MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS, AND BASIC FINANCIAL STATEMENTS

	Page(s)
Independent Auditor's Report	
Management's Discussion and Analysis (Required Supplementary Information) (MD&A)	1 - 13
Statement of Net Position	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Net Position – Fiduciary Fund	20
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	20
Notes to Financial Statements	21- 53

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule and Notes – General Fund	54 - 56
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)	57
Schedule of the District's Pension Contributions	58
Schedule of Changes in the District's Total Other Post-Employment Benefits Liability and Related Ratios	59

OTHER SUPPLEMENTARY INFORMATION

Schedule of Change from Adopted Budget to Final Budget and Section 1318 of the Real Property Tax Law Limit Calculation - General Fund	60
Schedule of Project Expenditures - Capital Projects Fund	61
Schedule of Net Investment in Capital Assets	62

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*

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926-2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA
Brendan Nelson, CPA
Christopher Schneider, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Middle Country Central School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Middle Country Central School District (the "District") as of and for the fiscal year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund of the District, as of June 30, 2026, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements,* during the fiscal year ended June 30, 2026. 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 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
October 28, 2026

The following is a discussion and analysis of the Middle Country Central School District's (the "District") financial performance for the fiscal year ended June 30, 2026. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide Financial Statements and Fund Financial Statements. The results of the current fiscal year are discussed in comparison with the prior fiscal year, with an emphasis placed on the current fiscal year. This section is only an introduction and should be read in conjunction with the District's financial statements and notes to financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2026 are as follows:

- On the District-Wide Financial Statements, the District's total net deficit increased by $8,152,509 to $330,150,859. This was due to an excess of expenses over revenues based on the economic resources measurement focus and accrual basis of accounting.
- On the District-Wide Financial Statements, revenues increased by $15,452,696 due to increases in real property taxes and other tax items and state sources, partially offset by decreases in operating grants and contributions and charges for services.
- On the District-Wide Financial Statements, expenses increased by $25,190,608 primarily due to increases in general support, instruction, and pupil transportation.
- On the Fund Financial Statements, the general fund's total fund balance increased by $4,143,813. This increase was due to revenues and other financing sources in excess of expenditures and other financing uses based on the current financial resources measurement focus and the modified accrual basis of accounting. Unassigned fund balance as of June 30, 2026 is $10,660,039, which represents 3.38% of the 2026-2027 budget.
- The District appropriated $2,400,000 of fund balance as of June 30, 2026 toward the 2026-2027 budget to limit the tax levy increase and reduce the burden on District taxpayers.
- On May 19, 2026, the proposed 2026-2027 budget in the amount of $315,378,259 was approved by 72.01% of those who voted.
- The District adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, effective July 1, 2025.

1. OVERVIEW OF THE FINANCIAL STATEMENTS

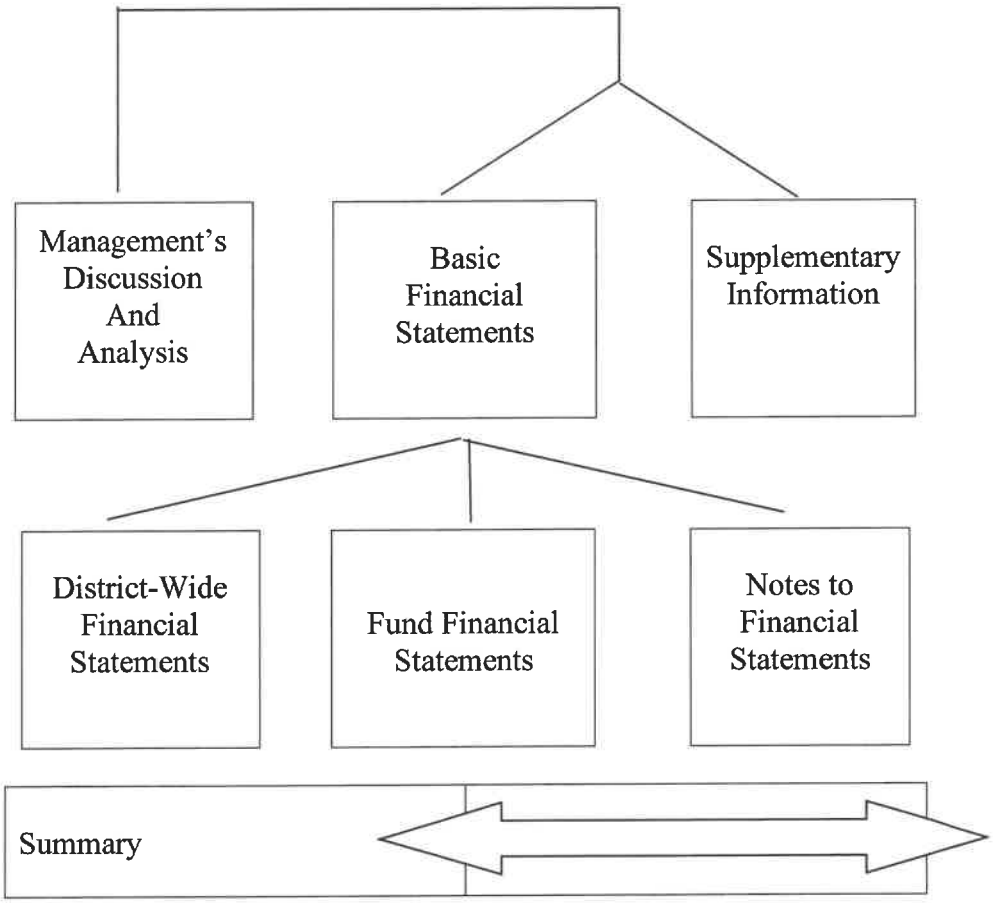
This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the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

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
  - The *Governmental Fund Financial Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

- *Fiduciary Fund Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others, such as property taxes collected on behalf of another local government.

The notes to the basic financial statements provide additional information about the basic financial statements and the balances reported. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The following Table shows how the various parts of this annual report are arranged and related to one another.

Organization of the District's Annual Financial Report



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

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as property taxes collected on behalf of another local government
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/ liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the fiscal year or soon thereafter; no capital assets or long-term liabilities are included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the fiscal year, regardless of when cash is received or paid	Revenues for which cash is received during the fiscal year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the fiscal year, regardless of when cash is received or paid

A) District-Wide Financial Statements

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

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

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in the District-Wide Financial Statements and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
  - *Unrestricted net position* is net position that does not meet any of the above restrictions.

B) Fund Financial Statements

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

The District has two kinds of funds:

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

- *Fiduciary fund:* The District is the trustee or fiduciary for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. This fund reports real property taxes and payment in lieu of taxes ("PILOTs"), and other amounts collected on behalf of other governments and disbursed to those governments.

2. FINANCIAL SUMMARY

A) Detailed Financial Analysis of District-Wide Activities

See the Table below for a comparison of the Statement of Net Position as of June 30, 2026 and 2025.

Condensed Statement of Net Position-Governmental Activities

	2026	2025	Increase (Decrease)	Total Percentage Change
Current assets	$ 68,871,222	$ 59,877,397	$ 8,993,825	15.02%
Capital assets, net	145,274,119	157,143,430	(11,869,311)	-7.55%
Net pension asset - proportionate share	32,912,303	17,168,401	15,743,902	91.70%
Total assets	247,057,644	234,189,228	12,868,416	5.49%
Deferred outflows of resources	201,889,758	113,957,202	87,932,556	77.16%
Total assets and deferred outflows of resources	448,947,402	348,146,430	100,800,972	28.95%
Current and other liabilities	28,033,440	25,340,108	2,693,332	10.63%
Long-term liabilities	646,172,778	512,895,900	133,276,878	25.99%
Total liabilities	674,206,218	538,236,008	135,970,210	25.26%
Deferred inflows of resources	104,892,043	131,908,772	(27,016,729)	-20.48%
Total liabilities and deferred inflows of resources	779,098,261	670,144,780	108,953,481	16.26%
Net position (deficit)				
Net investment in capital assets	66,427,553	66,376,918	50,635	0.08%
Restricted	52,000,406	33,387,935	18,612,471	55.75%
Unrestricted (deficit)	(448,578,818)	(421,763,203)	(26,815,615)	6.36%
Total net position (deficit)	$ (330,150,859)	$ (321,998,350)	$ (8,152,509)	2.53%

Current assets increased compared to the prior fiscal year. This was primarily due to an increase in unrestricted and restricted cash and cash equivalents, offset by a decrease in state and federal aid receivable.

Capital assets, net decreased compared to the prior fiscal year. This decrease is the result of depreciation expense and loss on disposal in excess of current fiscal year asset acquisitions. See the accompanying notes to financial statements for additional information.

Net pension asset – proportionate share for New York State Teachers' Retirement System ("TRS") was reported as a net pension asset in the current fiscal year as a result of the actuarial valuation provided by the State. See the accompanying notes to financial statements for additional information.

Current and other liabilities increased compared to the prior fiscal year. This was primarily due to increases in accounts payable and accrued liabilities, partially offset by a decrease in due to teachers' retirement system payable.

Long-term liabilities increased compared to the prior fiscal year. This was primarily due to an increase in total other post-employment benefits obligation, offset by decreases of bonds payable (inclusive of unamortized premiums) and energy performance contract debt due to principal payments. See the accompanying notes to financial statements for additional information.

