

WATERVILLE CENTRAL
SCHOOL DISTRICT

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
June 30, 2026

**WATERVILLE CENTRAL SCHOOL DISTRICT
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Independent Auditor's Report

Board of Education
Waterville Central School District

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Waterville Central School District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Waterville Central School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Waterville Central School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Waterville Central School 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 Waterville Central School 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 Waterville Central School 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 and other required supplementary information, as listed in the table of contents, 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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterville Central School District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis as required by the New York State Education Department and is not a required part of the basic financial statements.

The other supplementary 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 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 12, 2026, on our consideration of the Waterville Central School 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 Waterville Central School 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 Waterville Central School District's internal control over financial reporting and compliance.

D'Arcangelo & Co., LLP

October 12, 2026

Utica, New York

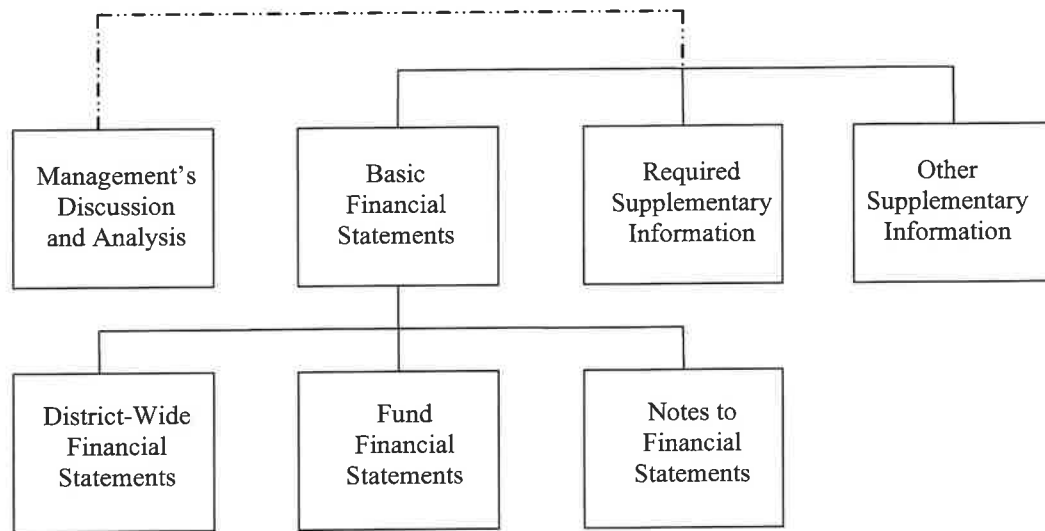
**WATERVILLE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2026**

(Continued)

The Waterville Central School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2026 and 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

1. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of District-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



District-wide Financial Statements

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference as net position. Increases or decreases in the net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**WATERVILLE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2026**

(Continued)

A. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. General fund, special aid fund, and capital projects fund are reported as major governmental funds and are presented separately in the governmental statements. School lunch fund, special miscellaneous revenue and debt service fund are reported collectively as non-major governmental funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

2. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position (deficit) decreased \$655,181 between fiscal year 2025 and 2026. A summary of the District's Statement of Net Position for June 30, 2026 and 2025, is as follows:

**WATERVILLE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2026**

(Continued)

	2026	2025	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 12,690,740	\$ 9,755,400	\$ 2,935,340	30.1%
Capital Assets, (Net of Depreciation)	<u>39,484,072</u>	<u>39,904,273</u>	<u>(420,201)</u>	(1.1%)
Total Assets	<u>52,174,812</u>	<u>49,659,673</u>	<u>2,515,139</u>	5.1%
Deferred Outflows of Resources - Pensions	2,625,689	2,596,711	28,978	1.1%
Deferred Outflows of Resources - OPEB	1,931,707	3,333,045	(1,401,338)	(42.0%)
Deferred Outflows of Resources - Refunding Bond	<u>10,798</u>	<u>22,198</u>	<u>(11,400)</u>	(51.4%)
Total Deferred Outflows	<u>4,568,194</u>	<u>5,951,954</u>	<u>(1,383,760)</u>	(23.2%)
Total Assets and Deferred Outflows	<u>\$ 56,743,006</u>	<u>\$ 55,611,627</u>	<u>\$ 1,131,379</u>	2.0%
Current Liabilities	\$ 5,312,824	\$ 3,581,442	\$ 1,731,382	48.3%
Non-Current Liabilities	<u>55,768,909</u>	<u>60,541,505</u>	<u>(4,772,596)</u>	(7.9%)
Total Liabilities	<u>61,081,733</u>	<u>64,122,947</u>	<u>(3,041,214)</u>	(4.7%)
Deferred Inflows of Resources - OPEB	13,422,357	9,294,422	4,127,935	44.4%
Deferred Inflows of Resources - Pensions	<u>2,043,345</u>	<u>1,343,506</u>	<u>699,839</u>	52.1%
Total Deferred Inflows	<u>15,465,702</u>	<u>10,637,928</u>	<u>4,827,774</u>	45.4%
Total Liabilities and Deferred Inflows	<u>76,547,435</u>	<u>74,760,875</u>	<u>1,786,560</u>	2.4%
Net Position				
Net Investment in Capital Assets	23,917,455	23,019,171	898,284	3.9%
Restricted	4,714,487	4,480,190	234,297	5.2%
Unrestricted (Deficit)	<u>(48,436,371)</u>	<u>(46,648,609)</u>	<u>(1,787,762)</u>	(3.8%)
Total Net Position (Deficit)	<u>(19,804,429)</u>	<u>(19,149,248)</u>	<u>(655,181)</u>	(3.4%)
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 56,743,006</u>	<u>\$ 55,611,627</u>	<u>\$ 1,131,379</u>	2.0%

Current assets increased by \$2,935,340 from the prior year. This increase is mainly due to an increase the District's proportionate share of the TRS pension plan increasing by approximately \$900,000 and cash increasing in the capital fund as a result of unspent BAN proceeds at year end.

Capital assets (net of depreciation) decreased by \$420,201 as compared to the prior year. This decrease is primarily due to depreciation expense amounts exceeding capital outlays. Note 5 to the Financial Statements provides additional information.

Deferred Outflows decreased by \$1,383,760 primarily due to amounts provided by the actuaries for OPEB and amounts provided by the TRS and ERS pension systems.

Current liabilities increased by \$1,731,382 as compared to the prior year. This increase was primarily due to an increase in bond anticipation notes for a capital project that is in progress.

Non-Current liabilities decreased by \$4,772,596 as compared to the prior year. This decrease was primarily due to the paydown of serial bonds and a decrease in the OPEB liability at the end of the year primarily due to changes in assumptions used by the actuaries.

Deferred inflows of resources increased by \$4,827,774 due to changes in actuarial assumptions provided by the Retirement Systems and OPEB.

**WATERVILLE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2026**

(Continued)

The net investment in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions and leases, net of accumulated depreciation and amortization. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase and lease vehicles, equipment and furniture to support District operations.

The restricted portion of the net position at June 30, 2026 is \$4,714,487, which represents the amount of the District's restricted funds in the General, Miscellaneous Special Revenue, and Debt Service funds.

The unrestricted portion of the net position at June 30, 2026, is a deficit of \$48,436,371, and represents the amount by which the District's total liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources, excluding restricted assets, capital and leased assets and debt related to capital construction. This deficit is primarily a result of the requirement to accrue other postemployment benefits. The accrued liability for the OPEB obligation is \$39,475,786 at June 30, 2026.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2026 and 2025 is as follows:

	2026	% of Total	2025	% of Total	Increase (Decrease)	Percentage Change
Revenues						
Program Revenues						
Charges for Services	\$ 11,059	0.05%	\$ 5,893	0.03%	\$ 5,166	87.7%
Operating Grants and Contributions	921,911	3.86%	975,645	4.14%	(53,734)	(5.5%)
General Revenues						
Property Taxes and STAR	6,195,201	25.93%	6,084,426	25.84%	110,775	1.8%
State and Federal Sources	15,789,668	66.09%	15,542,332	66.00%	247,336	1.6%
Other	974,678	4.08%	942,078	4.00%	32,600	3.5%
Total Revenues	<u>23,892,517</u>	<u>100.00%</u>	<u>23,550,374</u>	<u>100.00%</u>	<u>342,143</u>	1.5%
Expenses						
General Support	3,980,049	16.21%	2,861,877	12.55%	1,118,172	39.1%
Instruction	18,030,224	73.45%	17,062,162	74.82%	968,062	5.7%
Pupil Transportation	1,872,410	7.63%	2,049,888	8.99%	(177,478)	(8.7%)
Debt Service-Unallocated Interest	561,114	2.29%	741,110	3.25%	(179,996)	(24.3%)
Food Service Program	103,901	0.42%	88,694	0.39%	15,207	17.1%
Total Expenses	<u>24,547,698</u>	<u>100.00%</u>	<u>22,803,731</u>	<u>100.00%</u>	<u>1,743,967</u>	7.6%
Total Change in Net Position	<u>\$ (655,181)</u>		<u>\$ 746,643</u>		<u>\$ (1,401,824)</u>	(187.8%)

- The District's property taxes and star increased by \$110,775 in 2026 or 1.8% as budgeted for and state and federal sources increased \$247,336 due to increases in state foundation aid.
- The District's expenditures increased by \$1,743,967 compared to the prior year mainly due to increases in the allocations for the pension, OPEB and compensated absences expenses.

**WATERVILLE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2026**

(Continued)

3. FINANCIAL ANALYSIS MAJOR GOVERNMENTAL FUNDS

The District reports three major funds individually in the governmental fund financial statements. Those funds are the General Fund, Special Aid Fund, and the Capital Fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide financial statements.

