$ 403,954	\$ 1,800	\$ 405,754
Miscellaneous Local Sources	<u>-</u>	<u>174,668</u>	<u>174,668</u>
TOTAL REVENUES	403,954	176,468	580,422
OTHER FINANCING SOURCES			
Premium on Obligations	<u>116,105</u>	<u>-</u>	<u>116,105</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>520,059</u>	<u>176,468</u>	<u>696,527</u>
EXPENDITURES			
Instruction	<u>-</u>	<u>177,493</u>	<u>177,493</u>
TOTAL EXPENDITURES	<u>-</u>	<u>177,493</u>	<u>177,493</u>
NET CHANGE IN FUND BALANCE	520,059	(1,025)	519,034
FUND BALANCE - Beginning of Year	<u>340,075</u>	<u>961,295</u>	<u>1,301,370</u>
FUND BALANCE - End of Year	<u>\$ 860,134</u>	<u>\$ 960,270</u>	<u>\$ 1,820,404</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2025

ADOPTED BUDGET	\$ 262,672,637
ADDITIONS:	
Encumbrances From Prior Year	1,813,409
Appropriated Reserves	9,479,384
Appropriated Fund Balance	12,756,676
Supplemental Appropriations	<u>-</u>
FINAL BUDGET	<u>\$ 286,722,106</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
REAL PROPERTY TAX LIMIT
YEAR ENDED JUNE 30, 2025

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

Subsequent Year's Voter Approved Expenditure Budget		<u>\$ 276,417,004</u>
Maximum allowed (4% Budget)		<u>\$ 11,056,680</u>
General Fund Balance subject to Section 1318 of Real Property Tax Law:		
Unrestricted Fund Balance:		
Assigned Fund Balance	3,474,425	
Unassigned Fund Balance	<u>18,099,406</u>	
Total Unrestricted Fund Balance		21,573,831
Less:		
Appropriated Fund Balance	-	
Encumbrances included in Assigned Fund Balance	<u>3,474,425</u>	
Total Adjustments		<u>3,474,425</u>
General Fund Balance subject to Section 1318 of Real Property Tax Law:		<u>\$ 18,099,406</u>
Actual Percentage		6.55%

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2025

PROJECT TITLE	EXPENDITURES					METHODS OF FINANCING					FUND BALANCE JUNE 30, 2025
	ORIGINAL APPROPRIATIONS	REVISED APPROPRIATIONS	PRIOR YEARS	CURRENT YEAR	TOTAL	UNEXPENDED BALANCE	STATE AID	PROCEEDS OF OBLIGATIONS	LOCAL SOURCES	TOTAL	
Smart Schools Bond Act	\$ 6,897,920	\$ 6,897,920	\$ 6,887,985	\$ -	\$ 6,887,985	\$ 9,935	\$ 6,887,985	\$ -	\$ -	\$ 6,887,985	\$ -
Capital Project – 2019	9,470,000	9,010,000	8,619,764	-	8,619,764	390,236	-	-	9,010,000	9,010,000	390,236
Capital Project – 2021-Phase I	64,706,893	64,706,893	8,513,595	9,920,264	18,443,859	46,273,034	-	-	25,546,881	25,546,881	7,113,022
Capital Project 2021-Phase II	9,500,000	9,500,000	28,640	2,802,301	2,830,941	6,669,059	-	-	9,500,000	9,500,000	6,669,059
At Promise Micro School	500,000	500,000	-	14,524	14,524	485,476	-	-	500,000	500,000	485,476
TT Emergency Asbestos	282,000	282,000	-	282,000	282,000	-	-	-	282,000	282,000	-
TM Boiler Heating Pumps	1,500,000	1,500,000	-	467,506	467,506	1,032,494	-	-	1,500,000	1,500,000	1,032,494
Capital Project-2025	36,145,000	36,145,000	-	-	-	36,145,000	-	-	9,437,338	9,437,338	9,437,338
Clemson House Renovation	350,000	350,000	321,668	28,332	350,000	-	-	-	350,000	350,000	-
HS Emergency Boiler	5,000,000	5,000,000	2,424,739	1,576,026	4,000,765	999,235	-	-	5,000,000	5,000,000	999,235
Capital Project - 2022	15,585,000	15,585,000	10,545,983	4,045,636	14,591,619	993,381	-	-	15,585,000	15,585,000	993,381
Capital Project-2023	850,000	850,000	32,817	351,675	384,492	465,508	-	-	850,000	850,000	465,508
HS Door Upgrade	100,000	100,000	11,545	<u>88,455</u>	100,000	-	100,000	-	-	100,000	<u>-</u>
				<u>\$ 19,576,719</u>							<u>\$ 27,585,749</u>

SEE ACCOMPANYING NOTES AND AUDITORS’ OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2025

Capital Assets, Net	\$ 293,162,263
Less: Outstanding Bonds	(76,670,000)
Unamortized Bond Premiums	(4,606,736)
Outstanding Energy Performance Contract	(814,032)
Bond Anticipation Note	(15,000,000)
Plus: Unspent Debt Proceeds	<u>15,000,000</u>
Net Investment in Capital Assets	<u>\$ 211,071,495</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enlarged City School District of Middletown, New York as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Enlarged City School District of Middletown, New York's basic financial statements and have issued our report thereon dated October 14, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Cooper Arias, LLP