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the fiscal years ended June 30, 2026 and 2025 is as follows:

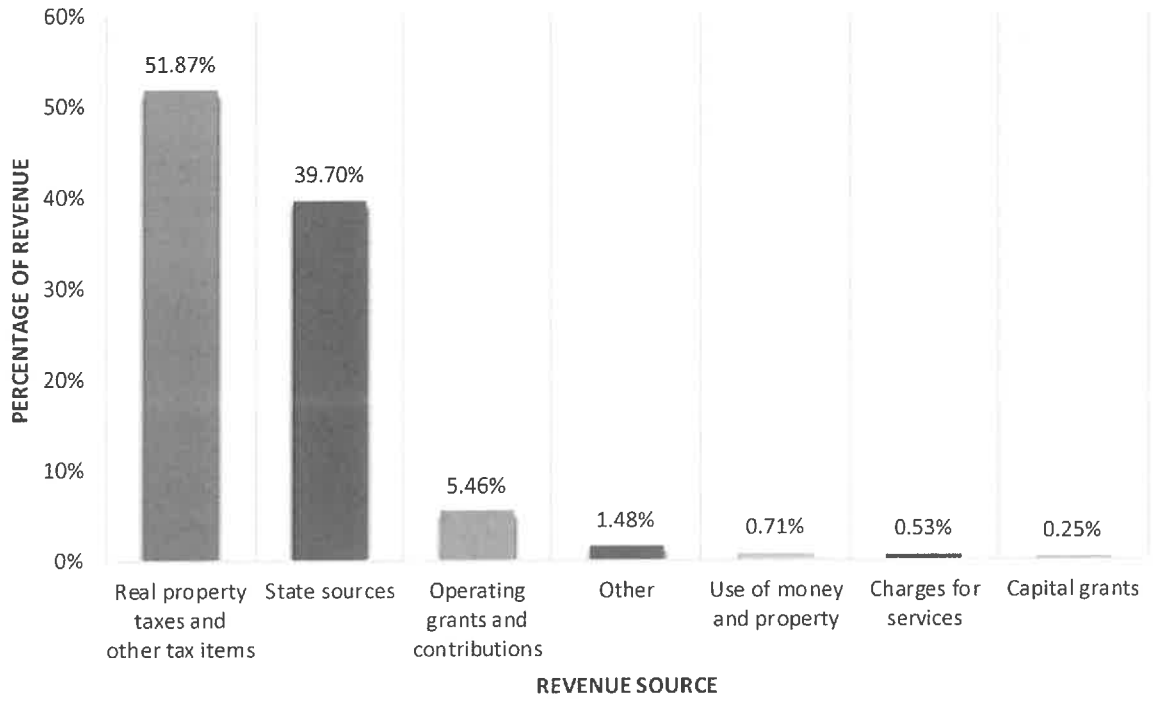
Change in Net Position from Operating Results – Governmental Activities Only

	2026	2025	Increase (Decrease)	Percentage Change
Revenues				
Program revenues				
Charges for services	$ 1,675,449	$ 2,009,509	$ (334,060)	-16.62%
Operating grants and contributions	17,239,981	18,010,573	(770,592)	-4.28%
Capital grants	774,886	187,018	587,868	314.34%
General revenues				
Real property taxes and other tax items	163,868,304	160,516,352	3,351,952	2.09%
Use of money and property	2,240,847	2,257,976	(17,129)	-0.76%
Other	4,688,987	3,894,364	794,623	20.40%
State sources	125,413,667	113,573,633	11,840,034	10.42%
Total revenues	315,902,121	300,449,425	15,452,696	5.14%
Expenses				
General support	33,756,388	31,284,441	2,471,947	7.90%
Instruction	259,034,271	237,256,969	21,777,302	9.18%
Pupil transportation	21,385,480	20,177,570	1,207,910	5.99%
Debt service - interest	3,266,861	3,640,645	(373,784)	-10.27%
Food service program	6,611,630	6,504,397	107,233	1.65%
Total expenses	324,054,630	298,864,022	25,190,608	8.43%
Change in net position	$ (8,152,509)	$ 1,585,403	$ (9,737,912)	-614.22%

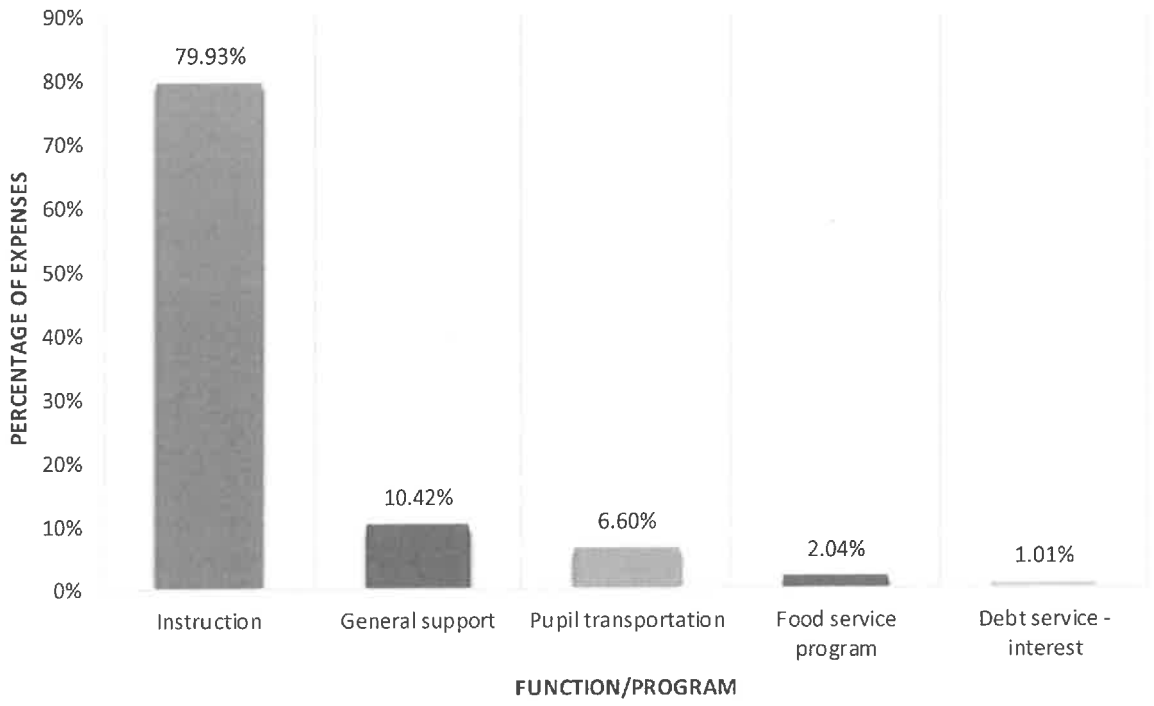
The District's revenues increased primarily due to increases in real property taxes and other tax items and state sources, partially offset by decreases in operating grants and contributions and charges for services. See page 10 for further consideration.

The District's expenses increased primarily due to increases in general support, instruction, and pupil transportation due to the effects of the actuarial valuations for the pension systems and other post-employment benefits obligation.

REVENUES FOR FISCAL YEAR 2026



EXPENSES FOR FISCAL YEAR 2026



B) Detailed Financial Analysis of Major Governmental Funds

A summary of the change in the components of fund balance by fund is as follows:

	2026	2025	Increase (Decrease)	Percentage Change
General Fund				
Restricted:				
Workers' compensation	$ 2,533,285	$ 2,208,306	$ 324,979	14.72%
Unemployment insurance	157,282	168,790	(11,508)	-6.82%
Insurance	1,262,298	282,069	980,229	347.51%
Property loss and liability	1,508,361	1,452,586	55,775	3.84%
Retirement contribution	3,283,575	2,793,475	490,100	17.54%
Employee benefit accrued liability	9,100,479	8,101,644	998,835	12.33%
Assigned:				
Appropriated	2,400,000	2,400,000	-	0.00%
Unappropriated	209,051	91,416	117,635	128.68%
Unassigned	10,660,039	9,472,271	1,187,768	12.54%
	31,114,370	26,970,557	4,143,813	15.36%
School Lunch Fund				
Nonspendable: Inventory	54,502	45,004	9,498	21.10%
Assigned: Unappropriated	3,958,311	3,389,468	568,843	16.78%
	4,012,813	3,434,472	578,341	16.84%
Miscellaneous Special Revenue Fund				
Restricted: Scholarships and donations	1,068,891	1,042,935	25,956	2.49%
Assigned: Unappropriated	294,822	288,056	6,766	2.35%
	1,363,713	1,330,991	32,722	2.46%
Debt Service Fund				
Restricted: Debt service	173,932	169,729	4,203	2.48%
	173,932	169,729	4,203	2.48%
Capital Projects Fund				
Restricted:				
Unspent debt proceeds	142,969	1,356,229	(1,213,260)	-89.46%
Assigned: Unappropriated	3,218,903	1,321,283	1,897,620	143.62%
	3,361,872	2,677,512	684,360	25.56%
Total Fund Balance	$ 40,026,700	$ 34,583,261	$ 5,443,439	15.74%

General Fund

A summary of changes in revenues, other financing sources, expenditures, and other financing uses for the general fund for the fiscal years ended June 30, 2026 and 2025 is as follows:

	Fiscal Year 2026	Fiscal Year 2025	Increase (Decrease)	Percentage Change
Revenues				
Real property taxes	$152,714,902	$148,172,265	$ 4,542,637	3.07%
Other tax items-including STAR	11,153,402	12,344,087	(1,190,685)	-9.65%
Charges for services	658,734	763,616	(104,882)	-13.73%
Use of money and property	2,179,186	2,198,150	(18,964)	-0.86%
Sale of property and compensation for loss	2,123,396	1,862,161	261,235	14.03%
Miscellaneous	1,835,904	1,477,714	358,190	24.24%
Interfund revenue	1,427	1,413	14	0.99%
State sources	125,413,667	113,573,633	11,840,034	10.42%
Federal sources	-	105,554	(105,554)	-100.00%
Medicaid reimbursement	281,303	222,625	58,678	26.36%
Total Revenues	296,361,921	280,721,218	15,640,703	5.57%
Other Financing Sources				
Premiums on obligations	448,050	328,860	119,190	36.24%
Transfer from other funds	-	34,014	(34,014)	-100.00%
Total Other Financing Sources	448,050	362,874	85,176	23.47%
Expenditures				
General support	26,555,091	25,080,259	1,474,832	5.88%
Instruction	152,129,840	144,435,884	7,693,956	5.33%
Pupil transportation	19,903,844	18,684,713	1,219,131	6.52%
Employee benefits	72,845,500	69,856,167	2,989,333	4.28%
Debt service	17,097,877	18,558,218	(1,460,341)	-7.87%
Total Expenditures	288,532,152	276,615,241	11,916,911	4.31%
Other Financing Uses				
Operating transfers out	4,134,006	2,564,169	1,569,837	61.22%
Total Other Financing Uses	4,134,006	2,564,169	1,569,837	61.22%
Net Change in Fund Balance	$ 4,143,813	$ 1,904,682	$ 2,239,131	117.56%

Revenues increased when compared to the prior fiscal year, primarily due to the following:

- Real property taxes increased due to an increase in the tax levy in accordance with the 2025-2026 voter approved budget.
- State sources increased due to the District receiving more general aid and excess cost aid.

Expenditures increased when compared to the prior fiscal year, primarily due to the following:

- Instruction increased due to salary increases, and the District incurring more costs in programs for children with disabilities as more students attended BOCES in the current fiscal year.
- Employee benefits increased due to higher premium costs for medical insurance and settlements of workers' compensation claims.
- Transfers to other funds increased due to the voter approved budgetary transfer to the capital projects fund to finance capital projects.