A summary of the major funds for the years ended June 30, 2026 and 2025 is as follows:

	General Fund		Special Aid Fund		Capital Fund	
	2026	2025	2026	2025	2026	2025
Total Revenues	<u>\$ 23,068,371</u>	<u>\$ 22,382,270</u>	<u>\$ 883,616</u>	<u>\$ 965,373</u>	<u>\$</u>	<u>\$</u>
Total Expenditures	<u>22,256,181</u>	<u>22,177,428</u>	<u>931,529</u>	<u>965,373</u>	<u>1,496,875</u>	<u>944,372</u>
Other Financing Sources (Uses)						
BANs Redeemed from Appropriations					424,818	391,828
Transfers from Other Funds			47,913		794,725	78,337
Transfers to Other Funds	<u>(842,638)</u>	<u>(78,337)</u>				<u>(134,379)</u>
Total Other Financing Sources (Uses)	<u>(842,638)</u>	<u>(78,337)</u>	<u>47,913</u>		<u>1,219,543</u>	<u>335,786</u>
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources (Uses)	(30,448)	126,505			(277,332)	(608,586)
Fund Balance (Deficit), Beginning of Year	<u>5,978,561</u>	<u>5,852,056</u>			<u>(1,831,454)</u>	<u>(1,222,868)</u>
Fund Balance (Deficit), End of Year	<u>\$ 5,948,113</u>	<u>\$ 5,978,561</u>	<u>\$</u>	<u>\$</u>	<u>\$ (2,108,786)</u>	<u>\$ (1,831,454)</u>

General Fund

General Fund revenues increased compared to prior year primarily due to increases in property taxes and state aid in addition to a large donation that was received for approximately \$400,000. General Fund expenses increased primarily due to an increase in employee benefits. Health insurance increased by about \$200,000. The increase in benefits was offset by a decrease in principal and interest payments. There weren't any new bonds issued in the current year and one bond from 2011 was paid in full during the year.

Special Aid Fund

The Special Aid Fund is used to account for various Federal and State grant programs. The revenues and expenses were consistent from year to year and there were no significant changes to the grant programs.

Capital Fund

Capital Fund expenditures for the current year consisted of spending on the 2025 capital project, buses and the 2025-26 capital outlay as approved by the voters in the budget. The 2025 capital project has a total budget of \$18,600,000 and the District has spent \$722,935 through June 30, 2026. Other financing sources consisted of BAN's redeemed from appropriations for busses and \$794,725 transferred from the general fund. \$700,000 was from the capital reserve as approved by the voters for the capital project and the remaining \$94,725 was for the capital outlay.

**WATERVILLE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2026**

(Continued)

At June 30, 2026, the District's governmental funds reported a combined fund balance of \$5,605,768 which is a decrease of \$202,559 from the prior year. A summary of the change in fund balance by fund is as follows:

	2026	2025	Increase (Decrease)
General Fund			
Restricted			
Repair Reserve	28,615	27,581	1,034
Employee Benefit Accrued Liability Reserve	87,200	84,049	3,151
Liability Reserve	113,748	109,033	4,715
Retirement Contribution Reserve-ERS	1,129,046	1,088,247	40,799
Retirement Contribution Reserve-TRS	347,213	224,177	123,036
Workers' Compensation Reserve	70,991	68,425	2,566
Unemployment Insurance Reserve	69,348	66,900	2,448
Capital Reserve	1,360,320	1,363,170	(2,850)
Total Restricted	<u>3,206,481</u>	<u>3,031,582</u>	<u>174,899</u>
Assigned			
Encumbrances	205,830	85,723	120,107
Appropriated for Subsequent Year's Budget	388,149	830,589	(442,440)
Total Assigned	<u>593,979</u>	<u>916,312</u>	<u>(322,333)</u>
Unassigned	<u>2,147,653</u>	<u>2,030,667</u>	<u>116,986</u>
Total General Fund	<u>5,948,113</u>	<u>5,978,561</u>	<u>(30,448)</u>
Capital Projects Fund			
Unassigned (Deficit)	<u>(2,108,786)</u>	<u>(1,831,454)</u>	<u>(277,332)</u>
Total Capital Projects Fund	<u>(2,108,786)</u>	<u>(1,831,454)</u>	<u>(277,332)</u>
Non-Major Funds			
School Lunch	258,435	212,612	45,823
Miscellaneous Special Revenue Fund	957,876	908,364	49,512
Debt Service Fund	<u>550,130</u>	<u>540,244</u>	<u>9,886</u>
Total Non- Major Funds	<u>1,766,441</u>	<u>1,661,220</u>	<u>105,221</u>
 Total Fund Balance (Deficit)- All Funds	 <u>\$ 5,605,768</u>	 <u>\$ 5,808,327</u>	 <u>\$ (202,559)</u>

Changes in restricted fund balance in the general fund primarily consisted of interest earned during the year. In addition, the district increased the TRS Reserve by \$117,750 and transferred \$674,155 to the capital reserve as approved by the voters in 2019 to fund a capital reserve up to \$10 million and has a 10-year term for the purpose of capital improvements. The additional contribution the capital reserve was offset by the transfer of \$700,000 to the capital fund to partially fund the 2025 capital project.

The capital projects fund balance has a deficit balance due to the 2025 capital project and busses being financed with BAN's. Once the capital project is completed the District will permanently finance with a bond and the proceeds will be recognized as revenue.

The District reclassified the school lunch fund, miscellaneous special revenue fund and debt service fund as non-major funds as of July 1, 2025. They are reclassified as of June 30, 2025 in the above chart for comparative purposes.

**WATERVILLE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2026**

(Continued)

4. SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

During 2026, capital asset activity primarily consisted of expenses related to the 2025 capital project totaling \$722,935, busses in the amount of \$679,216 and the capital outlay of \$94,725 as previously discussed in this MD&A. After depreciation expense of \$1,720,933 and asset disposals, net capital assets decreased by \$420,201 or 1.1%.

In August 2025, the District renewed \$1.4 million of Bond Anticipation Notes (BANs) issued in August 2024 with a new BAN in the amount of \$1.6 million. The District also issued a \$2 million BAN to partially finance the recently started 2025 capital project. The District did not issue any new bonds in the current year, but made principal payments of \$1,425,000. At year end, approximately \$1.275 million of bond principal is due within one year. At year end the District had \$12,170,000 in outstanding bonds and \$3,587,120 in outstanding BAN's.

5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The following currently known facts, decisions, and conditions are expected to have a significant effect on the District's financial position and results of operations in the subsequent fiscal year.

Enrollment and Demographics

The District has maintained relatively stable enrollment over the past five years, reflecting the consistency of its student population and community base. Enrollment figures for the past five years are as follows: 748 students in 2021–2022, 737 in 2022–2023, 738 in 2023–2024, 764 in 2024–2025, and 727 in 2025–2026. Over this period, enrollment has remained within a range of approximately 37 students, demonstrating sustained stability. Projected enrollment for 2026–2027 is 740 students, reflecting a return toward the District's five-year average. Enrollment levels are a key factor in State aid calculations and staffing requirements and continue to be monitored closely as part of the District's long-range financial planning.

The District recognizes the value of accurate socioeconomic data in informing program planning, resource allocation, and State aid eligibility. However, the District faces ongoing challenges in obtaining complete income verification information from student families, which limits the ability to fully identify and document the population of low-income students within the District. The District continues to explore strategies to improve participation in the income verification process while remaining mindful of the burden placed on families.

State Aid

The District's revenues are significantly dependent upon New York State aid, which represents 67% of total 2025–2026 operating revenues. The District received an increase of 2% in foundation aid from the previous year, representing a monetary increase of \$205,248. The subsequent year's budget was developed based upon the State aid figures established in the New York State enacted budget.

Tax Levy

The District developed its 2025–2026 budget in compliance with New York State's tax levy limit law. The adopted tax levy reflects an increase of 2.5% and stayed within the NYS Tax Cap limit, ensuring the District maintained its eligibility for the basic STAR exemption.

Labor Contracts and Compensation

Employee compensation and benefits represent the largest expenditure category in the District's budget, accounting for approximately 37% of the overall budget, exclusive of employee retirement costs. Rising healthcare costs continue to place pressure on the District's operating budget, with a rate increase of 12% in 2025–2026 over the prior year, and are expected to produce the largest increases in expenditures in the subsequent fiscal year.

**WATERVILLE CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2026**

(Continued)

Retirement System Contributions

The District participates in the New York State Teachers' Retirement System (TRS) and the Employees' Retirement System (ERS). The TRS contribution rate for 2025–2026 was 8.9% of instructional wages, at a cost of \$575,684, and the ERS contribution rate was 15.2% of non-instructional wages, at a cost of \$272,800. Combined, retirement system contributions represent an additional 4% of the overall budget, bringing total benefit costs to approximately 21% of the 2025–2026 budget. Contribution rates are established by the respective retirement systems and are subject to change annually based on actuarial valuations and investment performance. Changes in required contribution rates have been incorporated into budget projections for the subsequent fiscal year.

Capital Projects and Long-Term Financing

The District is currently engaged in capital improvement activities. The District received voter approval to transfer \$700,000 from capital reserves into the general fund, which was subsequently transferred to the capital fund to serve as the local share on a capital project. Debt service obligations associated with capital financing will continue to be a factor in the District's financial planning for subsequent periods.

Fund Balance

A portion of fund balance has been appropriated to support the 2026–2027 budget. Fund balance levels are actively monitored in the context of the District's long-range financial planning to ensure fiscal stability in future years.

Long-Term Financial Planning

In 2025, the District engaged Dr. Rick Timbs to conduct a comprehensive five-year financial analysis covering fiscal years 2025 through 2031. The resulting Long-Range Financial Analysis identified significant structural budget pressures expected to intensify over the plan period. Specifically, the analysis projects that total expenditures will grow at a rate nearly double that of revenues through 2031, driven primarily by rising healthcare costs — projected to increase approximately 40% over the plan period — combined with growth in retirement system contributions and increased debt service obligations beginning in 2028. The findings of the five-year plan have directly informed the District's budgetary decision-making and financial strategies for the subsequent fiscal year. The Board of Education and District administration are actively monitoring these trends and have incorporated the plan's projections into long-range budget development to mitigate the anticipated structural imbalance and preserve the District's financial stability.

Other Known Conditions

The District continues to assess the impact of state and federal regulatory requirements on program delivery and associated costs. Any new mandates or changes in law affecting special education, transportation, or other required services will be reflected in subsequent budgets as information becomes available.

6. CONTACTING THE DISTRICT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at 381 Madison Street, Waterville, NY 13480.

WATERVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2026

Assets	
Cash and Cash Equivalents	\$ 2,425,041
Restricted Cash and Cash Equivalents	6,502,071
Receivables	
Tax Receivables	624
Other Governments	1,813,251
Other Receivables	108,692
Net Pension Asset - Proportionate Share	1,841,061
Capital Assets (Net of Accumulated Depreciation)	<u>39,484,072</u>
Total Assets	<u>52,174,812</u>
Deferred Outflows of Resources	
Pensions	2,625,689
OPEB	1,931,707
Deferred Charge on Refunding of Debt (Net of Amortization)	<u>10,798</u>
Total Deferred Outflows of Resources	<u>4,568,194</u>
Total Assets and Deferred Outflows of Resources	\$ <u>56,743,006</u>
Liabilities	
Accounts Payable	\$ 166,210
Accrued Liabilities	416,963
Accrued Interest Payable	44,265
Due To	
Teachers' Retirement System	657,324
Employees' Retirement System	74,873
Bond Anticipation Notes	3,587,120
Net Pension Liability - Proportionate Share	224,674
Unearned Revenue	141,395
Noncurrent Liabilities	
Due Within One Year	
Compensated Absences	215,923
Bonds Payable	1,275,000
Unamortized Bond Premiums	182,217
Due in More Than One Year	
Unamortized Bond Premiums	1,116,412
Compensated Absences	2,608,571
Other Postemployment Benefits	39,475,786
Bonds Payable	<u>10,895,000</u>
Total Liabilities	<u>61,081,733</u>
Deferred Inflows of Resources	
OPEB	13,422,357
Pensions	<u>2,043,345</u>
Total Deferred Inflows of Resources	<u>15,465,702</u>
Total Liabilities and Deferred Inflows of Resources	<u>76,547,435</u>
Net Position (Deficit)	
Net Investment in Capital Assets	23,917,455
Restricted	4,714,487
Unrestricted (Deficit)	<u>(48,436,371)</u>
Total Net Position (Deficit)	<u>(19,804,429)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position (Deficit)	\$ <u>56,743,006</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

WATERVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
General Support	\$ 3,980,049	\$	\$	\$ (3,980,049)
Instruction	18,030,224	11,059	880,194	(17,138,971)
Pupil Transportation	1,872,410			(1,872,410)
Food Service	103,901		41,717	(62,184)
Interest on Debt	561,114			(561,114)
Total Functions/Programs	<u>\$ 24,547,698</u>	<u>\$ 11,059</u>	<u>\$ 921,911</u>	<u>(23,614,728)</u>
General Revenues				
Real Property Taxes				5,475,673
STAR and Other Real Property Tax Items				719,528
Use of Money and Property				301,550
Loss on Sale of Property and Compensation for Loss				(240,543)
State and Federal Sources				15,789,668
Miscellaneous				<u>913,671</u>
Total General Revenues				<u>22,959,547</u>
Change in Net Position				(655,181)
Net Position (Deficit), Beginning of Year				<u>(19,149,248)</u>
Net Position (Deficit), End of Year				<u>\$ (19,804,429)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

WATERVILLE CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2026

	Major Funds			Non-Major Funds	Total
	General	Special Aid	Capital		
Assets					
Cash and Cash Equivalents	\$ 2,234,765	\$ 81,035	\$	\$ 109,241	\$ 2,425,041
Restricted Cash and Cash Equivalents	3,206,481		1,803,799	1,491,791	6,502,071
Receivables					
Tax Receivables	624				624
Other Governments	1,224,885	546,649		41,717	1,813,251
Due from Other Funds	972,368	127,697	11,004	15,000	1,126,069
Other Receivables				108,692	108,692
Total Assets	<u>\$ 7,639,123</u>	<u>\$ 755,381</u>	<u>\$ 1,814,803</u>	<u>\$ 1,766,441</u>	<u>\$ 11,975,748</u>
Liabilities					
Payables					
Accounts Payable	\$ 142,576	\$ 16,369	\$ 7,265	\$	\$ 166,210
Accrued Liabilities	416,963				416,963
Unearned Revenue		141,395			141,395
Due To					
Other Funds	199,248	597,617	329,204		1,126,069
Teachers' Retirement System	657,324				657,324
Employees' Retirement System	74,873				74,873
Bond Anticipation Note			3,587,120		3,587,120
Total Liabilities	<u>1,490,984</u>	<u>755,381</u>	<u>3,923,589</u>		<u>6,169,954</u>
Deferred Inflow of Resources					
Unavailable - State Aid	200,026				200,026
Fund Balance (Deficit)					
Restricted	3,206,481			1,508,006	4,714,487
Assigned	593,979			258,435	852,414
Unassigned (Deficit)	<u>2,147,653</u>		<u>(2,108,786)</u>		<u>38,867</u>
Total Fund Balance (Deficit)	<u>5,948,113</u>		<u>(2,108,786)</u>	<u>1,766,441</u>	<u>5,605,768</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 7,639,123</u>	<u>\$ 755,381</u>	<u>\$ 1,814,803</u>	<u>\$ 1,766,441</u>	<u>\$ 11,975,748</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

WATERVILLE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2026

Total Governmental Funds	\$ <u>5,605,768</u>
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Revenues that do not provide current financial resources that are recognized in the Statement of Net Position but not the fund financial statements.

Unavailable Revenue	<u>200,026</u>
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The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the School District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	75,802,325
Accumulated Depreciation	<u>(36,318,253)</u>
	<u>39,484,072</u>

Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the funds.

Net Pension Liability - Proportionate Share	(224,674)
Deferred Outflows of Resources, Pensions	2,625,689
Deferred Inflows of Resources, Pensions	(2,043,345)
Net Pension Asset - Proportionate Share	<u>1,841,061</u>
	<u>2,198,731</u>

A defeasance loss from refunding of debt is recorded as a deferred outflow of resources in the Statement of Net Position but recorded as an expenditure in the governmental funds. The defeasance loss is net of accumulated amortization.

	<u>10,798</u>
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Long-term liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	(12,170,000)
Unamortized Bond Premiums	(1,298,629)
Accrued Interest on Bonds Payable	(44,265)
Deferred Outflows of Resources, OPEB	1,931,707
Deferred Inflows of Resources, OPEB	(13,422,357)
Other Post Employment Liabilities	(39,475,786)
Compensated Absences Payable	<u>(2,824,494)</u>
	<u>(67,303,824)</u>

Total Net Position (Deficit)	\$ <u>(19,804,429)</u>
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WATERVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2026

	Major Funds						
	General	Special Aid	Capital	School Lunch	Miscellaneous Special Revenue	Debt Service	Non-Major Funds
							Total
Revenues							
Real Property Taxes	\$ 5,475,673	\$	\$	\$	\$	\$	\$ 5,475,673
STAR and Other Real Property Tax Items	719,528						719,528
Charges for Services	11,059						11,059
Use of Money and Property	184,185						117,365
Sale of Property and Compensation for Loss	50,186						301,550
Miscellaneous	838,072	3,422					50,186
State Aid	15,703,490	422,469					72,177
Federal Aid	86,178	457,725					41,717
Total Revenues	23,068,371	883,616					543,903
							24,183,246
Expenditures							
General Support	2,697,190						22,665
Instruction	11,008,207	912,713					11,920,920
Pupil Transportation	1,029,260	18,816	668,973				1,717,049
Food Service Program							103,373
Employee Benefits	4,932,381						4,932,381
Capital Outlay	1,849,818		827,902				827,902
Debt Service - Principal	739,325						1,849,818
Debt Service - Interest							739,325
Total Expenditures	22,256,181	931,529	1,496,875				24,810,623
							105,221
Excess (Deficit) Revenues Over Expenditures	812,190	(47,913)	(1,496,875)				(627,377)
Other Financing Sources (Uses)							
BANs Redeemed from Appropriations			424,818				424,818
Transfers from Other Funds		47,913	794,725				842,638
Transfers to Other Funds	(842,638)						(842,638)
Total Other Financing Sources (Uses)	(842,638)	47,913	1,219,543				424,818
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	(30,448)		(277,332)				(202,559)
Fund Balance (Deficit), Beginning of Year	5,978,561		(1,831,454)	212,612	908,364	540,244	5,808,327
Reclassification of Major Funds to Non-Major Funds				(212,612)	(908,364)	(540,244)	
Fund Balance (Deficit), Beginning of Year as Restated	5,978,561		(1,831,454)				5,808,327
Fund Balance (Deficit), End of Year	\$ 5,948,113	\$	\$ (2,108,786)	\$	\$	\$	\$ 1,766,441
							\$ 5,605,768

**WATERVILLE CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2026**

Net Changes in Fund Balance - Total Governmental Funds	\$	(202,559)
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Capital Outlays to construct or purchase capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their useful lives as depreciation expense in the statement of activities. This is the amount of capital outlays, depreciation expenses and loss on disposal in the period.

Depreciation Expense	(1,720,935)	
Loss on Disposal	(290,729)	
Capital Outlays	<u>1,591,463</u>	(420,201)

Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of Bond repayments.

Repayment Bond Principal	<u>1,425,000</u>	1,425,000
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Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Accrued Interest on Serial Bonds	7,394	
Amortization of Bond Premium	182,217	
Amortization of Deferred Charge	(11,400)	
Change in Other Post Employment Liabilities and Deferred Outflows/Inflows	(211,796)	
Change in Compensated Absences	(2,152,098)	
Change in Pension Expense	<u>728,262</u>	<u>(1,457,421)</u>

Change in Net Position Governmental Activities	\$	<u>(655,181)</u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

WATERVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2026

	<u>Custodial</u>
Assets	
Cash and Cash Equivalents - Restricted	\$ 42,001
Total Assets	<u>\$ 42,001</u>
Net Position	
Restricted for Extraclassroom	\$ 42,001
Total Net Position	<u>\$ 42,001</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

WATERVILLE CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2026

	<u>Custodial</u>
Additions	
Extraclassroom Fundraising	\$ 69,865
Total Additions	<u>69,865</u>
Deductions	
Extraclassroom Expenditures	<u>70,506</u>
Total Deductions	<u>70,506</u>
Change in Net Position	(641)
Net Position, Beginning of Year	<u>42,642</u>
Net Position, End of Year	<u><u>\$ 42,001</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Waterville Central School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as they apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 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 School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal members.

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

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

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. The School District accounts for assets held as an agent for various student organizations in a custodial fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the School District's administrative offices.

Joint Venture

The School District is a component district in the Madison-Oneida Counties Board of Cooperative Education 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' are 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 comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year ended June 30, 2026, the District was billed \$4,853,922 for BOCES administrative and program costs.

WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

The District's share of BOCES aid amounted to \$1,535,076. Financial statements for the BOCES are available from the Oneida-Herkimer-Madison BOCES administrative office.

Basis of Presentation

(a) District-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the School 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.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School 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 and depreciation expense for the year, are allocated to functional areas in proportion to the payroll expended and total expenditures, respectively, 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.

(b) Fund Financial Statements

The fund statements provide information about the School 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 School District reports the following governmental funds:

Major Funds

General Fund: This is the School District's primary operating fund used to account for and report all financial resources not accounted for in another fund.

