

**CLARENCE CENTRAL
SCHOOL DISTRICT, NEW YORK**

*Basic Financial Statements, Required Supplementary
Information and Supplementary Information for the Year
Ended June 30, 2026 and Independent Auditors' Reports*

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
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INDEPENDENT AUDITORS' REPORT

The Board of Education
Clarence Central School District, New York:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2026 the District evaluated classification of certain funds in accordance with Governmental Accounting Standards Board and restated beginning net position and fund balances. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS and GAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information, as listed in the table of contents, 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 Supplementary Information, as listed in the table of contents, 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 **September 18, 2025** on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

September 18, 2025

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2026

As management of the Clarence Central School District (the "District"), we offer readers of the District's financial statements this management discussion and analysis (MD&A). The MD&A provides a narrative overview and analysis of the financial statements of the District for the fiscal year ended June 30, 2026, focusing on why amounts changed from the prior year. For comparative purposes, certain data from the prior year has been reclassified to conform with the current year presentation.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, community service, school food service, and interest and other fiscal charges. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

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

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term*

inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Special Aid Fund, School Lunch Fund, Miscellaneous Special Revenue Fund, and Student Activities Fund, all of which are presented as major funds.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains one fiduciary fund, the Private Purpose Trust Fund.

The fiduciary fund statements can be found on pages 18 and 19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The District uses notes to present information in greater detail than is possible within the financial statements themselves, explain the nature of amounts reported in the financial statements and how those amounts were determined, and report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies). The notes to the financial statements can be found on pages 20-47 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's net pension liability/(asset), the changes in the District's total other postemployment benefits ("OPEB") obligation, and the District's budgetary comparison for the General Fund. Required Supplementary Information and the related notes to the required supplementary information can be found on pages 48-57 of this report.

Supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 58-60 of this report.

Financial Summary and Detailed Analysis

As noted earlier, net position over time may serve as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$97,353,108 at the close of the most recent fiscal year, as compared to \$91,110,805, as restated, at the close of the fiscal year ended June 30, 2025.

Table 1, shown on the following page, presents a condensed statement of net position compared to the prior year.

Table 1 – District’s Net Position

	June 30,	
	2026	2025 (as restated)
Current and other assets	\$ 61,057,322	\$ 46,129,694
Capital assets	104,348,093	105,444,644
Total assets	165,405,415	151,574,338
Deferred outflows of resources	17,687,316	17,249,994
Current liabilities	28,850,336	17,412,548
Noncurrent liabilities	44,603,984	52,347,401
Total liabilities	73,454,320	69,759,949
Deferred inflows of resources	12,285,303	7,953,578
Net position:		
Net investment in capital assets	62,231,647	61,010,866
Restricted	19,394,861	22,375,926
Unrestricted	15,726,600	7,724,013
Total net position	\$ 97,353,108	\$ 91,110,805

The largest portion of the District’s net position, \$62,231,647 reflects its investment in capital assets (e.g. land, buildings, improvements, equipment, and right-to-use leased assets), net of accumulated depreciation/amortization and less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The next largest portion of the District’s net position, \$19,394,861, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining balance of the District’s net position, \$15,726,600, represents unrestricted net position and may be used to meet the District’s ongoing operations.

Governmental activities—Current and other assets increased in governmental activities by \$14,924,628 from the prior year. During the current year, the District has increased restricted cash and cash equivalents as well as an increase in intergovernmental receivables. Additionally, the net pension asset related to TRS increased \$5,752,108 from the prior year.

Current liabilities in governmental activities increased \$11,437,788 from the prior year. During the prior year, the District reported \$3,130,262 of bond anticipation notes payable, as compared to a \$13,174,253 bond anticipation notes payable at June 30, 2026. During the current year, the District had an increase in accounts payable of \$467,980 due to significant activity on various capital projects throughout the District.