The following is a summary of the general fund's restricted fund balance activity for the fiscal year ended June 30, 2026:

	Balance at June 30, 2025	Funding	Interest	Use of Reserves	Balance at June 30, 2026
Workers' compensation	$ 2,208,306	$ 2,000,000	$ 84,793	$ (1,759,814)	$ 2,533,285
Unemployment insurance	168,790	3,710	6,481	(21,699)	157,282
Insurance	282,069	1,000,000	10,831	(30,602)	1,262,298
Property loss	726,293		27,887		754,180
Liability	726,293		27,888		754,181
Retirement contribution	2,793,475	2,000,000	107,262	(1,617,162)	3,283,575
Employee benefit accrued liability	8,101,644	2,000,000	311,081	(1,312,246)	9,100,479
Total Restricted Fund Balance	$15,006,870	$ 7,003,710	$ 576,223	$ (4,741,523)	$17,845,280

The following is a summary of the change in the District's general fund unassigned fund balance:

Opening, unassigned fund balance	$ 9,472,271
Revenues and other financing sources over budget	3,876,975
Expenditures, other financing uses, and encumbrances under budget	11,943,045
Allocation to reserves	(7,579,933)
Unused appropriated reserves	(4,652,319)
Appropriated to fund the June 30, 2027 budget	(2,400,000)
Closing, unassigned fund balance	$ 10,660,039

Special Aid Fund

The fund balance in the special aid fund remained at $0, as revenues and expenditures are recognized in equal amounts each year. Expenditures consist primarily of reimbursable grant programs, as well as a transfer from the general fund for the District's share of costs for the summer program for students with disabilities and the state-supported Section 4201 schools.

School Lunch Fund

The net change in the school lunch fund – fund balance is an increase of $578,341. The increase in the fund balance is the result of greater state and federal reimbursements exceeding the cost of distributing free meals to all students of the District.

Miscellaneous Special Revenue Fund

The fund balance in the miscellaneous special revenue fund increased by $32,722. This increase is due to revenues exceeding expenditures for scholarships and donations and extraclassroom activities.

Debt Service Fund

The net change in the debt service fund – fund balance is an increase of $4,203. This increase in the fund balance for the debt service fund is due to interest income earned in the current year.

Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of $684,360. This is due to the general fund voter-approved budgetary transfer and state aid exceeding capital outlay.

3. SIGNIFICANT CAPITAL ASSET AND LONG – TERM FINANCING ACTIVITY

A) Capital Assets:

The District has invested in a broad range of capital assets including land, buildings and improvements, site improvements, machinery and equipment, and vehicles. The net decrease in capital assets is due to depreciation expense of $15,830,286 and loss on disposal of $2,455 in excess of capital asset additions of $3,963,430 recorded for the fiscal year ended June 30, 2026. See the accompanying notes to financial statements for additional information.

B) Long-Term Activity:

At June 30, 2026, the District had total serial bonds payable (inclusive of unamortized premiums) of $64,204,033. The District reduced the serial bonds payable (inclusive of unamortized premiums) with principal payments and amortized premiums of $11,410,469. The District had energy performance contract debt payable in the amount of $14,332,568 at June 30, 2026. The District reduced the energy performance contract debt with principal payments of $2,517,655. More detailed information about the District's long-term debt is presented in the accompanying notes to financial statements.

4. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

A) The general fund budget, the only fund with a legally adopted budget, was approved by the voters on May 19, 2026, for the fiscal year ending June 30, 2027, in the amount of $315,378,259. This represents an increase of $10,710,521, or 3.52%, over the prior fiscal year.

B) Future budgets may be negatively affected by certain trends impacting school districts. These factors include the following:

- Student enrollment trends.
- Rising costs in employee salaries and health benefits, as well as contributions to pension programs.
- Increased costs associated with meeting the requirements for instructional services, including special education services.
- Uncertainty with state and federal aid, including new state mandates that may bring changes to state aid formulas that could negatively impact school districts.
- Rising inflation as well as interest rates, which can affect all areas of the budget.

- The property tax cap as discussed below.

C) New York State law limits the increase in property taxes levied to the lesser of two percent, or the rate of inflation. The law does allow school districts to levy an additional amount for certain excludable expenditures. An override of the levy limit is also permitted. If the proposed tax levy is within the District's tax levy cap, then the budget is presented and approved by voters. If the proposed tax levy exceeds the District's tax levy cap, the threshold required for approval would be 60 percent of the vote.

D) The District issued tax anticipation notes on September 8, 2026, in the amount of $43,500,000, which will mature on June 24, 2027 bearing a stated interest rate of 4.50%. The District received a premium of $566,805 with the borrowing to yield an effective interest rate of 2.8599%.

E) In July 2026, the District was notified that a payment in lieu of taxes (PILOT) agreement between the Town of Brookhaven and the Long Island Power Authority (LIPA) would take effect beginning with the 2026-27 school year. Under the agreement, certain LIPA property will be removed from the tax assessment roll and LIPA will instead make PILOT payments going forward. As, a result the District's total assessed valuation will be reduced, with PILOT payments replacing the property tax revenue previously associated with LIPA's assessed property.

5. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2026

ASSETS	
Current assets	
Cash and cash equivalents	
Unrestricted	$ 36,424,157
Restricted	19,231,072
Receivables	
Accounts receivable	144,521
State and federal aid	12,752,175
Due from other governments	264,795
Inventory	54,502
Capital assets	
Not being depreciated	6,056,391
Being depreciated, net of accumulated depreciation	139,217,728
Net pension asset - proportionate share - teachers' retirement system (TRS)	32,912,303
TOTAL ASSETS	247,057,644
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refundings	103,112
Pensions	47,624,687
Total other post-employment benefits	154,161,959
TOTAL DEFERRED OUTFLOWS OF RESOURCES	201,889,758
LIABILITIES	
Payables	
Accounts payable	4,396,906
Accrued liabilities	5,478,107
Due to fiduciary fund	5,005
Accrued interest payable	776,942
Due to other governments	2,339,007
Due to teachers' retirement system	11,513,519
Due to employees' retirement system	1,305,147
Compensated absences payable	1,886,943
Other liabilities	202,919
Unearned credits	
Collections in advance	128,945
Long-term liabilities	
Due and payable within one year	
Bonds payable (inclusive of unamortized premiums)	11,426,471
Energy performance contract debt payable	1,976,114
Workers' compensation claims payable	2,143,592
Termination benefits payable	450,000
Compensated absences payable	923,032
Total other post-employment benefits obligation	18,951,085
Due and payable after one year	
Bonds payable (inclusive of unamortized premiums)	52,777,562
Energy performance contract debt payable	12,356,454
Workers' compensation claims payable	2,897,314
Termination benefits payable	7,995,000
Compensated absences payable	17,537,615
Net pension liability - proportionate share - employees' retirement system (ERS)	3,003,161
Total other post-employment benefits obligation	513,735,378
TOTAL LIABILITIES	674,206,218
DEFERRED INFLOWS OF RESOURCES	
Pensions	32,885,317
Total other post-employment benefits	72,006,726
TOTAL DEFERRED INFLOWS OF RESOURCES	104,892,043
NET POSITION (DEFICIT)	
Net investment in capital assets	66,427,553
Restricted	52,000,406
Unrestricted (Deficit)	(448,578,818)
TOTAL NET POSITION (DEFICIT)	$ (330,150,859)

See Accompanying Notes to Financial Statements

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS / PROGRAMS					
General support	$ (33,756,388)	$ -	$ -	$ 60,000	$ (33,696,388)
Instruction	(259,034,271)	1,227,644	9,855,857	714,886	(247,235,884)
Pupil transportation	(21,385,480)		577,234		(20,808,246)
Debt service - interest	(3,266,861)				(3,266,861)
Food service program	(6,611,630)	447,805	6,806,890		643,065
TOTAL FUNCTIONS AND PROGRAMS	$ (324,054,630)	$ 1,675,449	$ 17,239,981	$ 774,886	(304,364,314)
GENERAL REVENUES					
Real property taxes					152,714,902
Other tax items - including STAR reimbursement					11,153,402
Use of money and property					2,240,847
Sale of property and compensation for loss					2,123,396
Miscellaneous					2,284,288
State sources					125,413,667
Medicaid reimbursement					281,303
TOTAL GENERAL REVENUES					296,211,805
CHANGE IN NET POSITION					(8,152,509)
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR					(321,998,350)
TOTAL NET POSITION (DEFICIT) - END OF YEAR					$ (330,150,859)

See Accompanying Notes to Financial Statements

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2026

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS							
Cash and cash equivalents							
Unrestricted	$ 31,729,859	$ 22,708	$ 1,350,904	$ 291,329	$ -	$ 3,029,357	$ 36,424,157
Restricted	17,845,280			1,068,891	173,932	142,969	19,231,072
Receivables							
Accounts receivable	141,485			3,036			144,521
State and federal aid	4,957,323	5,486,503	720,325			1,588,024	12,752,175
Due from other governments	264,795						264,795
Due from other funds	5,203,402		2,384,117	500		745,592	8,333,611
Inventory			54,502				54,502
TOTAL ASSETS	$ 60,142,144	$ 5,509,211	$ 4,509,848	$ 1,363,756	$ 173,932	$ 5,505,942	$ 77,204,833
LIABILITIES AND FUND BALANCES							
Payables							
Accounts payable	$ 3,232,629	$ 147,622	$ 460,566	$ 43	$ -	$ 556,046	$ 4,396,906
Accrued liabilities	5,451,181	26,603	323				5,478,107
Due to other governments	2,338,974		33				2,339,007
Due to other funds	3,023,630	5,314,986					8,338,616
Due to teachers' retirement system	11,513,519						11,513,519
Due to employees' retirement system	1,305,147						1,305,147
Compensated absences	1,886,943						1,886,943
Other liabilities	202,919						202,919
Unearned credits							
Collections in advance	72,832	20,000	36,113				128,945
TOTAL LIABILITIES	29,027,774	5,509,211	497,035	43	-	556,046	35,590,109
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - smart school bonds						1,588,024	1,588,024
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	1,588,024	1,588,024
FUND BALANCES							
Nonspendable							
Inventory			54,502				54,502
Restricted							
Workers' compensation	2,533,285						2,533,285
Unemployment insurance	157,282						157,282
Insurance	1,262,298						1,262,298
Property loss	754,180						754,180
Liability	754,181						754,181
Retirement contribution	3,283,575						3,283,575
Employee benefit accrued liability	9,100,479						9,100,479
Debt service					173,932		173,932
Unspent debt proceeds						142,969	142,969
Scholarships and donations				1,068,891			1,068,891
Assigned							
Appropriated	2,400,000						2,400,000
Unappropriated	209,051		3,958,311	294,822		3,218,903	7,681,087
Unassigned	10,660,039						10,660,039
TOTAL FUND BALANCES	31,114,370	-	4,012,813	1,363,713	173,932	3,361,872	40,026,700
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 60,142,144	$ 5,509,211	$ 4,509,848	$ 1,363,756	$ 173,932	$ 5,505,942	$ 77,204,833