Special Revenue Funds:

Special Aid Fund: This fund accounts for and reports the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: This fund is used to account for and report financial resources that are restricted or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Non-Major Funds

Special Revenue Funds:

School Lunch Fund: This fund is used to account for and report transactions of the School District's food service operations.

Miscellaneous Special Revenue Fund: This fund is used to account for and report transactions of the School District's scholarship funds. The School District has both custody and administrative control over the various scholarships. Established criteria govern the use of the funds and members of the School District or representatives of the donors may serve on committees to determine who benefits.

Debt Service Fund: This fund accounts for and reports financial resources that are restricted to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated.

Major Funds – Effective for the fiscal year ended June 30, 2026, the District reclassified the School Lunch, Miscellaneous Special Revenue and Debt Service Funds from Major to Non-Major Funds. This reclassification is reported as a change within the financial reporting entity and is reflected as an adjustment to beginning fund balance of the fund's columns and the aggregate Non-Major governmental funds column in the governmental fund financial statements.

WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

(c) Fiduciary Funds

This fund is used to account for and report activities on a custodial nature. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used. There is one class of fiduciary funds:

Custodial Funds: These funds are strictly custodial in nature. Assets are held by the School District as agent for various student groups or extraclassroom activity funds.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

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

Property Taxes

Real property taxes are levied annually by the Board of Education and become a lien no later than September 1. Taxes are collected during the period September 1 to October 31. Uncollected real property taxes are subsequently enforced by the counties of Oneida and Madison. The Counties pays an amount representing uncollected real property taxes transmitted to the Counties for enforcement to the School District no later than the following April 1.

Interfund Transactions

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

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions at year end is shown in Note 9 to the financial statements.

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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits, potential contingent liabilities, and useful lives of long-lived assets.

WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

Cash and Cash Equivalents

The School 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. New York State law governs the School 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.

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.

Deferred Outflow of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability or asset and difference during the measurement period between the District's contributions and its proportionate share of total contributions not included in pension expense. The second item has to deal with the refunding of school district debt. These issuance costs associated with the refunding of debt are amortized over the life of the bond. The third item is related to other postemployment benefits (OPEB) reported on the District-wide Statement of Net Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years.

Capital Assets

Capital assets are recorded at cost and donated assets are reported at estimated fair market value at the time received. The School District uses capitalization thresholds of \$5,000, (the dollar value above which asset acquisitions are added to the capital asset accounts). The School District uses the straight-line method of depreciation over the following estimated useful lives of capital assets reported in the District-wide statements:

Land Improvements	20 Years
Machinery and Equipment	5-20 Years
Buildings and Improvements	25-50 Years
Licensed Vehicles	8 Years

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability or asset and difference during the measurement periods between the District's contributions and its proportion share of total contributions not included in pension expense. The second item is related to other postemployment benefits (OPEB) reported on the District-wide Statement of Net Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years.

Vested Employee Benefits – Compensated Absences

The School District employees are granted vacation in varying amounts, based primarily on length of service and employment classification. Some earned benefits may be forfeited if not used within designated timeframes, as specified in collective bargaining agreements and administrative policies.

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Sick leave eligibility, accumulation, and payout provisions by negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may be eligible to receive a payment for unused accumulated sick leave, based on contractual provisions.

In accordance with GASB, a liability is recognized in the District-wide financial statements for vacation, sick leave, and other compensated absences when the benefit is earned by the employee and it more likely than not that the leave will be used or paid. The compensated absences liability is measured using the pay rates in effect at year-end, and includes salary-related payments such as applicable employer payroll taxes.

In the Funds financial statements, a liability is reported only for amounts that have matured – typically when payment is due upon resignation, retirement, or other termination – based on expendable and available financial resources.

Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 10).

Short-Term Debt

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

Accrued Liabilities and Long-Term Obligations

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

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

Equity Classifications

(a) District-wide Financial Statements

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

Net Investment in Capital Assets – consists of net capital and right to use leased assets (cost less accumulated depreciation and amortization) reduced by outstanding balances of related debt obligations from the acquisition, leasing, construction or improvements of those assets.

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

Unrestricted Net Position – reports the balance of the Net Position that does not meet the definition of the above classifications and are deemed to be available for general use by the District.

(b) Fund Statements

The following classifications describe the relative strength of the spending constraints:

Non-spendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The District did not have any non-spendable fund balance at June 30, 2026.

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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Restricted Resources

This category 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. Generally, the District's policy is to use restricted resources only when appropriated by the Board of Education. When an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements.

The School District has established the following restricted fund balances:

- ***Reserve for Repairs***

Repair Reserve (GML §6-d) is used to accumulate funds through voter approval to finance future costs of major repairs to capital improvements or equipment. Expenditures from this reserve may be made only after a public hearing has been held. In an emergency, expenditures may be made from the reserve fund without a public hearing with approval of two-thirds of the Board of Education. The emergency expenditure must be repaid within the next two succeeding fiscal years. The reserve is accounted for in the General Fund.

- ***Reserve for Employee Benefit Accrued Liability***

Employee Benefit Accrued Liability Reserve (GML §6-p) is used for the payment of any accrued employee benefit due to an employee upon termination of the employee's service. This reserve fund may be established by a majority vote of the board of education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

- ***Liability Reserve***

Liability Insurance Reserve 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 was established by Board action, and may be 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. The reserve is accounted for in the General Fund.

- ***Reserve for Retirement Contribution***

According to General Municipal Law §6-r, must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, not to exceed a total of 10%. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r.

- ***Reserve for Workers' Compensation***

Workers' Compensation Reserve (GML §6-j) is 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. The reserve is accounted for in the General Fund.

**WATERVILLE CENTRAL SCHOOL DISTRICT
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- ***Reserve for Unemployment Insurance***

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. The reserve is accounted for in the General Fund.

- ***Reserve for Capital Projects***

Capital reserve (Education law §3651) is used to accumulate funds to finance all or a portion of future capital projects for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. Total expenditures over the life of each capital reserve may not exceed the voter approved maximum. Funds may be transferred to other reserves only with voter approval. The reserve is accounted for in the General Fund.

- In May 2019, the Board and voters established a capital reserve fund to reserve up to \$10 million for the purpose of capital improvements. The reserve was established with a probable term of ten years. The fund can be used to offset the local share of future capital project work. This proposition only establishes the capital reserve fund and does not obligate the district to fund it at any specific level at any time. The district will determine the level at which it is funded based on current and future financial conditions. As of June 30, 2026, the District has funded \$1,965,143 of this reserve.

- ***Reserve for Endowment and Scholarships***

This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the Miscellaneous Special Revenue fund.

- ***Debt Service Fund***

This fund is used to account for and report the financial resources that are restricted to pay debt service. The funds include unused debt proceeds and interest and earnings on the temporary investment of debt proceeds.

- ***Capital Projects Fund***

This fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities.

Unrestricted Resources

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

- **Assigned** – Includes amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) the designated official, such as the District’s Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. All encumbrances, other than in the Capital Fund, are classified as Assigned Fund Balance in the applicable fund. The amount appropriated for the subsequent year’s budget of the General fund is also classified as Assigned Fund Balance in the General Fund.
- **Unassigned** – Includes all other fund balances that do not meet the definition of the above two classifications and are deemed to be available for general use by the School District. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

(c) Reserve for Extraclassroom Activities

This reserve is used to account for various student groups or extraclassroom activities. This reserve is accounted for in the custodial fund.

(d) Order of Use of Fund Balance

In circumstances where an expenditure is incurred for the purpose for which amounts are available in multiple fund balance classifications, (e.g. expenditures related to reserves) the Board will assess the current financial condition of the School District and then determine the order of application of expenditures to which the fund balance classification will be charged.

New Accounting Standards

Effective for the fiscal year ended June 30, 2026, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. This standard establishes changes to certain components of the financial reporting model, including management’s discussion and analysis, the presentation of unusual or infrequent items, proprietary fund reporting, major component unit information, and budgetary comparison information.

For the District, the implementation of GASB 103 resulted primarily in changes to the presentation and content of management’s discussion and analysis and budgetary comparison information. Budgetary comparison schedules for the General Fund are presented as required supplementary information and include separate original-to-final budget and final budget-to-actual variances, with significant variances explained in the accompanying notes. The implementation did not result in a material change to the District’s reported net position or fund balance.

Effective for the fiscal year ended June 30, 2026, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 104, *Disclosure of Certain Capital Assets*. This standard requires certain types of capital assets, including lease assets and subscription assets, and related accumulated amortization to be disclosed separately within the capital asset note. The District applied the provisions of GASB 104 retroactively, as applicable and practicable. The implementation of this standard did not have a material effect on total capital assets or net position.

Future Changes in Accounting Standards

GASB Statement No. 105, Subsequent Events, effective for the year ending June 30, 2027.

The District will evaluate the impact this pronouncement may have on its financial statements and will implement it as applicable and when material.

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

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

Total Fund Balances of Governmental Funds Compared To Net Position of Governmental Activities

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

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

Statement of Revenues, Expenditures, and Changes In Fund Balance Compared To Statement of Activities

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

(a) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the Statement of Activities 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.

(b) Capital Related Differences

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

(c) Long-Term Debt Transaction Differences

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

(d) Employee Benefit Allocation

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the requirements of New York State. These costs have been allocated based on total salary for each function.

(e) Pension Differences

Pension differences occur as a result of changes in the District’s proportion of the collective net position asset/liability and differences between the Districts’ contributions and its proportionate share of the total contributions to the pension system.

(f) OPEB Differences

OPEB differences occur as a result of changes in the District’s total OPEB liability and difference between the District’s contributions and OPEB expense.

3. STEWARDSHIP AND COMPLIANCE

Fund Balance Limitations

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the School District’s budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. At June 30, 2026 the District’s unassigned fund balance was 9.0% of the 2026-2027 budget which is not in compliance with laws and regulations.

Statutory Debt Limit

At June 30, 2026, the School District was in compliance with the statutory debt limit.

Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which legal (appropriated) budgets are adopted.

The voters of the School District approved the proposed appropriations budget for the General Fund.

Appropriations are adopted at the program line-item level.

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education 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. During the year ended June 30, 2026, the District made supplemental appropriations for a donation in the amount of \$50,914 and a transfer to the capital fund that was approved by the voters for \$700,000.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2026.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

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

NYS Real Property Tax Cap

Chapter 97 of the Laws of 2011 established a property tax levy limit (generally referred to as the tax cap) that restricts the amount of property taxes local governments (including school districts) can levy. The tax levy for the 2025-2026 school year was within the NYS Tax Cap Limit. The excess, including interest earned, must be deducted from the prior year levy to begin the calculation of the coming year's tax levy limit.

4. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

As of June 30, 2026, the School District's bank balances totaling \$10,199,797 were fully collateralized by securities held by an agent of the pledging financial institution in the School District's name, and FDIC insurance and were not exposed to custodial credit risk.

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

Restricted Cash and Cash Equivalents

As of June 30, 2026, the School District's restricted cash consisted of the following:

	General	Miscellaneous Special Revenue	Debt Service	Capital	Total
Repair Reserve	\$ 28,615	\$	\$	\$	\$ 28,615
Employee Benefit Accrued Liability Reserve	87,200				87,200
Liability Reserve	113,748				113,748
Retirement Contribution Reserve-ERS	1,129,046				1,129,046
Retirement Contribution Reserve-TRS	347,213				347,213
Workers' Compensation Reserve	70,991				70,991
Unemployment Insurance Reserve	69,348				69,348
Restricted for Scholarships		941,661			941,661
Debt Service			550,130		550,130
Capital Reserve	1,360,320				1,360,320
Capital Projects Fund				1,803,799	1,803,799
Total Restricted	<u>\$ 3,206,481</u>	<u>\$ 941,661</u>	<u>\$ 550,130</u>	<u>\$ 1,803,799</u>	<u>\$ 6,502,071</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 84,705	\$	\$	\$ 84,705
Construction in Progress	<u>527,565</u>	<u>838,906</u>		<u>1,366,471</u>
Total	<u>612,270</u>	<u>838,906</u>		<u>1,451,176</u>
Capital Assets Being Depreciated				
Land Improvements	895,223			895,223
Buildings and Improvements	69,324,586			69,324,586
Machinery and Equipment	1,290,042	40,082	369,915	960,209
Licensed Vehicles	<u>2,905,885</u>	<u>712,473</u>	<u>447,228</u>	<u>3,171,130</u>
Total	<u>74,415,736</u>	<u>752,555</u>	<u>817,143</u>	<u>74,351,148</u>
Accumulated Depreciation				
Land Improvements	814,655	15,984		830,639
Buildings and Improvements	32,165,798	1,242,422		33,408,220
Machinery and Equipment	766,193	59,911	125,502	700,602
Licensed Vehicles	<u>1,377,087</u>	<u>402,616</u>	<u>400,912</u>	<u>1,378,791</u>
Total	<u>35,123,733</u>	<u>1,720,933</u>	<u>526,414</u>	<u>36,318,252</u>
Net Capital Assets Being Depreciated	<u>39,292,003</u>	<u>(968,378)</u>	<u>290,729</u>	<u>38,032,896</u>
Net Capital Assets	<u>\$ 39,904,273</u>	<u>\$ (129,472)</u>	<u>\$ 290,729</u>	<u>\$ 39,484,072</u>

Depreciation expense of \$1,720,933 was allocated based on estimated usage by function as follows:

<u>Function/Program</u>	
General Support	\$ 265,536
Instruction	1,140,263
Pupil Transportation	314,606
Food Service Program	<u>528</u>
Total Depreciation	<u>\$ 1,720,933</u>

WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

6. SHORT-TERM DEBT

The following is a summary of BAN's outstanding at June 30, 2026:

Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
2025 BAN	08/25	\$ 1,587,120	08/26	4.00%	\$ 1,587,120
2026 BAN	05/26	2,000,000	08/26	2.75%	2,000,000
		<u>\$ 3,587,120</u>			<u>\$ 3,587,120</u>

Changes in the School District's short-term outstanding debt for the year ended June 30, 2026 are as follows:

Description	Balance 07/01/25	Issued	Paid	Balance 06/30/26
2024 BAN	\$ 1,410,798	\$	\$ 1,410,798	\$
2025 BAN		1,587,120		1,587,120
2026 BAN		2,000,000		2,000,000
Total	<u>\$ 1,410,798</u>	<u>\$ 3,587,120</u>	<u>\$ 1,410,798</u>	<u>\$ 3,587,120</u>

Interest expense on short term debt for the year ended June 30, 2026 is calculated as follows:

Interest Paid	\$ 55,021
Less: Interest Accrued in the Prior Year	(48,796)
Plus: Interest Accrued in the Current Year	<u>63,750</u>
Total Interest Expense on Short-Term Debt	<u>\$ 69,975</u>

7. NONCURRENT LIABILITIES

Noncurrent liability balances and activity are as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Bonds Payable					
Serial Bonds	\$ 13,595,000	\$	\$ 1,425,000	\$ 12,170,000	\$ 1,275,000
Unamortized Bond Premiums	1,480,846		182,217	1,298,629	182,217
Other Liabilities					
Compensated Absences	672,396	2,152,098		2,824,494	215,923
Other Postemployment Benefit Liability	44,793,263	4,176,726	9,494,203	39,475,786	
Total Long Term Liabilities	<u>\$ 60,541,505</u>	<u>\$ 6,328,824</u>	<u>\$ 11,101,420</u>	<u>\$ 55,768,909</u>	<u>\$ 1,673,140</u>

Serial Bonds

The School 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. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. In the event of a default in the payment of the principal and/or interest on the Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds.

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

The following is a statement of the School District's serial bonds with corresponding maturity schedules:

<u>Payable From/Description</u>	<u>Date of Original Issue</u>	<u>Original Amount</u>	<u>Date of Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
2017 Refunding Bond	04/17	\$ 5,400,000	06/27	2.00-4.00	\$ 210,000
2017 Bond	06/17	\$ 4,675,000	06/31	3.00-5.00	2,050,000
2020 Bond	06/20	\$ 1,215,000	06/35	5.00	750,000
2024 Bond	06/24	\$ 10,215,000	06/39	5.00	<u>9,160,000</u>
Total					<u>\$ 12,170,000</u>

Total principal and interest payments due on long-term debt are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Serial Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ 1,275,000	\$ 606,400	\$ 1,881,400
2028	1,115,000	544,750	1,659,750
2029	1,175,000	489,000	1,664,000
2030	1,230,000	430,250	1,660,250
2031	1,295,000	368,750	1,663,750
2032-2036	4,730,000	1,057,000	5,787,000
2037-2039	1,350,000	93,250	1,443,250
Total	<u>\$ 12,170,000</u>	<u>\$ 3,589,400</u>	<u>\$ 15,759,400</u>

Total interest for the year was as follows:

Interest Paid	\$ 669,350
Less: Bond Premium Amortization	(182,217)
Plus: Deferred Charge Amortization	11,400
Less: Interest Accrued in the Prior Year	(51,659)
Plus: Interest Accrued in the Current Year	<u>44,265</u>
Total Interest Expense on Long-Term Debt	<u>\$ 491,139</u>

Prior-Year Defeasance of Debt

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2026, \$460,000 of bonds outstanding are considered defeased.

Deferred Charge from Refunding of Debt

The cost of issuing the serial bonds has been capitalized and recorded as a deferred outflow on the District-wide financial statements. The cost is being amortized using a straight-line method over 10 years, the remaining time to maturity of the bonds. The current year amortization is \$11,400 and is included as an addition to interest expense on the statement of activities.

Deferred Charge from Refunding of Debt	\$ 113,398
Less: Amount Recognized	<u>(102,600)</u>
Net Deferred Charge from Refunding	<u>\$ 10,798</u>

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

Unamortized Premiums

The original issue premiums on bonds has been deferred and recorded as an addition to long-term liabilities on the District-wide financial statements. The premiums are being amortized using the straight-line method over a period of 10 to 14 years, the remaining time to maturity of the respective bond issue. The current year amortization is \$182,217 and is included as a reduction to interest expense on the statement of activities.

Deferred Premium from Refunding of Debt	\$ 448,150
Deferred Premium from DASNY Bond	662,484
Deferred Premium from DASNY Bond	153,849
Deferred Premium from Serial Bond	1,120,450
Less: Amount Recognized	<u>(1,086,304)</u>
Unamortized Premiums	<u>\$ 1,298,629</u>

8. PENSION PLANS

A. New York State and Local Employees' Retirement System (ERS)

(a) Plan Description

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee 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. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). 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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

(b) Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 but before April 1, 2012 are required to contribute 3% of their annual salary for their entire working career. Those who joined on or after April 1, 2012 contribute at a rate ranging from 3% to 6% based on their total annualized salary for their entire career. Subsequent to the fiscal year ended March 31, 2026, the approved fiscal year 2027 New York State Budget includes new laws which reduce contribution rates for Tier 6 members. Effective October 1, 2026, the new contribution rate varies from 3% to 5.75% depending on salary. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2026, were paid.

The required contributions for the current year and two preceding years were:

	Amount
2024	\$ 206,272
2025	\$ 236,345
2026	\$ 272,800

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

(c) Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2026, the School District reported a liability of \$224,674 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2026, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2025. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2026 and 2025, the School District's proportion was 0.0039824% and 0.0041169% respectively.

For the year ended June 30, 2026, the School District recognized a pension expense of \$240,157. At June 30, 2026, the School 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
Differences Between Expected and Actual Experience	\$ 128,572	\$
Change of Assumptions	38,567	
Net Difference Between Projected and Actual Earnings on Pensions Plan Investments		402,853
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	68,620	75,154
Contributions Subsequent to the Measurement Date	74,873	
Total	<u>\$ 310,632</u>	<u>\$ 478,007</u>

At June 30, 2025 \$65,960 was reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset or liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2027	\$ 82,744
2028	\$ (154,743)
2029	\$ (85,654)
2030	\$ (84,595)

(d) Actuarial Assumptions

The total pension liability at March 31, 2026 was determined by using an actuarial valuation as of April 1, 2025, with update procedures used to roll forward the total pension liability to March 31, 2026.

Significant actuarial assumptions used in the April 1, 2025 valuation are as follows:

Investment Rate of Return (Net of Investment Expense, including Inflation)	5.90%
Salary Scale	5.20%
Decrement Tables	April 1, 2020 - March 31, 2025
	System's Experience
Inflation Rate	2.90%

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

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.