Long-term liabilities, which consist of serial bonds, premium on serial bonds, leases, other postemployment benefit obligations, compensated absences, and net pension liability, decreased by \$7,743,417 from the previous year. The serial bonds and related premiums decreased \$4,231,111 due to scheduled principal payments and premium amortization.

The District's overall net position increased \$6,242,303 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities.

Table 2, as presented below, shows the District's changes in net position for the years ended June 30, 2026 and June 30, 2025

Table 2—District's Changes in Net Position

	Year Ended June 30,	
	2026	2025
Revenues:		
Program revenues:		
Charges for services	\$ 1,027,381	\$ 1,435,001
Operating grants and contributions	6,368,222	4,226,357
General revenues:		
Real property taxes	57,404,795	56,244,293
Real property tax items	2,002,962	2,216,113
Non-property tax items	7,446,216	7,186,812
Use of money and property	1,951,660	2,167,028
Sale of property and compensation for loss	121,077	11,722
Miscellaneous	535,850	848,108
State sources—unrestricted	26,848,101	26,175,437
Total revenues	<u>103,706,264</u>	<u>100,510,871</u>
Expenses:		
General support	12,575,865	10,910,151
Instruction	72,596,030	78,328,383
Pupil transportation	7,900,636	6,691,857
School food service	2,607,412	1,544,826
Student activities	149,600	-
Interest and other fiscal charges	1,634,418	1,870,414
Total expenses	<u>97,463,961</u>	<u>99,345,631</u>
Change in net position	6,242,303	1,165,240
Net position—beginning, as restated	<u>91,110,805</u>	<u>89,941,992</u>
Restatement	<u>-</u>	<u>3,573</u>
Net position—ending	<u>\$ 97,353,108</u>	<u>\$ 91,110,805</u>

Governmental activities—During the current fiscal year, net position for governmental activities increased \$6,242,303 from the prior fiscal year for an ending balance of \$91,110,805, as restated. The increase in the overall net position of governmental activities is primarily due to the \$5,752,108 increase of the net pension asset for TRS.

Revenues increased by \$3,195,393 from the prior year. The increase primarily occurred within operating grants for instruction, and state aid relating to increased lottery aid in the current fiscal year.

Expenses decreased by \$1,548,775 from the prior year. The most significant decrease was \$5,443,733 in the general support function due primarily to changes in employee benefits allocations as well as decreased benefits paid to full-time teachers.

Detailed Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District reports six major funds individually on the governmental fund financial statements, the General Fund, the Capital Projects Fund, the Special Aid Fund, the School Lunch Fund, the Miscellaneous Special Revenue Fund, and the Student Activities Fund.

Governmental funds—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board of Education.

As of June 30, 2026, the District’s governmental funds reported a combined ending fund balance of \$26,906,804, a decrease of \$595,486 from the prior year. Approximately 11.3 percent, or \$3,050,788, of this amount constitutes *unassigned fund balance* which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned*, to indicate that it is: (1) not in spendable form, \$38,484, (2) restricted for particular purposes, \$19,394,861 or (3) assigned for particular purposes, \$4,422,671.

General Fund—The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,663,394, while total fund balance increased to \$30,092,390. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 8.0 percent of total General Fund expenditures and transfers out, while total fund balance represents 31.5 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$2,726,560 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$3,400,912 of fund balance (this included the re-appropriation of prior year’s encumbrances and an appropriation (i.e., spenddown) of fund balance). Largely as a result of increased sales tax and interest earnings, and budgetary savings mainly within employee benefits, the District’s General Fund fund balance increased by \$2,726,904.

Capital Projects Fund—The fund balance in the Capital Projects Fund decreased \$3,687,780 from the prior year, resulting in ending fund balance deficit of \$4,612,606 as of June 30, 2026. The District reported transfers in from the General Fund in the amount of \$866,250 and incurred capital outlay expenditures of \$4,554,030 during the fiscal year ended June 30, 2026. Additionally, the Capital Projects Fund reported \$13,174,253 of bond anticipation notes outstanding at year end.