See Accompanying Notes to Financial Statements

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2026

Total Governmental Fund Balances		$ 40,026,700
Amounts reported for governmental activities in the Statement of Net Position are different because:		
The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds is reported as expenditures in the fiscal year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	$ 328,373,529	
Accumulated depreciation	(183,099,410)	145,274,119
Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset, proportionate share for TRS at year-end was:		
Net pension asset - proportionate share - teachers' retirement system		32,912,303
Deferred outflows of resources - The Statement of Net Position recognizes expenses incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions and other post-employment benefits that will be recognized as expenditures in future periods amounted to:		
Deferred outflows of resources related to pensions	$ 47,624,687	
Deferred outflows of resources related to total other post-employment benefits obligation	154,161,959	201,786,646
Deferred outflows of resources - deferred amounts on refunding of bonds - The Statement of Net Position will amortize the deferred amounts received over the life of the bond. Governmental funds record the deferred amounts in the fiscal year of issuance. The balance on the deferred amounts at June 30, 2026 was:		103,112
Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenues under the modified accrual method. These amounts will be amortized in future years:		
Deferred inflows of resources related to pensions	$ (32,885,317)	
Deferred inflows of resources related to total other post-employment benefits obligation	(72,006,726)	(104,892,043)
Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are recorded as deferred inflows of resources in the governmental funds.		1,588,024
Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of accrued interest payable of:		(776,942)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consisted of:		
Bonds payable (inclusive of unamortized premiums)	$ (64,204,033)	
Energy performance contract debt payable	(14,332,568)	
Workers' compensation claims payable	(5,040,906)	
Termination benefits payable	(8,445,000)	
Compensated absences payable	(18,460,647)	
Net pension liability - proportionate share - employees' retirement system	(3,003,161)	
Total other post-employment benefits obligation	(532,686,463)	(646,172,778)
Total Net Position (Deficit)		$ (330,150,859)

See Accompanying Notes to Financial Statements

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES							
Real property taxes	$ 152,714,902	$ -	$ -	$ -	$ -	$ -	$ 152,714,902
Other tax items - including STAR reimbursement	11,153,402						11,153,402
Charges for services	658,734			568,910			1,227,644
Use of money and property	2,179,186		17,252	40,206	4,203		2,240,847
Sale of property and compensation for loss	2,123,396						2,123,396
Miscellaneous	1,835,904	334		1,800			1,838,038
Interfund revenue	1,427						1,427
State sources	125,413,667	5,960,525	1,574,023			60,000	133,008,215
Federal sources		4,470,766	4,695,097				9,165,863
Medicaid reimbursement	281,303						281,303
Surplus food			537,770				537,770
School lunch sales			447,805				447,805
TOTAL REVENUES	296,361,921	10,431,625	7,271,947	610,916	4,203	60,000	314,740,612
EXPENDITURES							
General support	26,555,091						26,555,091
Instruction	152,129,840	9,496,427		578,194			162,204,461
Pupil transportation	19,903,844	577,234					20,481,078
Employee benefits	72,845,500	991,970					73,837,470
Debt service - principal	13,487,655						13,487,655
Debt service - interest	3,610,222						3,610,222
Cost of sales			6,693,606				6,693,606
Capital outlay						2,875,640	2,875,640
TOTAL EXPENDITURES	288,532,152	11,065,631	6,693,606	578,194	-	2,875,640	309,745,223
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,829,769	(634,006)	578,341	32,722	4,203	(2,815,640)	4,995,389
OTHER FINANCING SOURCES AND (USES)							
Premiums on obligations	448,050						448,050
Operating transfers in		634,006				3,500,000	4,134,006
Operating transfers (out)	(4,134,006)						(4,134,006)
TOTAL OTHER FINANCING SOURCES AND (USES)	(3,685,956)	634,006	-	-	-	3,500,000	448,050
NET CHANGE IN FUND BALANCES	4,143,813	-	578,341	32,722	4,203	684,360	5,443,439
FUND BALANCES - BEGINNING OF YEAR	26,970,557	-	3,434,472	1,330,991	169,729	2,677,512	34,583,261
FUND BALANCES - END OF YEAR	$ 31,114,370	$ -	$ 4,012,813	$ 1,363,713	$ 173,932	$ 3,361,872	$ 40,026,700

See Accompanying Notes to Financial Statements

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

Net Change in Fund Balances		$ 5,443,439
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long Term Revenue and Expense Differences		
Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenues under the modified accrual method. The difference in state aid revenues recognized under the full accrual method for the fiscal year ended June 30, 2026 is:		714,886
In the Statement of Activities, certain operating expenses are measured by amounts earned or incurred during the fiscal year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.		
Increase in workers' compensation claims payable	$ (1,276,562)	
Increase in termination benefits payable	(245,000)	
Decrease in compensated absences payable	281,035	(1,240,527)
Changes in the proportionate share of net pension asset/liability and the total other post-employment benefits obligation and the related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.		
Teachers' retirement system	11,921,543	
Employees' retirement system	194,443	
Total other post-employment benefits obligation	(27,147,998)	(15,032,012)
Capital Related Differences		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.		
Capital outlays	3,963,430	
Depreciation expense	(15,830,286)	
Loss on disposal of assets	(2,455)	(11,869,311)
Long-Term Debt Differences		
Interest on long-term debt in the Statement of Activities is different from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as it accrues regardless of when it is due. Accrued interest changed by:		142,168
Governmental funds report the premiums, discounts, and similar items when the debt is first issued. These amounts are deferred and amortized in the Statement of Activities.		
Amortization on bond premiums	440,469	
Amortization of deferred amounts on refundings of bonds	(239,276)	201,193
Repayment of debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
Bond principal payments	10,970,000	
Energy performance contract debt principal payments	2,517,655	13,487,655
Change in Net Position		$ (8,152,509)

See Accompanying Notes to Financial Statements

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2026

	Custodial
ASSETS	
Due from other governments	$ 6,698
Due from governmental funds	5,005
TOTAL ASSETS	$ 11,703
LIABILITIES	
Due to other governments	$ 11,703
TOTAL LIABILITIES	11,703
NET POSITION	
Restricted	
TOTAL NET POSITION	-
TOTAL LIABILITIES AND NET POSITION	$ 11,703

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Custodial
ADDITIONS	
Real property taxes collected for the library	$ 15,359,389
PILOTS collected for the library	10,010
Other amounts collected for the library	6,698
TOTAL ADDITIONS	15,376,097
DEDUCTIONS	
Real property taxes disbursed for the library	15,359,389
PILOTS disbursed for the library	10,010
Other amounts disbursed for the library	6,698
TOTAL DEDUCTIONS	15,376,097
CHANGE IN NET POSITION	-
NET POSITION - BEGINNING OF YEAR	-
NET POSITION- END OF YEAR	$ -

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting Entity:

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

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

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

B) Joint Venture:

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

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

A BOCES' budget is composed of separate budgets for administrative, program, and capital costs. Each component district's share of administrative, program, and capital costs is determined by resident public school district enrollment, as defined in the New York State Education Law,

§1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C) Basis of Presentation:

District-Wide Financial Statements:

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

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

Fund Financial Statements:

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

The District reports the following major governmental funds:

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

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

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

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt.

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

The District reports the following fiduciary fund:

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or custodian for resources that belong to others. These activities are not included in the District-Wide Financial Statements because their resources do not belong to the District and are not available to be used. The District's fiduciary fund includes the custodial fund which is used to account for real property taxes, payments in lieu of taxes (PILOTs), and other amounts collected on behalf of other governments and disbursed to other governments.

D) Measurement Focus and Basis of Accounting:

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, termination benefits payable, compensated absences payable, net pension liabilities, total other post-employment benefits obligation, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E) Real Property Taxes:

Calendar

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

Enforcement

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

F) Restricted Resources:

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

G) Interfund Transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flows. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the District-Wide Financial Statements, eliminations have been made for all interfund receivables and payables between the funds, except those amounts due from and to the fiduciary fund, if applicable.

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

Refer to the accompanying notes to financial statements for a detailed disclosure by individual fund for interfund receivables, payables, revenues, and expenditures activity.

H) 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 amount of assets and deferred outflows, liabilities, and deferred inflows, disclosure of contingent items, and the reported revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including useful lives of capital assets, computation of termination benefits payable, compensated absences payable, net pension assets/(liabilities), total other post-employment benefits obligation, and other potential contingent liabilities.

I) Cash and Cash Equivalents:

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

J) Receivables:

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

K) Inventory:

Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's stated value, which approximates market. Inventory is accounted for under the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

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

A portion of fund balance in the school lunch fund has been classified as nonspendable to indicate that inventory does not constitute available spendable resources.

L) Capital Assets:

Capital assets are reflected in the District-Wide Financial Statements. Capital assets are reported at actual cost, when information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the time received.

All capital assets, except land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide Financial Statements are as follows:

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

The District evaluated prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2026, the District has not recorded any such impairment losses.

M) Deferred Outflows and Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. These amounts are related to deferred amounts on refundings, pensions,

and the total other post-employment benefits obligation, which are reported in the District-Wide Statement of Net Position and are detailed further in the accompanying notes to financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows of resources related to pensions and the total other post-employment benefits obligation in the District-Wide Statement of Net Position, which are detailed further in the accompanying notes to financial statements.

The deferred inflows of resources on the Balance Sheet are unavailable revenues, which are reported when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid or state grants. In subsequent periods, when the availability criterion is met, the balance of deferred inflows of resources is reduced and revenues are recorded. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus. See the accompanying notes to financial statements for further information.

N) Short-Term Debt:

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

The District may issue bond anticipation notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during calendar year 2015 through, and including, 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve-month period thereafter. See the accompanying notes to financial statements for further information on the District's short-term debt transactions during the fiscal year ending June 30, 2026.