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	25%	3.29%
International Equity	14%	5.85%
Private Equity	15%	7.00%
Real Estate	12%	5.20%
Opportunistic/Absolute Return Strategies	3%	5.13%
Credit	4%	5.10%
Real Assets	4%	5.54%
Fixed Income	22%	1.75%
Cash	1%	0.25%
	<u>100%</u>	

* Real rates of return are net of the long-term inflation assumption of 2.90%

(e) Discount Rate

The discount rate used to calculate the total pension asset/liability was 5.9%. 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 System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

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

The following presents the School District's proportionate share of the net pension (asset) liability calculated using the discount rate of 5.9 percent, as well as what the School District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9 percent) or 1-percentage-point higher (6.9 percent) than the current rate:

	Decrease (4.9%)	Assumption (5.9%)	Increase (6.9%)
Proportionate Share of the Net Pension Liability (Asset)	\$ 1,534,463	\$ 224,674	\$ (870,367)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

(h) Payables to the Pension Plan

The School District has recorded an amount due to ERS in amount of \$74,873 at June 30, 2026. This amount represents the three months of the School District's fiscal year that will be covered in the ERS 2026-2027 billing cycle and has been accrued as an expenditure in the current year.

B. New York State Teachers' Retirement System (TRS)

(a) Plan Description

The School District participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten-member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org.

(b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

The required employer contributions for the current year and two preceding years were:

	Amount
2024	\$ 576,576
2025	\$ 617,236
2026	\$ 589,210

(c) Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2026, the School District reported an asset of \$1,841,061 for its proportionate share of the net pension asset. The Net Pension asset was measured as of June 30, 2025, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2024. The School District's proportion of the net pension asset was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2025 and 2024, the School District's proportion was 0.031093% and 0.030940%, respectively.

For the year ended June 30, 2026, the School District recognized a pension expense of \$477,692. At June 30, 2026, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 965,127	\$
Changes of Assumptions	728,819	19,850
Net Difference Between Projected and Actual Earnings on Pensions Plan Investments		1,437,864
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	31,901	107,624
Contributions Subsequent to the Measurement Date	<u>589,210</u>	
Total	<u>\$ 2,315,057</u>	<u>\$ 1,565,338</u>

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from School District contributions subsequent to the measurement date, if any, will be recognized as a reduction of the net pension asset or liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2026	\$ 923,421
2027	\$ (404,294)
2028	\$ (440,583)
2029	\$ (105,775)
2030	\$ 153,773
Thereafter	\$ 33,966

(d) Actuarial Assumptions

The total pension asset at June 30, 2025 measurement date was determined by using an actuarial valuation as of June 30, 2024, with update procedures used to roll forward the total pension asset to June 30, 2025.

Significant actuarial assumptions used in the June 30, 2024 valuation were as follows:

Investment Rate of Return	6.95 % Compounded Annually, Net of Pension Plan Investment Expense, Including Inflation.
Salary Scale	Rates of Increase Differ Based on Service. They Have Been Calculated Based Upon Recent NYSTRS Member Experience.

Service	Rate
5	5.80%
15	3.66%
25	2.68%
35	2.04%

Projected COLAs	1.4% Compounded Annually.
Inflation Rate	2.50%

Annuitant and active mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2021, applied on a generational basis.

The actuarial assumptions were based on the results of an actuarial experience study for the period of July 1, 2019 and June 30, 2024.

WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	33.0%	6.7%
International equity	15.0%	7.4%
Global equity	4.0%	7.0%
Real estate equity	11.0%	6.5%
Private equity	9.0%	9.8%
Domestic fixed income	16.0%	2.6%
Global bonds	2.0%	2.4%
Private debt	2.0%	6.1%
Real estate debt	6.0%	3.8%
High-yield bonds	1.0%	4.7%
Cash equivalents	<u>1.0%</u>	0.6%
	<u>100.0%</u>	

*Real rates of return are net of the long-term inflation assumption of 2.5% for 2025.

(e) Discount Rate

The discount rate used to calculate the total pension asset/liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease	Current Assumption	1% Increase
	<u>5.95%</u>	<u>6.95%</u>	<u>7.95%</u>
Proportionate Share of the Net Pension Liability (Asset)	\$ 3,537,623	\$ (1,841,061)	\$ (6,366,944)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

(h) Payables to the Pension Plan

The School District has recorded an amount due to TRS in amount of \$589,210 in the General Fund, net of the employees portion at June 30, 2026. This amount represents employer contributions for the 2025-2026 fiscal year that will be made in 2026-2027 and has been accrued as an expenditure in the current year.

9. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

Fund	Interfund			
	Receivables	Payables	Revenues	Expenditures
General	\$ 972,368	\$ 199,248	\$	\$ 842,638
School Lunch				
Special Aid	127,697	597,617	47,913	
Debt Service				
Capital Fund	11,004	329,204	794,725	
Miscellaneous Special Revenue	15,000			
Total	<u>\$ 1,126,069</u>	<u>\$ 1,126,069</u>	<u>\$ 842,638</u>	<u>\$ 842,638</u>

- The interfund payables and receivables will be repaid within the next fiscal year and are for cash flow purposes.
- The District transferred money from General Fund to Special Aid for its portion of the match for state and local grants.
- The District transferred money from General to Capital for the 2025-26 capital outlay and the 2025 capital project.

10. OTHER POSTRETIREMENT HEALTH CARE BENEFITS

(a) Plan Description

The School District administers a self-insured Minimum Premium Traditional Indemnity Plan to eligible retirees and dependents. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the School District subject to applicable collective bargaining and employment agreements as described below.

The Plan does not issue a stand-alone publicly available financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

(b) Benefits Provided

Waterville Teachers Association who retired prior to July 1, 1978

Benefit Cost Sharing: Retirees are required to contribute 50% of the individual plan premium.

Spouse Benefit: Spouses are required to contribute 65% of the difference between the individual and two-person or family plan premium amounts.

Surviving Spouse: Surviving spouses may continue coverage for two years at 65% of the cost of the individual plan premium.

Medicare Part B: The District reimburses 90% of the Medicare Part B premium to Medicare eligible retirees, spouses and surviving spouses only for members who had been Medicare eligible as of July 1, 2014.

Waterville Teachers Association who retired between July 1, 1978 and July 1, 1998

Benefit Cost Sharing: Retirees are required to contribute 45% of the individual plan premium.

Spouse Benefit: Spouses are required to contribute 60% of the difference between the individual and two-person or family plan premium amounts.

Surviving Spouse: Surviving spouses may continue coverage for two years at 60% of the cost of the individual plan premium.

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
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Medicare Part B: The District reimburses 90% of the Medicare Part B premium to Medicare eligible retirees, spouses and surviving spouses only for members who had been Medicare eligible as of July 1, 2014.

Waterville Teachers Association (WTA) who retire on or after July 1, 1998 under incentive*

Eligibility: Must reach the age of 55 with at least 10 years of service with the District and be eligible to retire as a member of the New York State Teachers' Retirement System (NYSTRS).

Benefit Cost Sharing: Retirees are required to contribute 10% of the individual plan premium.

Spouse: Spouses are required to contribute 10% of the difference between the individual and two-person or family plan premium amounts.

Surviving Spouse: Surviving spouses may continue coverage for two years at 10% of the cost of the individual plan premium.

Medicare Part B: The District reimburses same percentages of the Medicare Part B premium to Medicare eligible retirees, spouses and surviving spouses as it contributes towards health insurance premiums only for members who had been Medicare eligible as of July 1, 2014.

***Retirement Incentive:** As of July 1, 1998, all instructional employees who retire are offered a retirement incentive in the form of a lower contribution rate (10%) for retirees, dependents and surviving spouses throughout retirement. To be eligible for the incentive members must elect to retire within the first 2 years of full eligibility with the New York State Teachers' Retirement System (NYSTRS).

Administration

Eligibility: Must reach the age of 55 with at least 10 years of service with the District and be eligible to retire as a member of the New York State Teachers' Retirement System (NYSTRS).

Benefit Cost Sharing: Retirees are required to contribute 10% of the individual plan premium.

Spouse: Spouses are required to contribute 10% of the difference between the individual and two-person or family plan premium amounts.

Surviving Spouse: Surviving spouses may continue coverage for two years at 10% of the cost of the individual plan premium.

Medicare Part B: The District reimburses same percentages of the Medicare Part B premium to Medicare eligible retirees, spouses and surviving spouses as it contributes towards health insurance premiums only for members who had been Medicare eligible as of July 1, 2014.

Service Employees International Union

Eligibility: Must reach the age of 55 with at least 10 years of service with the District and be eligible to retire as a member of the New York State Employees' Retirement System (NYSERS).

Benefit Cost Sharing: Retirees are required to contribute 45% of the individual plan premium.

Spouse: Spouses are required to contribute 60% of the difference between the individual and two-person or family plan premium amounts.

Surviving Spouse: Surviving spouses may continue coverage for two years at 60% of the cost of the individual plan premium.

Medicare Part B: The District does not reimburse the Medicare Part B premium to Medicare eligible retirees, spouses and surviving spouses.

WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

(c) Employees Covered by Benefit Terms

	Total
Inactive employees currently receiving benefit payments	89
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	132
Total	221

(d) Total OPEB Liability

The District's total OPEB liability of \$39,475,786 was measured as of July 1, 2025, and was determined by an actuarial valuation as of July 1, 2024.

(e) Changes in the Total OPEB Liability

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

	Total OPEB Liability
Balances, June 30, 2025	\$ 44,793,263
Changes recognized for the year:	
Service cost	1,801,647
Interest on Total OPEB Liability	1,808,476
Changes in Benefit Terms	566,603
Differences between expected and actual experience	
Changes in Assumptions	(8,338,761)
Benefit payments	(1,155,442)
Net changes	(5,317,477)
Balances, June 30, 2026	\$ 39,475,786

(f) 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 (4.20 percent) or 1 percentage point higher (6.20 percent) than the current discount rate:

	1% Decrease (4.20%)	Current Assumption (5.20%)	1% Increase (6.20%)
Total OPEB liability	\$ 45,900,006	\$ 39,475,786	\$ 34,281,778

(g) 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:

WATERVILLE CENTRAL SCHOOL DISTRICT
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	1% <u>Decrease</u>	Current <u>Assumption</u>	1% <u>Increase</u>
Total OPEB liability	\$ 33,429,863	\$ 39,475,786	\$ 47,195,424

Sensitivity analysis for healthcare cost inflation (trend) rate is illustrated as of end of year.