Special Aid Fund—The Special Aid Fund maintains funds that are received from the State and Federal governments. Total revenues amounted to \$3,239,208 and were comprised of State and Federal sources. Expenditures totaled \$3,333,208 and were used toward the instruction and transportation of students. During the year ended June 30, 2026, the General Fund transferred \$94,000 to the Special Aid Fund to cover additional program costs.

School Lunch Fund—The School Lunch Fund total fund balance is \$1,322,325 as of June 30, 2026, of which \$34,484 represents inventory and is considered nonspendable. The remaining portion of fund balance, \$1,283,841, or 97.1 percent of total fund balance, is considered assigned for school lunch purposes. The fund balance of the District’s School Lunch Fund increased \$393,991 during the current fiscal year as a result of additional grant reimbursements.

Miscellaneous Special Revenue Fund—The Miscellaneous Special Revenue Fund reports a fund balance of \$3,437, at June 30, 2026, a decrease of \$27,024 from the prior year. The decrease is primarily attributed to the District using a majority of the grant funding they had received in the prior year. This total fund balance amount is classified as restricted fund balance for the future payment of grants received.

Student Activities Fund—The Student Activities Fund reports a fund balance of \$101,258 at June 30, 2026, a decrease of \$1,233 from the prior year. This total fund balance amount is classified as restricted fund balance for the future payment of extracurricular activities on behalf of the students and future payments towards the District’s flexible spending plans.

Significant Capital Asset and Long-Term Financing Activity

Capital assets—The District’s investment in capital assets for its governmental activities as of June 30, 2026, amounted to \$104,348,093 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, equipment and vehicles, and right-to-use leased equipment and vehicles. All depreciable/amortizable capital assets were depreciated/amortized from acquisition date to the end of the current year as outlined in the District’s capital asset policy.

Capital assets, net of depreciation/amortization for the governmental activities at June 30, 2026 and June 30, 2025 are presented in Table 3 below:

Table 3—The District’s Capital Assets (Net of Accumulated Depreciation/Amortization)

	Year Ended June 30,	
	2026	2025
Land	\$ 1,960,844	\$ 1,960,844
Construction in progress	4,463,689	816,402
Land improvements	814,927	871,580
Buildings and improvements	85,883,405	89,613,141
Furniture and equipment	5,856,308	6,580,941
Vehicles	4,472,639	4,688,551
Intangible assets:		
Lease assets - equipment and vehicles	896,281	913,185
Total	<u>\$ 104,348,093</u>	<u>\$ 105,444,644</u>

Major capital asset events during the current fiscal year included the following:

- Capital projects increasing construction in progress by \$3,647,287
- Completion of a capital outlay project totaling \$100,000
- Purchase of various school buses totaling \$806,743
- Disposal of fully depreciated school buses totaling \$1,184,273
- Depreciation totaling \$6,238,258

Leases are intangible, right to use assets. The District does not own these assets, but rather has the right to use them in operations, as specified in their respective contracts. When entering into a lease contract, a liability is also recognized, which is included as part of long-term financings discussion below.

Additional information on the District’s capital assets is presented in Note 5 to the financial statements.

Long-term financing—At June 30, 2026, the District reported total long-term financing liabilities of \$37,517,151, composed of serial bonds, premium on serial bonds, and lease liability. During the current year, long-term financing liabilities decreased by \$3,907,594.

A summary of the District’s long-term liabilities at June 30, 2026 and June 30, 2025 is presented in Table 4 below:

Table 4—Summary of Long-Term Financings

	Year Ended June 30,	
	2026	2025
Serial bonds	\$ 33,350,000	\$ 36,985,000
Premium on serial bonds	3,515,610	4,111,721
Lease liability	651,541	328,024
Total	<u>\$ 37,517,151</u>	<u>\$ 41,424,745</u>

The \$33,350,000 million general obligation bonds are bonded debt, backed by the full faith and credit of the government.

The District maintained an “Aa2” rating from Moody’s Investors Service for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of the average full valuation of taxable property within the jurisdiction. The current debt limitation for the District is \$59,102,900, which is significantly more than the District’s outstanding general obligation debt.