O) Collections in Advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is reduced and revenues are recorded. Collections in advance as of June 30, 2026 consisted of amounts received in advance for flexible spending plan payments and various insurance premiums payments in the general fund, grant proceeds in the special aid fund, and prepaid student account balances in the school lunch fund.

P) Employee Benefits – Compensated Absences and Termination Benefits:

Compensated Absences:

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

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

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

Compensated absences are recognized as a liability when the obligation is attributable to services already rendered, the payment is probable, and the amount can be reasonably estimated. This includes both:

- Leave that is expected to be used in future periods, and
- Leave that will be paid out upon termination or retirement, per contractual agreements.

The liability is calculated based on employees' current pay rates and any additional salary-related costs that are directly associated with the payment of compensated absences.

In the Fund Financial Statements, only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are reported for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

Termination Benefits:

Termination benefits consists of estimated eligible retirement incentive payments as specified in collective bargaining agreements. The liability is calculated on years of service plus rates in effect at year end.

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

Q) Other Benefits:

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the fiscal year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payments). In the District-Wide Financial Statements, the cost of post-employment insurance coverage is recognized on the accrual basis of accounting.

R) Long-Term Debt:

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The repayment of principal and interest is recorded in the general fund.

In the Fund Financial Statements, governmental funds recognize bond premiums received during the current period as other financing sources, with the face amount of debt issued reported as other financing sources. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

In the District-Wide Financial Statements, premiums received on long-term debt issuances are netted with bonds payable and amortized over the life of the bonds.

S) Equity Classifications:

District-Wide Financial Statements:

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

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

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

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

As of June 30, 2026, the governmental activities reported a deficit in unrestricted net position of $448,550,679. This deficit is primarily the result of unfunded liabilities such as the District recognizing its proportionate share of the net pension liabilities and total OPEB liability on the Statement of Net Position. The accumulated effect of these required recognitions, coupled with the

limitations from the state on funding the OPEB liability on a "pay as you go" basis, has resulted in an unrestricted net deficit.

Fund Financial Statements:

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

Nonspendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. At June 30, 2026, the District has $54,502 in nonspendable fund balance for inventory recorded in the school lunch fund.

Restricted fund balance – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

Workers' Compensation Reserve:

Workers' compensation reserve (GML §6-j) must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the general fund.

Unemployment Insurance Reserve:

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

Insurance Reserve:

Insurance reserve (GML§6-n) is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title, residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve. However, the annual contribution to this reserve may not exceed the greater of $33,000 or 5% of

the budget. Settled or compromised claims up to $25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the general fund.

Property Loss Reserve and Liability Reserve:

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

Retirement Contribution Reserve:

Retirement Contribution Reserve (GML§6-r) must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve:

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

Restricted for Debt Service:

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

Restricted for Unspent Debt Proceeds:

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

Restricted for Scholarships and Donations:

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

Unrestricted Resources:

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

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

Assigned fund balance – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies. The District has established a fund balance policy that allows the Board to set forth the fund balance that is assigned. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

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

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent fiscal year and encumbrances included in assigned fund balance are also excluded from the 4% limitation. The District's general fund unassigned fund balance is within the legal limit.

Order of Use of Fund Balance

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

T) New Accounting Pronouncements:

GASB has issued GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the District for the fiscal year ended June 30, 2026. This Statement improves the key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. See the accompanying financial statements for the effects of implementation. There were no restatements of opening balances in connection with the implementation of this Statement.

GASB has issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the District for the fiscal year ended June 30, 2026. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosure such as intangible lease assets, subscription assets, and assets held for sale. The implementation of this Statement was not material to the financial statements as a whole. There were no restatements of opening balances in connection with the implementation of this Statement.

U) Future Accounting Pronouncement:

GASB issued GASB Statement No. 105, *Subsequent Events*, which establishes clear guidelines for how governments evaluate, recognize, and disclose events occurring between the financial statement date and the date they are available to be issued. The requirements of this Statement are effective for the fiscal year ended June 30, 2027.

The Statement above is not an all-inclusive list of all future GASB statements impacting the District. The District will evaluate the impact and materiality of the Statement above and implement the provisions as applicable.

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

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

A) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

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

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

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

Long-term revenue and expense differences:

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

Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on Fund Financial Statements and the gain or loss on the sale of assets reported on the

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

Long-term debt differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A) Budgets:

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

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

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent fiscal year. Appropriations authorized for the current fiscal year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the fiscal year:

Transportation expenditures funded by insurance recoveries	$ 35,412
Instructional salaries, equipment, and expenditures funded by donations	23,688
	$ 59,100

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the fiscal year are increased by the amount of encumbrances carried forward from the prior fiscal year.

Budgets are established and used for individual capital projects fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assigned or restricted fund balance and

do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 4 –DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash and Cash Equivalents:

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Deposits are disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

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

B) Restricted Cash and Cash Equivalents:

Restricted cash and cash equivalents represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash and cash equivalents at June 30, 2026 included $19,202,933 within the governmental funds for general reserves purposes, and amounts restricted for scholarships and donations purposes, debt service, and capital projects.

C) Investment Pool:

The District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and considered to be cash equivalents. The general fund, miscellaneous special revenue fund, and capital projects fund have $40,436,876, $1,062,517, and $2,094,684, respectively, invested in NYCLASS accounts at June 30, 2026.

Total investments of the cooperative at June 30, 2026, are $14,859,053,558, which consisted of $3,385,400,000 in repurchase agreements, and $11,473,653,558 in U.S. Government Treasury Securities at various interest rates with various due dates. Total collateralized bank deposits of the cooperative at June 30, 2026 are $970,035,764.

The above amounts represent the cost of the investment pool shares and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateralization requirements. NYCLASS is rated AAAm by Standard and Poor's Ratings Agency. Additional information concerning the cooperative is presented in the annual report of the New York Cooperative Liquid Assets Securities System (NYCLASS), which may be obtained from their website, www.newyorkclass.org, or by contacting their registered investment advisor, Public Trust Advisors, LLC at 717 17th Street, Suite 1850, Denver CO, 80202.

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2026, the District was billed $20,449,167 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $3,141,392. Financial statements for the BOCES are available from the BOCES administrative office at Eastern Suffolk Board of Cooperative Educational Services James Hines Administration Center 201 Sunrise Highway Patchogue, NY 11772.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2026 consisted of the following:

General Fund	
New York State - excess cost aid	$ 3,543,696
BOCES aid	1,413,627
	4,957,323
Special Aid Fund	
Federal and state grants	5,486,503
School Lunch Fund	
Federal and state food service program reimbursements	720,325
Capital Projects Fund	
Smart Schools Bond Act	1,588,024
	$ 12,752,175

The capital projects fund includes $1,588,024 of unavailable revenues for the Smart Schools Bond Act, which is included in deferred inflows of resources on the Balance Sheet.

District management has deemed these amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2026 consisted of the following:

Other districts - tuition billings	$ 198,196
Town of Brookhaven - interest	66,599
	$ 264,795

District management has deemed these amounts to be fully collectible.

NOTE 8 – CAPITAL ASSETS:

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

	Balance June 30, 2025	Additions	Retirements/ Reclassifications	Ending June 30, 2026
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 4,328,276	$ -	$ -	$ 4,328,276
Construction in progress	83,720	1,644,395		1,728,115
Total capital assets that are not depreciated	4,411,996	1,644,395	-	6,056,391
Capital assets that are depreciated:				
Building and improvements	291,509,918			291,509,918
Furniture and equipment	21,432,168	1,807,528	(31,004)	23,208,692
Land improvements	3,639,307	511,507		4,150,814
Vehicles	3,447,714			3,447,714
Total capital assets that are depreciated	320,029,107	2,319,035	(31,004)	322,317,138
Less accumulated depreciation:				
Building and improvements	148,529,153	12,782,535		161,311,688
Furniture and equipment	12,484,697	2,799,446	(28,549)	15,255,594
Land improvements	3,469,335	3,846		3,473,181
Vehicles	2,814,488	244,459		3,058,947
Total accumulated depreciation	167,297,673	15,830,286	(28,549)	183,099,410
Total capital assets that are depreciated, net	152,731,434	(13,511,251)	(2,455)	139,217,728
Capital assets, net	$157,143,430	$ (11,866,856)	$ (2,455)	$145,274,119

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

General support	$ 616,908
Instruction	14,954,083
Pupil transportation	225,035
Food service program	36,715
	$ 15,832,741

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

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

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	$ 5,203,402	$ 3,023,630	$ -	$ 4,134,006
Special Aid Fund		5,314,986	634,006	
School Lunch Fund	2,384,117			
Miscellaneous Special Revenue Fund	500			
Debt Service Fund				
Capital Projects Fund	745,592		3,500,000	
	8,333,611	8,338,616	$ 4,134,006	$ 4,134,006
Custodial Fund	5,005			
	$ 8,338,616	$ 8,338,616		

The District typically transfers from the general fund to the special aid fund to fund the District's share of the summer programs for students with disabilities and state supported Section 4201 schools. The District also transferred monies to the capital projects fund per the voter-approved budget to finance capital projects.

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

NOTE 10 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2026 consisted of:

General Fund	
Flexible spending plan payments	$ 35,045
Various insurance payments	37,787
	72,832
Special Aid Fund	
Grant proceeds received in advance	20,000
School Lunch Fund	
Prepaid student account balances	36,113
	$ 128,945

NOTE 11 – DUE TO OTHER GOVERNMENTS:

Due to other governments at June 30, 2026 consisted of the following:

General Fund	
BOCES	$ 2,031,563
New York State unemployment insurance	3,553
Other local governments	303,858
	2,338,974
School Lunch Fund	
Sales tax payable	33
	$ 2,339,007

NOTE 12 - SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Balance June 30, 2025	Issued	Redeemed	Ending June 30, 2026
TAN	6/24/2026	4.00%	$ -	$ 43,500,000	$(43,500,000)	$ -

Interest paid on short-term debt for the fiscal year was $1,430,667. The District received a premium on obligations of $448,050 for a net cost of $982,617 and effective interest rate of 2.75%.