Mongaup Valley, New York
October 14, 2025

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying statements of assets, liabilities and fund balance – cash basis, of the Extraclassroom Activity Funds of the Enlarged City School District of Middletown as of June 30, 2025, and the related statements of cash receipts, disbursements and changes in fund balance – cash basis for the year then ended, and the related notes to the financial statements, which collectively comprise the financial statements of the Extraclassroom Activity Funds of the Enlarged City School District of Middletown as listed in the table of contents.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position – cash basis, of the Extraclassroom Activity Funds of the Enlarged City School District of Middletown as of June 30, 2025, and the changes in financial position – cash basis, for the year then ended in accordance with the basis of accounting described in Note 2.

Basis for Opinions

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

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and

maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Cooper Arias, LLP

Mongaup Valley, New York
October 14, 2025

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE-CASH BASIS
JUNE 30, 2025

ASSETS	
Cash-High School	\$ 137,444
Cash-Middle School	82,052
Cash-Elementary	<u>45,198</u>
 TOTAL ASSETS	 <u>\$ 264,694</u>
 FUND BALANCE	 <u>\$ 264,694</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
EXTRACLASROOM ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE- CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2025

<u>ACTIVITY</u>	<u>CASH & FUND BALANCE 7/1/24</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH & FUND BALANCE 6/30/25</u>
<u>HIGH SCHOOL</u>				
Class of 2023	\$ 4,905	\$ 15,435	\$ 17,792	\$ 2,548
Class of 2024	3,960	40,215	36,548	7,627
Class of 2025	1,046	2,334	1,156	2,224
Class of 2026	405	450	405	450
Student Council	19,974	844	-	20,818
MHS Choirs Club	5,357	-	2,647	2,710
Graduate-Service Account	38,234	-	-	38,234
Epilogue	3,081	1,631	195	4,517
Softball Club	427	-	-	427
Art Honor Society	1,271	785	262	1,794
MHS Band	250	-	-	250
Tennis Club	3,408	-	111	3,297
Science Club	1,460	-	66	1,394
Drama Club	2,632	1,392	534	3,490
MAC-Athletes	333	-	215	118
Girls Lacrosse	2,006	-	630	1,376
MHS Musical	4,962	657	3,849	1,770
Youth In Government	36	922	-	958
Boys Basketball Club	2,031	6,605	6,977	1,659
Girls BasketBall	2,165	-	-	2,165
Dance Club	391	1,315	388	1,318
Girls Soccer	5,841	5,440	1,241	10,040
Sports Medicine	589	-	585	4
Friends of Rachel/SADD	3,456	-	1,701	1,755
Wrestling	415	-	-	415
Boys Swimming	3,799	4,350	4,011	4,138
Girls Swimming	4,154	7,473	9,013	2,614
Middie Ambassadors	4,252	-	-	4,252
National Honor Society	5,936	10,290	10,855	5,371
Track Club	206	-	-	206
Volleyball	-	5,732	-	5,732
Flag Football	113	2,431	2,177	367
Mock Trial	70	-	-	70
Step Dance Team	2,940	2,144	2,288	2,796
Unified Basketball	-	969	641	328
Robotics	-	6,000	5,788	212
TOTALS	<u>\$ 130,105</u>	<u>\$ 117,414</u>	<u>\$ 110,075</u>	<u>\$ 137,444</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE- CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2025

<u>ACTIVITY</u>	<u>CASH & FUND BALANCE 7/1/24</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH & FUND BALANCE 6/30/25</u>
<u>MIDDLE SCHOOL</u>				
Monhagen Student Council	\$ 21,395	\$ 1,720	\$ 720	\$ 22,395
Monhagen Yearbook	2,254	1,715	3,960	9
Monhagen Drama	24,530	5,977	7,849	22,658
Twin Towers Student Council	27,854	2,456	24,995	5,315
Twin Towers Drama	-	16,990	659	16,331
Twin Towers NHS	-	7,521	796	6,725
Twin Towers Ski	-	800	-	800
Twin Towers Yearbook	8,148	4,618	4,947	7,819
TOTAL MIDDLE SCHOOL	<u>84,181</u>	<u>41,797</u>	<u>43,926</u>	<u>82,052</u>
<u>ELEMENTARY SCHOOL</u>				
Carter	2,049	1,569	590	3,028
Maplehill	460	722	1,052	130
JROTC	34,440	7,600	-	42,040
TOTAL ELEMENTARY SCHOOL	<u>36,949</u>	<u>9,891</u>	<u>1,642</u>	<u>45,198</u>
TOTAL	<u>\$ 251,235</u>	<u>\$ 169,102</u>	<u>\$ 155,643</u>	<u>\$ 264,694</u>

SEE ACCOMPANYING NOTES AND AUDITOR'S OPINION

ENLARGED CITY SCHOOL DISTRICT OF MIDDLETOWN
HIGH SCHOOL EXTRACLASSROOM ACTIVITY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - DESCRIPTION OF OPERATIONS

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Interest Income

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

Bank Charges

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

Inactive Accounts

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