Additional information on the District’s long-term liabilities can be found in Note 12 to the financial statements.

Currently Known Facts, Decisions, or Conditions

The unemployment rate, not seasonally adjusted, for the Buffalo-Niagara region at June 30, 2026 was 3.2 percent. This compares to New York State’s unemployment rate of 4.0 percent. These factors, as well as others, are considered in preparing the District’s budget.

The 2026-2027 adopted budget appropriations total of \$100,821,016 is an approximate increase of 1.9 percent as compared to the \$98,927,712 budgeted appropriations in 2025-2026. The District's total tax levy in 2026-2027 is \$61,256,752, compared to \$59,102,900 levied during the 2025-2026 year.

Request for Information

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dr. Patricia Grupka, Assistant Superintendent for Finance and Operations, 9625 Main Street, Clarence, NY 14031.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2026

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,437,849
Restricted cash and cash equivalents	40,876,901
Receivables	23,692
Intergovernmental receivables	4,170,845
Inventories	38,484
Noncurrent net pension asset	11,509,551
Capital assets, not being depreciated/amortized	6,424,533
Capital assets, net of accumulated depreciation/amortization	97,923,560
Total assets	<u>165,405,415</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	16,782,540
Deferred outflows—relating to OPEB	799,614
Deferred charge on refunding	60,614
Total deferred outflows of resources	<u>17,642,768</u>
LIABILITIES	
Accounts payable	3,173,569
Accrued liabilities	2,275,391
Due to retirement systems	4,446,626
Unearned revenue	6,442
Bond anticipation notes payable	13,174,253
Noncurrent liabilities:	
Due within one year	5,774,055
Due within more than one year	44,603,984
Total liabilities	<u>73,454,320</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	11,944,815
Deferred inflows—relating to OPEB	340,488
Total deferred inflows of resources	<u>12,285,303</u>
NET POSITION	
Net investment in capital assets	62,231,647
Restricted:	
Insurance	5,100,182
Tax certiorari	537,846
Employee benefits	2,846,117
Debt service	583,259
Retirement contribution	4,562,950
Repairs	3,351,411
Capital projects	2,308,401
Scholarships	3,437
Student activities	101,258
Unrestricted	15,682,052
Total net position	<u>\$ 97,308,560</u>

The notes to the financial statements are an integral part of this statement.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2026

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental activities:				
General support	\$ 12,581,672	\$ -	\$ -	\$ (12,581,672)
Instruction	72,629,983	461,118	4,265,686	(67,903,179)
Pupil transportation	7,904,141	-	-	(7,904,141)
School food service	2,608,695	417,896	2,102,536	(88,263)
Student activities	149,600	148,367	-	(1,233)
Interest and other fiscal charges	1,634,418	-	-	(1,634,418)
Total primary government	<u>\$ 97,508,509</u>	<u>\$ 1,027,381</u>	<u>\$ 6,368,222</u>	<u>(90,112,906)</u>
General revenues:				
Real property taxes				57,404,795
Real property tax items				2,002,962
Non-property tax items				7,446,216
Use of money and property				1,951,660
Sale of property and compensation for loss				121,077
Miscellaneous				535,850
State sources—unrestricted				<u>26,848,101</u>
Total general revenues				<u>96,310,661</u>
Change in net position				6,197,755
Net position—beginning, as previously stated				91,107,232
Restatement for change in accounting policy				<u>3,573</u>
Net position—beginning, as restated				<u>91,110,805</u>
Net position—ending				<u>\$ 97,308,560</u>

The notes to the financial statements are an integral part of this statement.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2026