NOTE 13 – LONG-TERM LIABILITIES:

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

	Balance June 30, 2025	Issued	Redeemed	Ending June 30, 2026	Amounts Due Within One Year
Long-term debt:					
Bonds payable	$ 74,555,000	$ -	$ 10,970,000	$ 63,585,000	$ 11,230,000
Premiums on advanced refunding	1,059,502		440,469	619,033	196,471
Energy performance contract debt payable	16,850,223		2,517,655	14,332,568	1,976,114
Total long-term debt	92,464,725	-	13,928,124	78,536,601	13,402,585
Other long-term liabilities:					
Workers' compensation claims payable	3,764,344	3,823,468	2,546,906	5,040,906	2,143,592
Termination benefits payable	8,200,000	755,000	510,000	8,445,000	450,000
Compensated absences payable	18,741,682		281,035	18,460,647	923,032
Net pension liability-proportionate share Employees' retirement system	9,838,677		6,835,516	3,003,161	
Total other post-employment benefits obligation	379,886,472	167,333,644	14,533,653	532,686,463	18,951,085
Total long-term debt and other long-term liabilities	$512,895,900	$171,912,112	$ 38,635,234	$646,172,778	$ 35,870,294

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, energy performance contract debt payable, workers' compensation claims payable, termination benefits payable,

compensated absences payable, net pension liabilities, and total other post-employment benefits obligation.

A) Bonds Payable

Bonds payable is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2026
Construction serial bond	4/21/2016	7/15/2028	1.00-5.00%	$ 2,385,000
Construction serial bond	3/20/2013	6/30/2027	2.00-4.00%	2,850,000
Construction serial bond	8/24/2016	8/15/2033	2.00%	15,400,000
Construction serial bond	8/15/2017	8/15/2033	2.00-3.00%	22,550,000
Construction serial bond	1/23/2019	1/15/2034	3.00%	13,350,000
Construction serial bond	9/4/2019	9/1/2034	1.50-2.00%	7,050,000
				$ 63,585,000

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 11,230,000	$ 1,515,500	$ 12,745,500
2028	8,470,000	1,248,500	9,718,500
2029	8,535,000	1,032,000	9,567,000
2030	7,900,000	830,813	8,730,813
2031	7,900,000	635,750	8,535,750
2032-2035	19,550,000	727,000	20,277,000
	$ 63,585,000	$ 5,989,563	$ 69,574,563

The bonds are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and remedies for enforcement of payment are not expressly included in the District's contract with such owners. Upon default in the payment of principal of or interest on the bonds at the suit of the owner, a court has the power, in proper and appropriate proceedings, to render judgment against the District. A court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy.

Section 99-b of the State Finance Law provides for a covenant between New York State and the purchasers and the holders and owners from time to time of the bonds issued by school districts in New York State. In the event a holder or owner of any bond issued by a school district for school purposes shall file with the Office of the New York State Comptroller (OSC) a verified statement describing such bond and alleging default in the payment thereof or the interest thereon or both, the OSC shall thereafter deduct and withhold from the next succeeding allotment, apportionment, or payment of such state aid or assistance due to such school district such amount thereof as may be required to pay the principal of and interest on such bonds of such school district then in default. In the event such state aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the OSC shall similarly deduct and withhold from each succeeding allotment,

apportionment, or payment of such state aid or assistance due such school district such amount or amounts thereof as may be required to cure such default.

B) Premiums on Bonds:

Premiums on bonds, net of accumulated amortization, are reported as a component of the related long-term liability and amounted to $619,033 at June 30, 2026. This represents premiums received on the January 2019 bond issuance and on the 2013 and 2016 bond refundings. These premiums are being amortized using the straight-line method over the life of the bonds. Amortization is recorded as a reduction in interest expense on the District-Wide Statement of Activities.

C) Energy Performance Contract Debt Payable

Energy performance contract debt payable is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2026
Energy performance contract debt	8/5/2011	10/15/2026	3.39%	$ 598,948
Energy performance contract debt	2/12/2020	2/1/2035	2.11%	11,939,425
Energy performance contract debt	8/11/2021	8/1/2036	1.47%	1,794,195
				$ 14,332,568

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 1,976,114	$ 281,596	$ 2,257,710
2028	1,405,363	243,248	1,648,611
2029	1,434,142	214,469	1,648,611
2030	1,463,516	185,094	1,648,610
2031	1,493,499	155,112	1,648,611
2032-2036	6,468,095	311,374	6,779,469
2037	91,839	675	92,514
	$ 14,332,568	$ 1,391,568	$ 15,724,136

D) Long-Term Interest

Interest on long-term debt and energy performance contract debt for the fiscal year was composed of:

Interest paid	$ 2,179,555
Less interest accrued in the prior fiscal year	(919,110)
Plus interest accrued in the current fiscal year	776,942
Plus amortization of the deferred charges	239,276
Less amortization of bond premiums	(440,469)
	$ 1,836,194

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

Deferred amounts on refundings result from the difference in the carrying value of the refunded debt and its reacquisition price. The deferred amounts pertaining to the 2013 and 2016 bond refundings recorded in the District-Wide Financial Statements as deferred outflows of resources at June 30, 2026 consisted of the following:

2013 Bond refunding	
Initial deferred charges on refunding	$ 2,697,877
Amortization to date	(2,672,741)
	25,136
2016 Bond refunding	
Initial deferred charges on refunding	467,853
Amortization to date	(389,877)
	77,976
	$ 103,112

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

NOTE 15 – PENSION PLANS:

A) Plan Description and Benefits Provided:

Teachers' Retirement System

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

Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the "System"). This is a cost-sharing multiple–employer retirement system. The System provides

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

B) Funding Policies:

The Systems are noncontributory, except as follows:

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

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

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31. The District's contribution rates for ERS' fiscal year ended March 31, 2026 for covered payroll was 23.10% for Tier 2, 19.40% for Tiers 3 & 4, 16.40% for Tier 5, and 12.70% for Tier 6.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2026 was 9.59% of covered payroll.

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

	ERS	TRS
2026	$ 3,587,456	$ 10,420,512
2025	$ 3,621,736	$ 11,034,654
2024	$ 3,196,524	$ 10,723,884

C) Pension Assets and Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:

At June 30, 2026, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2026 for ERS and June 30, 2025 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation, with update procedures used to roll forward the total pension asset/(liability). The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	March 31, 2026	June 30, 2025
District's proportionate share of the net pension asset/(liability)	$ (3,003,161)	$ 32,912,303
District's portion of the Plan's total pension liability	0.0532311%	0.555852%
Change in proportion since the prior measurement date	(0.0041516)	(0.019572)

For the fiscal year ended June 30, 2026, the District recognized pension expense of $3,394,040 for ERS and ($1,433,082) for TRS. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 1,718,585	$17,253,385	$ -	$ -
Changes of assumptions	515,510	13,028,956		354,849
Net difference between projected and actual earnings on pension plan investments			5,384,834	25,704,426
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,084,158	2,298,434	1,118,673	322,535
District's contributions subsequent to the measurement date	1,305,147	10,420,512		
Total	$ 4,623,400	$43,001,287	$ 6,503,507	$26,381,810

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ended	ERS	TRS
2026	$ -	$ 17,066,018
2027	1,164,982	(6,513,420)
2028	(1,973,959)	(6,891,734)
2029	(1,188,322)	(1,186,567)
2030	(1,187,955)	3,071,068
Thereafter		653,600
	$ (3,185,254)	$ 6,198,965

Actuarial Assumptions

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

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

For ERS, annuitant mortality rates are based on April 1, 2020 – March 31, 2025 System's experience with adjustments for mortality improvements based on the 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. Active member mortality rates are based on plan member experience.

For ERS, the actuarial assumptions used in the April 1, 2025 valuation are based on the results of an actuarial experience study for the period April 1, 2020 – March 31, 2025. For TRS, the actuarial assumptions used in the June 30, 2024 valuation are based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2024.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date are summarized below:

	ERS		TRS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Measurement Date	March 31, 2026		June 30, 2025	
Account type				
Domestic equity	25%	3.29%	33%	6.70%
International equity	14%	5.85%	15%	7.40%
Global equity			4%	7.00%
Private equity	15%	7.00%	9%	9.80%
Real estate	12%	5.20%	11%	6.50%
Opportunistic/Absolute return strategy	3%	5.13%		
Real assets	4%	5.54%		
Credit	4%	5.10%		
Cash	1%	0.25%		
Fixed income	22%	1.75%	16%	2.60%
Global bonds			2%	2.40%
High-yield bonds			1%	4.70%
Private debt			2%	6.10%
Real estate debt			6%	3.80%
Cash equivalents			1%	0.60%
Total	100%		100%	

The expected real rate of return is net of long-term inflation assumptions of 2.50% for ERS, and 2.50% for TRS.

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.90% for ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90% for ERS and 5.95% for TRS) or 1-percentage-point higher (6.90% for ERS and 7.95% for TRS) than the current rate:

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
District's proportionate share of net pension asset/(liability)	$ (20,510,769)	$ (3,003,161)	$ 11,633,974

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
District's proportionate share of net pension asset/(liability)	$ (63,241,407)	$ 32,912,303	$ 113,820,647

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands) ERS	TRS
Measurement date	March 31, 2026	June 30, 2025
Employers' total pension liability	$ (253,773,040)	$ (148,272,069)
Plan Fiduciary Net Position	248,131,290	154,193,125
Employers' net pension asset/(liability)	$ (5,641,750)	$ 5,921,056
Ratio of plan net position to the Employers' total pension asset/(liability)	97.78%	103.99%

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, 2026 represent the projected employer contribution for the period of April 1, 2026 through June 30, 2026 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to $1,305,147.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2026 are paid to the System in September, October, and November 2026 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2026 represent employee and employer contributions for the fiscal year ended June 30, 2026 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2026 amounted to $11,513,519.

NOTE 16 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the fiscal year ended June 30, 2026 totaled $1,730,903 and $5,359,835, respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for some employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the fiscal year ended June 30, 2026 totaled $463,290.

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

A) General Information about the OPEB Plan:

Plan Description

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

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 50% and 100% of premiums for retirees, between 35% and 90% of the excess premiums for family coverage, and 0% of the premiums for surviving spouses, depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the Fund Financial Statements as payments come due. For fiscal year 2026, the District contributed an estimated $14,533,653 to the Plan, including $14,533,653 for current premiums and $0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the "pay as you go" method.

Employees Covered by Benefit Terms

At June 30, 2026, the following employees were covered by the benefit terms:

Inactive employees of beneficiaries currently receiving benefit payments	1,192
Active employees	1,384
	2,576

B) Total OPEB Liability:

The District's total OPEB liability of $532,686,463 was measured as of June 30, 2026, and was determined by an actuarial valuation as of July 1, 2026.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2026 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.67%
Healthcare cost trend rates	
Pre-65	8.50% decreasing to an ultimate rate of 4.50%
Post-65	7.00% decreasing to an ultimate rate of 4.50%
Medicare part B	6.50% decreasing to an ultimate rate of 4.50%
Retirees' share of benefit-related costs	0% to 50% of projected health insurance premiums for retirees, 10% to 65% for family coverage, and 100% for surviving spouse

The discount rate has been updated based on the yield for 20-year tax-exempt general obligation municipal bonds as of June 30, 2026.