(h) OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2026, the District recognized OPEB expense of \$1,991,470. At June 30, 2026, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 689,809	\$ 2,754,338
Changes of assumptions or other inputs	1,241,898	10,668,019
Contributions subsequent to the measurement date	<u>1,931,707</u>	<u>13,422,357</u>
Total	<u>\$ 1,931,707</u>	<u>\$ 13,422,357</u>

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

Year ended June 30:

	<u>Amount</u>
2027	\$ (3,149,051)
2028	\$ (3,521,392)
2029	\$ (2,534,890)
2030	\$ (1,999,102)
2031	\$ (1,418,394)
2032 and Thereafter	\$ (109,719)

(i) Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2024, using the measurement date of July 1, 2025 and rolled forward to June 30, 2026, the reporting date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Valuation Date	July 1, 2024
Measurement Date	July 1, 2025
Reporting Date	June 30, 2026
Actuarial Cost Method	Entry Age Normal-Level Percent of Pay
Plan Type	Single Employer Defined Benefit Plan
Inflation rate	2.60%
Healthcare Cost Trend Rates	6.50% decreasing to an ultimate rate of 4.04% by 2095
Discount Rate	5.20%
Rate of Compensation Increase	3.00%
Mortality	Pub-2010 adjusted for mortality improvements with scale MP-2021 mortality improvement scale on a generational basis

The selected discount rate of 5.2% was based on the rate for a 20-year high-quality tax-exempt municipal bond index as of each measurement date.

**WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026**

The following changes in actuarial assumptions have been made since the prior measurement date:

- Changed the discount rate from 3.93% to 5.20% The discount rates are inputs taken from the rate for a 20-year high-quality tax-exempt municipal bond index as of each measurement date.

The following changes in benefit terms have been made since the prior measurement date:

- Changed the contribution requirement for future SEIU retirees from 45%/60% to 35%/50%.
- Changed the contribution requirement for future WTA retirees from 10%-20% to 13%-17%.
- Changed the contribution requirement for future ADMIN retirees from 15% to 10%-15%.

11. CONTINGENCIES

Risk Financing and Related Insurance

(a) General Information

The Waterville Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions and natural disasters. 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) Workers' Compensation Pool

Waterville Central School District participates with 12 other school districts and BOCES in the Central New York Workers' Compensation Consortium administered by the Oneida-Herkimer-Madison BOCES for its workers' compensation insurance coverage. Voluntary withdrawal from the Plan is effective only once annually on the last day of the Plan year. Notice of intent to withdraw must be submitted in writing no later than March 30 of the plan year. Additional members may be admitted by a majority vote of the Plan's Board of Directors. Membership is effective on the first day of the month following the Board's resolution to accept a new participant. The plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured. The Plan insures against catastrophic losses for amounts over \$600,000 up to \$1,000,000 for claims during the lifetime of an eligible member. The Plan does not insure amounts in excess of \$1,000,000 per lifetime. The plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims' costs depend on complex factors, the process used in computing claims' liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims' liabilities are charged or credited to expense in the periods in which they are made. The Consortium is a shared-risk public entity risk pool, whereby each district pays annual premiums based on the expected aggregate claims for all enrollees. Paid claims are also accounted for in the aggregate with individual district activity not being traced separately. Due to this arrangement, a possible contingent liability exists for Waterville Central School District as a result of the possibility that any participating school district may have actual claims less than the annual premium and try to recover its portion due to it through the Consortium participants. During the current year, the School District paid \$41,344 in net fees.

WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

(c) Potential Grantor Liability

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial

12. FUND BALANCE

(a) The following is a summary of the change in General Fund restricted reserve funds during the year ended June 30, 2026:

	Beginning Balance	Additions	Deletions	Ending Balance
Repair Reserve	\$ 27,581	\$ 1,034	\$	\$ 28,615
Employee Benefit Accrued Liability	84,049	3,151		87,200
Liability Reserve	109,033	4,715		113,748
Retirement Contribution-ERS	1,088,247	40,799		1,129,046
Retirement Contribution-TRS	224,177	123,036		347,213
Capital Reserve	1,363,170	697,150	700,000	1,360,320
Workers' Compensation	68,425	2,566		70,991
Unemployment Insurance	66,900	2,448		69,348
Total	\$ 3,031,582	\$ 874,899	\$ 700,000	\$ 3,206,481

(b) The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet:

	General	Capital	Total Non-Major Funds	Total
Restricted				
Repair Reserve	\$ 28,615	\$	\$	\$ 28,615
Employee Benefit Accrued Liability Reserve	87,200			87,200
Liability Insurance Reserve	113,748			113,748
Retirement Contribution Reserve-ERS	1,129,046			1,129,046
Retirement Contribution Reserve-TRS	347,213			347,213
Workers' Compensation Reserve	70,991			70,991
Unemployment Insurance Reserve	69,348			69,348
Restricted for Scholarships			957,876	957,876
Debt Service			550,130	550,130
Capital Reserve	1,360,320			1,360,320
Total Restricted	3,206,481		1,508,006	4,714,487
Assigned				
Encumbrances	205,830			205,830
Food Service Program			258,435	258,435
Appropriated for Subsequent Year's Budget	388,149			388,149
Total Assigned	593,979		258,435	852,414
Unassigned (Deficit)	2,147,653	(2,108,786)		38,867
Total Fund Balance (Deficit)	\$ 5,948,113	\$ (2,108,786)	\$ 1,766,441	\$ 5,605,768

WATERVILLE CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2026

13. NET POSITION DEFICIT

The District-wide net position had an unrestricted deficit at June 30, 2026 of \$48,436,371 and a total Net Position deficit of \$19,804,429. The deficit is the result of GASB Statement 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*," which requires the recognition of an unfunded liability of \$39,475,786 at June 30, 2026. Since New York State Law provides no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

14. DEFICIT FUND BALANCE

The Capital Fund had an unassigned deficit fund balance at June 30, 2026 in the amount of \$2,108,786. The deficit is due to the current capital project being funded with a short-term bond anticipation note. The deficit will be eliminated when the note is refinanced with long-term debt.

WATERVILLE CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance Between Original Budget and Final Budget	Actual	Final Budget Variance With Actual
Revenues					
Local Sources					
Real Property Taxes	\$ 5,376,351	\$ 5,376,351	\$	\$ 5,475,673	\$ 99,322
STAR and Other Real Property Tax Items	817,500	817,500		719,528	(97,972)
Charges for Services	4,500	4,500		11,059	6,559
Use of Money and Property	110,000	110,000		184,185	74,185
Sale of Property and Compensation for Loss	30,000	30,000		50,186	20,186
Miscellaneous	247,008	297,922	50,914	838,072	540,150 a.
State Aid	15,596,729	15,596,729		15,703,490	106,761
Federal Aid	115,000	115,000		86,178	(28,822)
Total Revenues	22,297,088	22,348,002	50,914	23,068,371	720,369
Other Financing Sources					
Appropriated Fund Balance	916,312	1,616,312	700,000 b.		(1,616,312)
Total Revenues and Other Financing Sources	\$ 23,213,400	\$ 23,964,314	\$ 750,914	23,068,371	\$ (895,943)
	Original Budget	Final Budget	Variance Between Original Budget and Final Budget	Actual	Final Budget Variance With Actual And Encumbrances
Expenditures					
General Support					
Board of Education	\$ 23,701	\$ 23,701	\$	16,194	\$ 7,507
Central Administration	242,105	245,332	3,227	241,738	3,594
Finance	322,731	345,764	23,033	327,845	17,919
Staff	109,677	180,091	70,414	175,914	4,177
Central Services	1,904,660	1,759,107	(145,553)	1,604,113	154,994
Special Items	322,929	337,178	14,249	331,386	5,792
Total General Support	2,925,803	2,891,173	(34,630)	2,697,190	193,983
Instruction					
Instruction, Administration, and Improvement	722,004	715,038	(6,966)	711,471	3,567
Teaching - Regular School	5,339,178	4,936,612	(402,566)	4,788,908	147,704
Programs for Children With Special Needs	2,874,767	3,254,510	379,743	3,193,823	60,687
Occupational Education	726,469	787,277	60,808	730,262	57,015
Teaching - Special School	86,776	72,660	(14,116)	62,149	10,511
Instructional Media	651,543	673,981	22,438	637,706	36,275
Pupil Services	894,525	920,714	26,189	883,888	36,826
Total Instruction	11,295,262	11,360,792	65,530	11,008,207	352,585
Pupil Transportation	1,010,313	1,052,181	41,868	1,029,260	22,921
Employee Benefits	5,307,833	5,228,330	(79,503)	4,932,381	295,949
Debt Service - Principal	1,849,818	1,849,818		1,849,818	
Debt Service - Interest	724,371	724,371		739,325	(14,954)
Total Expenditures	23,113,400	23,106,665	(6,735)	22,256,181	850,484
Other Financing Uses					
Transfers to Other Funds	100,000	857,649	757,649 b.	842,638	15,011
Total Expenditures and Other Financing Uses	\$ 23,213,400	\$ 23,964,314	\$ 750,914	23,098,819	\$ 865,495
Net Change in Fund Balance				(30,448)	
Fund Balance - Beginning of Year				5,978,561	
Fund Balance - End of Year				\$ 5,948,113	

Notes to Required Supplementary Information:

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

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

Explanations to significant variances:

- a. The District received an unanticipated significant donation in the current year.
- b. The District amended the budget in the current year for a voter approved transfer to the capital fund to partially fund the 2025 capital project.

WATERVILLE CENTRAL SCHOOL DISTRICT
SCHEDULES OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
For the Year Ended June 30, 2026

Measurement Date	* 2026	* 2025	* 2024	* 2023	* 2022	* 2021	* 2020	* 2019
Total OPEB Liability								
Service cost	\$ 1,801,647	\$ 1,835,423	\$ 2,030,217	\$ 1,842,505	\$ 2,082,198	\$ 1,515,904	\$ 1,567,473	\$ 1,499,976
Interest on Total OPEB Liability	1,808,476	1,722,315	1,614,938	1,124,266	1,115,265	1,500,488	1,567,828	1,611,651
Change in assumptions and other inputs	(8,338,761)	(2,081,295)	(845,833)	(5,081,907)	127,010	9,387,550	163,246	(5,473,019)
Change in benefit terms	566,603	(14,886)						(1,384,193)
Differences between expected and actual experience		(1,481,820)		(3,941,470)		(4,452,376)		270,735
Benefit payments	(1,155,442)	(1,075,479)	(999,601)	(1,094,759)	(932,211)	(916,724)	(859,788)	(836,954)
Net change in total OPEB Liability	(5,317,477)	(1,095,742)	1,799,721	(7,151,365)	2,392,262	7,034,842	2,438,759	(4,311,804)
Total OPEB Liability - Beginning	44,793,263	45,889,005	44,089,284	51,240,649	48,848,387	41,813,545	39,374,786	43,686,590
Total OPEB Liability - Ending	\$ 39,475,786	\$ 44,793,263	\$ 45,889,005	\$ 44,089,284	\$ 51,240,649	\$ 48,848,387	\$ 41,813,545	\$ 39,374,786
Covered payroll	\$ 7,998,765	\$ 7,963,038	\$ 8,449,241	\$ 7,756,497	\$ 7,127,041	\$ 7,172,034	\$ 7,164,000	\$ 7,057,477
Total OPEB Liability as a percentage of covered payroll	493.52%	562.51%	543.11%	568.42%	718.96%	681.10%	583.66%	557.92%

* 10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

Notes to Required Supplementary Information:

The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

Actuarial Assumptions

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 10 to the financial statements.