	Special Revenue						Total
	General	Capital Projects	Special Aid	School Lunch	Miscellaneous Special Revenue	Student Activities	Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,337,296	\$ -	\$ -	\$ 1,100,553	\$ -	\$ -	\$ 4,437,849
Restricted cash and cash equivalents	39,193,256	303,823	1,276,757	-	-	103,065	40,876,901
Receivables	19,652	-	4,040	-	-	-	23,692
Intergovernmental receivables	1,773,691	-	2,061,731	335,423	-	-	4,170,845
Due from other funds	-	9,536,046	-	-	9,879	-	9,545,925
Inventories	-	-	-	38,484	-	-	38,484
Total assets	<u>\$ 44,323,895</u>	<u>\$ 9,839,869</u>	<u>\$ 3,342,528</u>	<u>\$ 1,474,460</u>	<u>\$ 9,879</u>	<u>\$ 103,065</u>	<u>\$ 59,093,696</u>
LIABILITIES							
Accounts payable	\$ 1,740,711	\$ 1,278,222	\$ 3,225	\$ 151,411	\$ -	\$ -	\$ 3,173,569
Accrued liabilities	1,838,270	-	-	-	-	1,807	1,840,077
Due to other funds	6,205,898	-	3,339,303	724	-	-	9,545,925
Due to retirement systems	4,446,626	-	-	-	-	-	4,446,626
Unearned revenue	-	-	-	-	6,442	-	6,442
Bond anticipation notes payable	-	13,174,253	-	-	-	-	13,174,253
Total liabilities	<u>14,231,505</u>	<u>14,452,475</u>	<u>3,342,528</u>	<u>152,135</u>	<u>6,442</u>	<u>1,807</u>	<u>32,186,892</u>
FUND BALANCES							
Nonspendable	-	-	-	38,484	-	-	38,484
Restricted	19,290,166	-	-	-	3,437	101,258	19,394,861
Assigned	3,138,830	-	-	1,283,841	-	-	4,422,671
Unassigned	7,663,394	(4,612,606)	-	-	-	-	3,050,788
Total fund balances	<u>30,092,390</u>	<u>(4,612,606)</u>	<u>-</u>	<u>1,322,325</u>	<u>3,437</u>	<u>101,258</u>	<u>26,906,804</u>
Total liabilities and fund balances	<u>\$ 44,323,895</u>	<u>\$ 9,839,869</u>	<u>\$ 3,342,528</u>	<u>\$ 1,474,460</u>	<u>\$ 9,879</u>	<u>\$ 103,065</u>	<u>\$ 59,093,696</u>

The notes to the financial statements are an integral part of this statement.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2026

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances—governmental funds (page 14)		\$ 26,906,804
Net pension assets are not current financial resources and, therefore, are not reported in the fund statements.		11,509,551
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$202,568,741 and the accumulated depreciation/amortization is \$98,220,648.		104,348,093
Deferred charges associated with refunding of bonds are not reported in governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		60,614
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 4,445,210	
Deferred outflows related to experience, changes in assumptions and investment earnings	12,337,330	
Deferred inflows of resources related to pension plans	<u>(11,944,815)</u>	4,837,725
Deferred outflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 44,548	
Deferred outflows related to experience, changes of assumptions and benefits payments	755,066	
Deferred inflows related to experience and changes of assumptions	<u>(340,488)</u>	459,126
Net accrued interest expense for serial bonds is not reported in the fund statements.		(435,314)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (33,350,000)	
Premium on serial bonds	(3,515,610)	
Lease liability	(651,541)	
OPEB obligation	(3,722,055)	
Compensated absences	(7,781,882)	
Net pension liability	<u>(1,356,951)</u>	<u>(50,378,039)</u>
Net position of governmental activities		<u>\$ 97,308,560</u>

The notes to the financial statements are an integral part of this statement.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures and Changes in Fund
Balances—Governmental Funds
Year Ended June 30, 2026