Mortality rates were based on the SOA Pub-2016 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 for general employees, SOA Pub-2016 Teachers Headcount Weighted Mortality Table fully general using Scale MP-2021 for teacher employees and retirees, and SOA Pub-2016 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 for surviving spouses.

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

C) Changes in the Total OPEB Liability:

Balance at June 30, 2025	$ 379,886,472
Changes for the fiscal year:	
Service cost	9,596,760
Interest	19,880,042
Changes of benefit terms	
Differences between expected and actual experience	75,150,424
Changes in assumptions or other inputs	62,706,418
Benefit payments	(14,533,653)
Net changes	152,799,991
Balance at June 30, 2026	$ 532,686,463

Changes in assumptions or other inputs include the following:

- The discount rate is 5.20% as of June 30, 2025 and 4.67% as of June 30, 2026. The impact of this change is an increase in the liability.

- Health care trend rates have been updated to an annual trend of 8.50% decreasing annually by 0.25% to an ultimate rate of 4.50% for pre-65, 7.00% decreasing annually by 0.25% to an ultimate rate of 4.50% for post-65, and 6.50% decreasing annually by 0.25% to an ultimate rate of 4.50% for Medicare Part B. The impact of this change is an increase in liabilities.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.67%) or 1 percentage point higher (5.67%) than the current discount rate of 4.67%:

OPEB	1% Decrease 3.67%	Current Assumption 4.67%	1% Increase 5.67%
Total OPEB liability	$ 611,863,188	$ 532,686,463	$ 468,283,567

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

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

OPEB	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$ 461,670,489	$ 532,686,463	$ 621,928,628

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

For the fiscal year ended June 30, 2026, the District recognized OPEB expense of $41,681,651. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 96,410,504	$ (30,338,316)
Changes of assumptions or other inputs	57,751,455	(41,668,410)
	$ 154,161,959	$ (72,006,726)

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

Year Ending June 30,	Amount
2027	$ 14,111,560
2028	28,485,759
2029	25,670,940
2030	13,886,974
	$ 82,155,233

NOTE 18 – TERMINATION BENEFITS PAYABLE:

The District offers a retirement incentive to certain administrators and teachers through their employment contracts and to unaffiliated staff through a Board policy. In general, for teachers and certain administrators, a retirement incentive of $15,000 is available to those who have been in the employ of the District for at least ten years and who retire on the July 1 following his/her 55th birthday. For other administrators, a retirement incentive of $15,000 is available to those who retire from the District and the New York State Teachers' Retirement System and who have been in the employ of the District in the capacity as an administrator for at least five years. Unaffiliated staff employed by the District for at least five years are entitled to a $10,000 retirement incentive. The current value of incentive payments earned for approximately 567 employees is $8,445,000 and is recorded as a long-term liability on the Statement of Net Position.

NOTE 19 – RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2026 restricted fund balances, to fund the budget and reduce taxes for the fiscal year ending June 30, 2027:

Workers' compensation	$ 2,002,148
Unemployment insurance	148,790
Insurance	282,069
Property loss	726,293
Liability	726,293
Retirement contribution	2,813,475
Employee benefit accrued liability	2,694,774
	$ 9,393,842

NOTE 20 – ASSIGNED: APPROPRIATED FUND BALANCE

The amount of $2,400,000 has been appropriated at June 30, 2026 to reduce taxes for the fiscal year ending June 30, 2027.

NOTE 21 – RISK MANAGEMENT:

A) General Information:

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

B) Risk Retention:

The District participated in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage through June 30, 2026. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool. As of June 30, 2026, the District has reserves for property loss and liability totaling $1,508,361.

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. Liabilities do not include an amount for unpaid claims which were incurred on or before year but not reported (IBNR). As of June 30, 2026, the District has recorded potential workers' compensation claims payable of $5,040,906 and has a workers' compensation reserve balance of $2,533,285.

Claims activity for the current and preceding fiscal years is summarized below.

	2026	2025
Unpaid claims at beginning of year	$ 3,764,344	$ 3,187,426
Incurred claims and claim adjustment expenses	3,823,468	2,741,548
Claims payments	(2,546,906)	(2,164,630)
Unpaid claims at year end	$ 5,040,906	$ 3,764,344

NOTE 22 - TAX ABATEMENTS:

The Town of Brookhaven Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 892, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the Town. The District's property tax revenue was reduced by $1,289,791 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling $223,475 for these programs during the fiscal year.

NOTE 23 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

All encumbrances are classified as restricted or assigned fund balance. At June 30, 2026, the District encumbered the following amounts:

General Fund	
General support	$ 132,621
Instruction	56,430
Pupil transportation	20,000
	209,051
Special Aid Fund	
Instruction	29,726
School Lunch Fund	
Cost of sales	522,796
Capital Projects Fund	
Capital projects	1,632,087
	$ 2,393,660

B) Grants:

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

C) Litigation:

As of June 30, 2026, the District is involved in litigation proceedings resulting from the conduct of its affairs. Management cannot estimate monetary amounts associated with the resolution of these cases, nor the likelihood of an unfavorable outcome.

NOTE 24 – SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that arose after the Statement of Net Position date require disclosure in the accompanying notes to financial statements. Management evaluated the activity of the District through October 28, 2026 and concluded the following subsequent events have occurred that would require disclosure in the notes to financial statements:

A) Issuance of TANs:

The District issued tax anticipation notes on September 8, 2026, in the amount of $43,500,000, which will mature on June 24, 2027 bearing a stated interest rate of 4.50%. The District received a premium of $566,805 with the borrowing to yield an effective interest rate of 2.8599%.

SUPPLEMENTARY INFORMATION

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance with Original Budget - (over) under Final Budget	Actual (Budgetary Basis)	Variance with Final Budget - over (under) Actual Amounts
	Original Budget	Final Budget			
REVENUES					
Local Sources					
Real Property Taxes	$ 150,453,159	$ 152,714,902	$ 2,261,743	$ 152,714,902	$ -
Other Tax Items	13,405,000	11,143,257	(2,261,743)	11,153,402	10,145
Charges for Services	935,000	935,000	-	658,734	(276,266)
Use of Money and Property	1,175,000	1,175,000	-	2,179,186	1,004,186
Sale of Property and Compensation for Loss	431,000	466,412	35,412	2,123,396	1,656,984
Miscellaneous	2,531,000	2,554,688	23,688	1,835,904	(718,784)
Interfund Revenue			-	1,427	1,427
State Sources	123,288,737	123,288,737	-	125,413,667	2,124,930
Medicaid Reimbursement	125,000	125,000	-	281,303	156,303
TOTAL REVENUES	292,343,896	292,402,996	59,100	296,361,921	3,958,925
OTHER FINANCING SOURCES					
Premiums on Obligations	530,000	530,000	-	448,050	(81,950)
TOTAL REVENUES AND OTHER FINANCING SOURCES	292,873,896	292,932,996	59,100	296,809,971	$ 3,876,975
Appropriated Fund Balance	2,400,000	2,400,000	-		
Prior Years' Encumbrances	91,416	91,416	-		
Appropriated Reserves	9,393,842	9,393,842	-		
TOTAL REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE AND RESERVES	$ 304,759,154	$ 304,818,254	$ 59,100		

See Paragraph on Required Supplementary Information Included in Auditor's Report

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	Budgeted Amounts		Variance with Original Budget - (over) under Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Variance with Final Budget - over (under) Actual Amounts
	Original Budget	Final Budget				
EXPENDITURES						
General Support						
Board of Education	$ 176,724	$ 193,405	$ 16,681	$ 174,476	$ -	$ 18,929
Central Administration	524,061	523,715	(346)	513,176		10,539
Finance	1,936,113	1,716,278	(219,835)	1,469,138	49,750	197,390
Staff	2,849,474	3,831,136	981,662	3,252,046		579,090
Central Services	19,419,749	19,108,341	(311,408)	17,896,476	82,871	1,128,994
Special Items	3,419,677	3,340,588	(79,089)	3,249,779		90,809
Total General Support	28,325,798	28,713,463	387,665	26,555,091	132,621	2,025,751
Instruction						
Administration and Improvement	7,805,014	7,759,895	(45,119)	7,336,658		423,237
Teaching - Regular School	76,546,702	78,283,957	1,737,255	75,852,292	12,330	2,419,335
Programs for Children with Disabilities	48,446,791	48,005,965	(440,826)	46,591,914		1,414,051
Occupational Education	4,792,809	4,830,246	37,437	4,658,599	1,692	169,955
Teaching - Special Schools	530,750	530,750	-	486,353		44,397
Instructional Media	5,104,881	6,852,609	1,747,728	6,656,056	27,250	169,303
Pupil Services	11,135,511	11,229,567	94,056	10,547,968	15,158	666,441
Total Instruction	154,362,458	157,492,989	3,130,531	152,129,840	56,430	5,306,719
Pupil Transportation	20,065,785	20,351,833	286,048	19,903,844	20,000	427,989
Employee Benefits	80,939,488	77,008,750	(3,930,738)	72,845,500		4,163,250
Debt Service						
Debt Service - Principal	13,487,656	13,487,656	-	13,487,655		1
Debt Service - Interest	3,629,557	3,629,557	-	3,610,222		19,335
Total Debt Service	17,117,213	17,117,213	-	17,097,877	-	19,336
TOTAL EXPENDITURES	300,810,742	300,684,248	(126,494)	288,532,152	209,051	11,943,045
OTHER FINANCING USES						
Transfers to other funds	3,948,412	4,134,006	185,594	4,134,006		-
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 304,759,154	$ 304,818,254	59,100	292,666,158	$ 209,051	$ 11,943,045
NET CHANGE IN FUND BALANCE				4,143,813		
FUND BALANCE - BEGINNING OF YEAR				26,970,557		
FUND BALANCE - END OF YEAR				$ 31,114,370		

See Paragraph on Required Supplementary Information Included in Auditor's Report

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

	General Fund over (under)
BUDGETARY REVENUES	
Differences - Original Budget to Final Budget:	
The District adjusted the other tax items for school tax relief reimbursement to agree with the actual amount received, which was lower than originally anticipated in the original budget.	$ (2,261,743)
Differences - Final Budget to Actual:	
The District experienced an increase in revenue for use of money and property primarily due to additional interest earnings that were not included in the final budget.	$ 1,004,186
Sale of property and compensation for loss experienced an increase in revenue for insurance recoveries primarily due to unanticipated workers' compensation claims that were not included in the final budget	1,656,984
BUDGETARY EXPENDITURES	
Differences - Original Budget to Final Budget:	
The District amended the instructional media budget due to a few reasons including: transitioning more BOCES costs from the A1680.4900 code to the A2630.4900 code since the costs were student related rather than infrastructure related; the District ended up not removing one of its information technology (IT) technicians who usually gets coded to the IDEA 611 grant from the general fund, so there were more costs incurred and the District paid for many of its IT subscriptions in the A2630.4900 code (starting next fiscal year, the District has moved back some of these expenditures to the A2110.4900 code since the costs represent instructional support). In addition, the District needed to purchase a large quantity of smartboards and chromebooks this fiscal year that were able to be sourced outside of the general fund in prior fiscal years. The District has a technology replacement plan in place and with strong state aid received during the fiscal year, combined with underspending in certain areas, the District used those resources to help support the technology replacement plan.	$ 1,747,728
Differences - Final Budget to Actual:	
No significant variances identified.	