**WATERVILLE CENTRAL SCHOOL DISTRICT
SCHEDULES OF DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2026**

	ERS Pension Plan Last 10 Fiscal Years									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 206,272	\$ 236,345	\$ 206,272	\$ 191,281	\$ 233,597	\$ 221,220	\$ 223,767	\$ 217,774	\$ 221,938	\$ 275,089
Contributions in Relation to the Contractually Required Contribution	206,272	236,345	206,272	191,281	233,597	221,220	223,767	217,774	221,938	275,089
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
School District's Covered- ERS Employee Payroll	\$ 1,852,466	\$ 1,806,023	\$ 1,957,697	\$ 1,932,828	\$ 1,855,968	\$ 1,672,721	\$ 1,798,379	\$ 1,717,371	\$ 1,630,768	\$ 1,611,401
Contributions as a Percentage of Covered-Employee Payroll	11.1%	13.1%	10.5%	9.9%	12.6%	13.2%	12.4%	12.7%	13.6%	17.1%

	TRS Pension Plan Last 10 Fiscal Years									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contribution	\$ 589,210	\$ 617,236	\$ 576,576	\$ 523,120	\$ 476,609	\$ 465,691	\$ 461,105	\$ 546,084	\$ 524,596	\$ 567,650
Contributions in Relation to the Contractually Required Contribution	589,210	617,236	576,576	523,120	476,609	465,691	461,105	546,084	524,596	567,650
Contribution Deficiency (Excess)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
School District's Covered- TRS Employee Payroll	\$ 6,635,888	\$ 6,105,203	\$ 6,497,414	\$ 5,823,669	\$ 5,271,073	\$ 4,886,579	\$ 5,204,345	\$ 5,142,034	\$ 5,353,020	\$ 4,844,565
Contributions as a Percentage of Covered-Employee Payroll	9.6%	10.1%	9.8%	10.3%	9.8%	9.5%	8.9%	10.6%	9.8%	11.7%

WATERVILLE CENTRAL SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
For The Year Ended June 30, 2026

	ERS Pension Plan Last 10 Fiscal Years									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net pension (asset)/liability	0.0039824%	0.0041169%	0.0047108%	0.0052452%	0.0049381%	0.0049636%	0.0049399%	0.0045866%	0.0048042%	0.0047862%
District's proportionate share of the net pension (asset)/liability	\$ 224,674	\$ 705,865	\$ 693,615	\$ 1,124,774	\$ (403,673)	\$ 4,942	\$ 1,308,111	\$ 324,972	\$ 155,052	\$ 449,724
District's covered-employee payroll	\$ 1,852,466	\$ 1,957,697	\$ 1,957,697	\$ 1,932,828	\$ 1,855,968	\$ 1,672,721	\$ 1,798,379	\$ 1,717,371	\$ 1,630,768	\$ 1,611,401
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-12.13%	-36.06%	-35.43%	-58.19%	21.75%	0.30%	72.74%	18.92%	9.51%	27.91%
Plan fiduciary net position as a percentage of total pension liability	97.78%	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%

	TRS Pension Plan Last 10 Fiscal Years									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension asset/liability	0.031093%	0.030940%	0.029530%	0.027625%	0.027484%	0.030662%	0.030806%	0.031369%	0.030564%	0.031121%
District's proportionate share of the net pension (asset)/liability	\$ (1,841,061)	\$ (923,129)	\$ 337,703	\$ 530,086	\$ (4,762,685)	\$ 847,269	\$ (800,344)	\$ (567,232)	\$ (232,319)	\$ 333,317
District's covered-employee payroll	\$ 6,635,888	\$ 6,105,203	\$ 6,497,414	\$ 5,271,073	\$ 4,886,579	\$ 5,204,345	\$ 5,142,034	\$ 5,353,020	\$ 4,844,565	\$ 4,648,029
District's proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	27.74%	15.12%	-5.20%	-10.06%	97.46%	16.28%	15.56%	10.60%	4.80%	7.17%
Plan fiduciary net position as a percentage of total pension asset/liability	104.00%	102.10%	99.20%	98.60%	113.20%	97.80%	102.20%	101.53%	100.66%	99.01%

WATERVILLE CENTRAL SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
For the Year Ended June 30, 2026

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 23,127,677
Add: Prior Year's Encumbrances	<u>85,723</u>
Original Budget	<u>23,213,400</u>
Amendments:	
Donation	50,914
Transfer to Capital	<u>700,000</u>
Total Amendments	<u>750,914</u>
Final Budget	<u><u>\$ 23,964,314</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2026-27 Voter-Approved Expenditure Budget	<u>\$ 23,862,837</u>
Maximum Allowed (4% of 2026-27 budget)	<u><u>\$ 954,513</u></u>
General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law :	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 593,979
Unassigned Fund Balance	<u>2,147,653</u>
Total Unrestricted Fund Balance	<u>2,741,632</u>
Less:	
Appropriated Fund Balance	388,149
Encumbrances Included in Assigned Fund Balance	<u>205,830</u>
Total adjustments	<u>593,979</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,147,653</u></u>
Actual Percentage	9.00%

WATERVILLE CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2026

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures		Unexpended Balance	Proceeds of Obligations	Methods of Financing		Fund Balance (Deficit) June 30, 2026
			Prior Years	Current Year			Federal and State Aid	Local Sources	
2020 Renovation Project	\$ 12,860,000	\$ 12,860,000	\$ 12,866,632	\$	\$ (6,632)	\$ 11,695,000	\$	\$ 1,171,632	\$ 12,866,632
2024 SSBA			531,112		(531,112)		110,454		110,454
2026 Capital Outlay	100,000	100,000		94,725	5,275			94,725	94,725
2025 Capital Project	18,600,000	18,600,000		722,935	17,877,065			700,000	700,000
Total Projects	31,560,000	31,560,000	13,397,744	817,660	17,344,596	11,695,000	110,454	1,966,357	13,771,811
Buses	2,602,166	3,204,166	2,344,676	679,215	180,275			1,358,698	1,358,698
Totals	\$ 34,162,166	\$ 34,764,166	\$ 15,742,420	\$ 1,496,875	\$ 17,524,871	\$ 11,695,000	\$ 110,454	\$ 3,325,055	\$ 15,130,509
									\$ (2,108,786)

WATERVILLE CENTRAL SCHOOL DISTRICT
NET INVESTMENT IN CAPITAL ASSETS
June 30, 2026

Capital Assets, Net	<u>\$ 39,484,072</u>
Add:	
Deferred Charge on Refunding of Debt (Net of Amortization)	10,798
Capital Fund Assets, Net	<u>1,478,334</u>
	<u>1,489,132</u>
Deduct:	
Premium on Bonds Payable	1,298,629
Serial Bonds Payable	12,170,000
BAN Payable	<u>3,587,120</u>
	<u>17,055,749</u>
Net Investment in Capital Assets	<u>\$ 23,917,455</u>

See Independent Auditor's Report.

WATERVILLE CENTRAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2026

	School Lunch	Miscellaneous Special Revenue	Debt Service	Total Non-Major Funds
Assets				
Cash and Cash Equivalents	\$ 109,241	\$	\$	\$ 109,241
Restricted Cash and Cash Equivalents		941,661	550,130	1,491,791
Receivables				
Due From Other Governments	41,717			41,717
Due From Other Funds		15,000		15,000
Other Receivables	107,477	1,215		108,692
Total Assets	<u>\$ 258,435</u>	<u>\$ 957,876</u>	<u>\$ 550,130</u>	<u>\$ 1,766,441</u>
Fund Balance				
Restricted	\$	\$ 957,876	\$ 550,130	\$ 1,508,006
Assigned	258,435			258,435
Total Fund Balance	<u>\$ 258,435</u>	<u>\$ 957,876</u>	<u>\$ 550,130</u>	<u>\$ 1,766,441</u>

See Independent Auditor's Report.

WATERVILLE CENTRAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2026

	School Lunch	Miscellaneous Special Revenue	Debt Service	Total Non-Major Funds
Revenues				
Use of Money and Property	\$ 107,479	\$	\$ 9,886	\$ 117,365
Miscellaneous		72,177		72,177
State Aid	41,717			41,717
Total Revenues	<u>149,196</u>	<u>72,177</u>	<u>9,886</u>	<u>231,259</u>
Expenditures				
General Support		22,665		22,665
Food Service Program	103,373			103,373
Total Expenditures	<u>103,373</u>	<u>22,665</u>		<u>126,038</u>
Excess Revenues Over Expenditures	<u>45,823</u>	<u>49,512</u>	<u>9,886</u>	<u>105,221</u>
Fund Balance, Beginning of Year				
Reclassification of Major Funds to Non-Major Funds	<u>212,612</u>	<u>908,364</u>	<u>540,244</u>	<u>1,661,220</u>
Fund Balance, Beginning of Year (Restated)	<u>212,612</u>	<u>908,364</u>	<u>540,244</u>	<u>1,661,220</u>
Fund Balance, End of Year	<u>\$ 258,435</u>	<u>\$ 957,876</u>	<u>\$ 550,130</u>	<u>\$ 1,766,441</u>

See Independent Auditor's Report.

D'Arcangelo & Co., LLP

Certified Public Accountants & Consultants

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315-735-5216 Fax: 315-735-5210

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

Board of Education

Waterville Central School District, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterville Central School District, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Waterville Central School District's basic financial statements, and have issued our report thereon dated October 12, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterville Central School 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 Waterville Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Waterville Central School 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 school 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 Waterville Central School 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 school 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 school district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

D'Arcangelo + Co., LLP

October 12, 2026

Utica, New York