			Special Revenue				Total
	General	Capital Projects	Special Aid	School Lunch	Miscellaneous Special Revenue	Student Activities	Governmental Funds
REVENUES							
Real property taxes	57,404,795	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,404,795
Real property tax items	2,002,962	-	-	-	-	-	2,002,962
Non-property tax items	7,446,216	-	-	-	-	-	7,446,216
Charges for services	461,118	-	-	-	-	-	461,118
Use of money and property	1,948,475	-	-	3,185	-	-	1,951,660
Sale of property and compensation for loss	121,077	-	-	-	-	-	121,077
Miscellaneous	531,032	-	-	-	4,818	-	535,850
State sources	27,718,340	-	1,557,362	1,457,424	-	-	30,733,126
Federal sources	156,239	-	1,681,846	645,112	-	-	2,483,197
Sales—food service	-	-	-	417,896	-	-	417,896
Student activity collections	-	-	-	-	-	148,367	148,367
Total revenues	97,790,254	-	3,239,208	2,523,617	4,818	148,367	103,706,264
EXPENDITURES							
Current:							
General support	9,614,590	-	-	-	31,842	-	9,646,432
Instruction	53,157,479	-	3,232,537	-	-	-	56,390,016
Pupil transportation	5,721,046	-	100,000	-	-	-	5,821,046
Employee benefits	20,348,846	-	671	-	-	-	20,349,517
Debt service:							
Principal	3,803,280	-	-	-	-	-	3,803,280
Interest and other fiscal charges	1,950,000	-	-	-	-	-	1,950,000
Cost of sales (school lunch)	-	-	-	2,129,626	-	-	2,129,626
Student activities	-	-	-	-	-	149,600	149,600
Capital outlay	-	4,554,030	-	-	-	-	4,554,030
Total expenditures	94,595,241	4,554,030	3,333,208	2,129,626	31,842	149,600	104,793,547
Excess (deficiency) of revenues over expenditures	3,195,013	(4,554,030)	(94,000)	393,991	(27,024)	(1,233)	(1,087,283)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	866,250	94,000	-	-	-	960,250
Transfers out	(960,250)	-	-	-	-	-	(960,250)
Leases issued	491,797	-	-	-	-	-	491,797
Total other financing sources (uses)	(468,453)	866,250	94,000	-	-	-	491,797
Net change in fund balances	2,726,560	(3,687,780)	-	393,991	(27,024)	(1,233)	(595,486)
Fund balances—beginning, as previously stated	27,365,830	(924,826)	-	928,334	129,379	-	27,498,717
Restatement for change in accounting policy	-	-	-	-	(98,918)	102,491	3,573
Fund balances—beginning, as restated	27,365,830	(924,826)	-	928,334	30,461	102,491	27,502,290
Fund balances—ending	\$ 30,092,390	\$ (4,612,606)	\$ -	\$ 1,322,325	\$ 3,437	\$ 101,258	\$ 26,906,804

The notes to the financial statements are an integral part of this statement.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2026

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances—total governmental funds (page 16) \$ (595,486)

Certain revenues are not recognized in the governmental funds because they are not available soon enough after year-end to pay for the current period's expenditures. On the statement of activities, however, revenue is recognized regardless of when it's collected. (896,000)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation/amortization expense and loss on capital asset disposals exceeded capital outlays in the current period.

Capital asset additions	\$ 5,497,969	
Depreciation/amortization expense	(6,238,258)	
(Loss) on disposal of assets	(356,262)	(1,096,551)

Deferred charges and gains associated with refunding of bonds are not reported in the governmental funds. The charges and gains are reported as deferred outflows and inflows of resources on the statement of net position and are recognized as a component of interest expense over the life of the related debt. (60,615)

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

District pension contributions	\$ 5,449,499	
Cost of benefits earned net of employee contributions	(823,953)	4,625,546

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. This amount is shown net of current year amortization. (2,603)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (219,914)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Repayment of serial bonds	\$ 3,635,000	
Amortization of premiums on serial bonds	596,111	
Issuance of lease	(491,797)	
Repayment of lease liability	168,280	
Change in OPEB obligation	(190,334)	
Change in compensated absences	726,118	4,443,378

Change in net position of governmental activities \$ 6,197,755

The notes to the financial statements are an integral part of this statement.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Fiduciary Net Position—Fiduciary Funds
June 30, 2026