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

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

NYSERS Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net pension asset/(liability)	0.0532311%	0.0573827%	0.0661726%	0.0681536%	0.0721731%	0.0692047%	0.0714904%	0.0743137%	0.0727740%	0.0723576%
District's proportionate share of the net pension asset/(liability)	$ (3,003,161)	$ (9,838,677)	$ (9,743,292)	$ (14,614,882)	$ 5,899,852	$ (68,910)	$ (18,931,080)	$ (5,265,355)	$ (2,348,740)	$ (6,798,881)
District's covered payroll	$ 24,489,240	$ 22,183,305	$ 22,828,013	$ 24,704,381	$ 24,893,818	$ 25,631,224	$ 23,560,919	$ 23,116,132	$ 22,546,913	$ 20,853,069
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	12.26%	44.35%	42.68%	59.16%	23.70%	0.27%	80.35%	22.78%	10.42%	32.60%
Plan fiduciary net position as a percentage of the total pension liability	97.78%	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%
Discount rate	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%

NYSTRS Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net pension asset/(liability)	0.555852%	0.575424%	0.589005%	0.690915%	0.632803%	0.603115%	0.599366%	0.591186%	0.586609%	0.590947%
District's proportionate share of the net pension asset/(liability)	$ 32,912,303	$ 17,168,401	$ (6,735,776)	$ (11,688,917)	$ 109,658,647	$ 16,665,690	$ (15,571,567)	$ (10,690,204)	$ (4,458,813)	$ 6,329,288
District's covered payroll	$ 110,539,914	$ 111,240,369	$ 110,119,985	$ 110,657,925	$ 108,688,902	$ 102,367,668	$ 101,942,899	$ 97,000,252	$ 93,524,270	$ 91,705,091
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	29.77%	15.43%	6.12%	10.56%	100.89%	16.28%	15.27%	11.02%	4.77%	6.90%
Plan fiduciary net position as a percentage of the total pension liability	103.99%	102.09%	99.17%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%
Discount rate	6.95%	6.95%	6.95%	6.95%	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%

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

See Paragraph on Required Supplementary Information Included in Auditor's Report

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

NYSERS Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 3,587,456	$ 3,621,736	$ 3,196,524	$ 2,627,942	$ 3,711,737	$ 3,304,180	$ 3,342,737	$ 3,169,360	$ 3,031,707	$ 2,966,365
Contributions in relation to the contractually required contribution	3,587,456	3,621,736	3,196,524	2,627,942	3,711,737	3,304,180	3,342,737	3,169,360	3,031,707	2,966,365
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 24,574,814	$ 23,599,600	$ 22,744,327	$ 23,289,417	$ 26,150,355	$ 25,602,276	$ 23,574,095	$ 23,230,601	$ 22,834,793	$ 21,281,289
Contributions as a percentage of covered payroll	14.60%	15.35%	14.05%	11.28%	14.19%	12.91%	14.18%	13.64%	13.28%	13.94%

NYSTRS Pension Plan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 10,420,512	$ 11,034,654	$ 10,723,884	$ 11,193,910	$ 10,575,795	$ 10,358,058	$ 9,051,162	$ 10,621,153	$ 9,437,216	$ 10,894,707
Contributions in relation to the contractually required contribution	10,420,512	11,034,654	10,723,884	11,193,910	10,575,795	10,358,058	9,051,162	10,621,153	9,437,216	10,894,707
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 110,059,829	$ 110,539,914	$ 111,240,369	$ 110,119,985	$ 110,657,925	$ 108,688,902	$ 102,367,668	$ 101,942,899	$ 97,000,252	$ 93,524,270
Contributions as a percentage of covered payroll	9.47%	9.98%	9.64%	10.17%	9.56%	9.53%	8.84%	10.42%	9.73%	11.65%

See Paragraph on Required Supplementary Information Included in Auditor's Report
See Paragraph on Required Supplementary Information Included in Auditor's Report

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability									
Service cost	$ 9,596,760	$ 12,550,227	$ 10,016,538	$ 9,554,715	$ 13,704,254	$ 12,755,531	$ 11,348,199	$ 11,463,774	$ 14,477,166
Interest	19,880,042	18,979,432	15,162,031	14,032,540	9,261,774	11,218,311	13,148,634	15,317,410	14,943,506
Changes of benefit terms				(3,549,779.00)					
Differences between expected and actual experience	75,150,424	(45,507,474)	55,531,147	18,854,973	13,437,612	(40,298,400)	(30,928,103)	(54,564,408)	(40,885,768)
Changes of assumptions or other inputs	62,706,418	(36,598,888)	15,172,643	(1,966,054)	(99,682,807)	28,858,123	64,297,792	18,821,760	5,700,629
Benefit payments	(14,533,653)	(15,449,636)	(14,003,151)	(12,736,321)	(12,104,668)	(12,501,298)	(11,755,003)	(12,461,546)	(13,220,032)
Net change in total OPEB liability	152,799,991	(66,026,339)	81,879,208	24,190,074	(75,383,835)	32,267	46,111,519	(21,423,010)	(18,984,499)
Total OPEB liability - beginning	379,886,472	445,912,811	364,033,603	339,843,529	415,227,364	415,195,097	369,083,578	390,506,588	409,491,087
Total OPEB liability - ending	$ 532,686,463	$ 379,886,472	$ 445,912,811	$ 364,033,603	$ 339,843,529	$ 415,227,364	$ 415,195,097	$ 369,083,578	$ 390,506,588
Covered-employee payroll	$ 137,471,459	$ 137,772,432	$ 136,655,030	$ 136,522,639	$ 128,143,046	$ 136,153,499	$ 121,730,117	$ 122,363,908	$ 118,447,436
Total OPEB liability as a percentage of covered-employee payroll	387.49%	275.73%	326.31%	266.65%	265.21%	304.97%	341.08%	301.63%	329.69%
Discount rate	4.67%	5.20%	4.21%	4.13%	4.09%	2.19%	2.66%	3.51%	3.87%

Notes to Schedule:

Trust Assets:
There are no assets accumulated in a trust to pay related benefits.

This schedule is intended to show information for ten years; additional years will be displayed as they become available.

See Paragraph on Required Supplementary Information Included in Auditor's Report

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND
SECTION 1318 OF THE REAL PROPERTY TAX LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2026

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	$ 304,667,738
Add: prior year's encumbrances	91,416
Original budget	304,759,154
Budget revisions	59,100
Final budget	$ 304,818,254

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2026 - 2027 voter-approved expenditure budget		$ 315,378,259
Maximum allowed (4% of 2026-2027 budget)		$ 12,615,130
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	$ 2,609,051	
Unassigned fund balance	10,660,039	
Total unrestricted fund balance		13,269,090
Less:		
Appropriated fund balance	$ 2,400,000	
Encumbrances included in assigned fund balance	209,051	
Total adjustments		2,609,051
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 10,660,039
Actual percentage		3.38%

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
JUNE 30, 2026

Project Title	Proj. #	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2026
				Prior Year's	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
2015 Bond Projects		$ 33,118,721	$ 33,118,721	$ 31,694,884	$ 1,241,399	$ 32,936,283	$ 182,438	$ 32,894,997	$ 80,000	$ 104,255	$ 33,079,252	$ 142,969
Smart Schools Bond Act		8,318,342	8,318,342	7,595,007	714,886	8,309,893	8,449		8,318,342		8,318,342	8,449
Energy Performance Contract 2021/2022		2,391,840	2,391,840	2,391,838		2,391,838	2	2,391,840			2,391,840	2
General Fund Appropriations 2023/2024		250,000	250,000	-	89,796	89,796	160,204			250,000	250,000	160,204
General Fund Appropriations 2024/2025		2,000,000	2,000,000	83,720	361,493	445,213	1,554,787			2,000,000	2,000,000	1,554,787
General Fund Appropriations 2025/2026			3,560,000	-	468,066	468,066	3,091,934		60,000	3,500,000	3,560,000	3,091,934
Total		$ 46,078,903	$ 49,638,903	$ 41,765,449	$ 2,875,640	$ 44,641,089	$ 4,997,814	$ 35,286,837	$ 8,458,342	$ 5,854,255	$ 49,599,434	$ 4,958,345
											Smart School Bonds Act revenue not realized	(1,596,473)
											Fund Balance	$ 3,361,872

See Paragraph on Other Supplementary Information Included in Auditor's Report

MIDDLE COUNTRY CENTRAL SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2026

Capital assets, net		$ 145,274,119
Add:		
Unspent debt proceeds		142,969
Deferred amounts on refundings		103,112
Deduct:		
Capital-related accounts payable		556,046
Short-term portion of bonds payable (inclusive of unamortized premiums)	$ 11,426,471	
Long-term portion of bonds payable (inclusive of unamortized premiums)	52,777,562	64,204,033
Short-term portion of energy performance contract debt payable	$ 1,976,114	
Long-term portion of energy performance contract debt payable	12,356,454	14,332,568
Net investment in capital assets		$ 66,427,553

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926-2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA
Brendan Nelson, CPA
Christopher Schneider, CPA

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

To the Board of Education
Middle Country Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Middle Country Central School District (the "District"), as of and for the fiscal year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

R.S. Abrams & Co., LLP
Islandia, New York
October 28, 2026