	Private Purpose Trust
ASSETS	
Restricted cash and cash equivalents	\$ 99,624
Total assets	<u>99,624</u>
NET POSITION	
Restricted for scholarships	<u>99,624</u>
Total net position	<u><u>\$ 99,624</u></u>

The notes to the financial statements are an integral part of this statement.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Changes in Fiduciary Net Position—Fiduciary Funds
Year Ended June 30, 2026

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 20,218
Total additions	<u>20,218</u>
DEDUCTIONS	
Scholarships and awards	<u>19,512</u>
Total deductions	<u>19,512</u>
Change in fiduciary net position	706
Net position—beginning, as previously stated	-
Restatement for change in accounting policy	<u>98,918</u>
Net position—beginning, as restated	<u>98,918</u>
Net position—ending	<u><u>\$ 99,624</u></u>

The notes to the financial statements are an integral part of this statement.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2026

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Clarence Central School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

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

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance, and plant maintenance are also included.

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

Extraclassroom Activity Funds—The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management; however, since the District has administrative involvement with these funds they are reported within the District’s Student Activities Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office.

Joint Venture—The District is one of 19 participating school districts in the Erie 1 Board of Cooperative Education Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2026, there was no debt issued by the District on behalf of BOCES.

During the year ended June 30, 2026, the District was billed \$5,505,800 for BOCES administrative and program costs. The District’s share of BOCES aid and refunds amounted to \$2,114,068 for the year ended June 30, 2026. Audited financial statements are available from the Erie 1 BOCES administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District’s various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District’s 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. All of the District’s governmental funds are considered major funds.

The District reports the following major governmental funds:

- ***General Fund***—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is State sources.

- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.
- *Special Aid Fund*—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.
- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District's food service operations.
- *Miscellaneous Special Revenue Fund*—The Miscellaneous Special Revenue Fund is used to account for resources received through private grants that are restricted for specific purposes in accordance with the terms of the respective grant awards. The District applies for and receives these grants, manages the funds, and expends the resources in accordance with the requirements and approved uses specified in each grant award.
- *Student Activities Fund*—The Student Activities Fund is used to account for extraclassroom transactions, which represents funds of the students of the District. The District exercises administrative involvement with these funds.

Additionally, the District reports the following fund type:

Fiduciary Funds—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary Funds include a *Private Purpose Trust Fund*.

- *Private Purpose Trust Fund*—The Private Purpose Trust Fund is used to account for assets held by the District for scholarships.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period and certain grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and pensions are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

The Private Purpose Trust Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents—The District's cash and cash equivalents consist of cash on hand, demand deposits, time deposits, and short-term, highly liquid investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Permissible investments include obligations of the U.S. Treasury and U.S. Government Agencies, repurchase agreements and obligations of New York State or its localities. Investments are stated at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent unspent proceeds of debt, amounts to support fund balance restrictions, unearned revenues, and amounts held on behalf of others.

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such an allowance would not be material.

Inventories—Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets—Capital assets, which include land, construction in progress, building and site improvements, furniture and equipment and vehicles, and right-to-use lease equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold of \$1,000 for the type of asset and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are completed. Right-to-use lease equipment are initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and are amortized on a straight line basis over their useful lives.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Useful Life (Years)
Land improvements	\$ 1,000	20-30
Buildings and improvements	1,000	20-40
Furniture and equipment	1,000	5-20
Vehicles	1,000	8-15

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2026, the District has three items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the District's proportion of the collective net pension liability/(asset), and the difference during the measurement period between the District's contributions, its proportionate share of total contribution to the pension systems not included in

pension expense, and any contributions to the pension systems subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the District's proportion of the collective OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability. The third item is a deferred charge on refunding which the District reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial 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. At June 30, 2026, the District reports two deferred inflows of resources on the government-wide financial statements related to pensions and OPEB, respectively. The first item represents the effect of the net change in the District's proportion of the collective net pension liability/(asset) and the difference during the measurement periods between the District's contributions, and its proportionate share of total contributions to the pension systems not included in pension expense. The second item represents the effects of the change in the District's proportion of the collective OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability.

Net Position Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has given the District's management the authority to assign fund balances for specific purposes that are neither restricted or committed. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually no later than September 15th by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently become the responsibility of Erie County. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than April 1st.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial statement purposes. At June 30, 2026, the District reported \$6,442 of unearned revenues in the Miscellaneous Special Revenue Fund. The District has received money in advance but has not performed the services and therefore recognizes a liability.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave and vacation. The liability for compensated absences reported in the government-wide financial statements consists of unpaid and unused accumulated vacation and sick time that is more likely than not to be used, paid, or settled by non-cash means prior to or at termination of employment. Such accumulated time is valued based on a combination of applicable employees' rates of pay at year-end and contractual rates of pay at retirement, based on estimates of amounts to be used for each. The liability also includes an estimate of leave that is not attributable to a specific employee but is available for use by all employees within certain bargaining units, valued at the estimated pay rates of all eligible employees.

Pension Plans—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees, as discussed in Note 8.

Other

Estimates—The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States of America (“GAAP”), requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2026, the District implemented GASB Statement No. 103, *Financial Reporting Model Improvements*; and GASB Statement No. 104, *Disclosure of Certain Capital Assets*. GASB Statement No. 103 improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. GASB Statement No. 104 improves financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The implementation of GASB Statements No. 103 and 104 did not have a material impact on the District’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 105, *Subsequent Events*, effective for the fiscal year ending June 30, 2027. The District is, therefore, unable to disclose the impact that adopting GASB Statement No. 105 will have on its financial position and results of operations when such statements are adopted.

Deficit Fund Balance—The Capital Projects Fund reported a deficit fund balance at June 30, 2026 totaling \$4,612,606. The deficit exists because the District issued bond anticipation notes (“BANs”), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund balance sheet (rather than an other financing source on the statement of revenues, expenses, and fund balances.) When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs or retire the BANs

2. RESTATEMENT OF FUND BALANCE AND NET POSITION

During the year ended June 30, 2026, the District re-evaluated the nature of its Custodial Fund in accordance with the requirements of GASB Statement No. 84, *Fiduciary Activities*. Based on this evaluation, the District determined that the activity reported in this fund did not meet the criteria for reporting as a fiduciary fund and should instead be reported as a governmental fund. Accordingly, the District reclassified from a fiduciary fund to a governmental fund, resulting in a restatement of beginning fund balance and governmental activities net position. As a result of this change, the Student Activities Fund fund balance was restated by \$102,491 as of June 30, 2025.

Additionally, the District re-evaluated a portion of its Miscellaneous Special Revenue Fund that was used to hold scholarship funds on behalf of others. Based on this evaluation, the District determined that these resources met the criteria for fiduciary fund reporting and should no longer be reported as a governmental fund. Accordingly, the District reclassified the applicable portion of the Miscellaneous Special Revenue Fund to a fiduciary fund, resulting in a restatement of beginning fund balance and governmental activities net position. As a result of this change, the Miscellaneous Special Revenue Fund fund balance and Private Purpose Trust Fund fiduciary net position were each restated by \$98,918, as of June 30, 2025.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Collateral is required for demand deposits, time deposits and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents reported by the District at June 30, 2026, are shown below:

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 1,360	\$ -	\$ 1,360
Deposits	45,313,390	99,624	45,413,014
Total	<u>\$ 45,314,750</u>	<u>\$ 99,624</u>	<u>\$ 45,414,374</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2026 as follows:

	Bank Balance	Carrying Balance
FDIC insured	\$ 1,000,000	\$ 1,000,000
Uninsured:		
Collateral held pledging bank's agent in the District's name	46,332,504	44,413,014
Total	<u>\$ 47,332,504</u>	<u>\$ 45,413,014</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2026, the District's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the District's name.

Restricted Cash and Cash Equivalents—The District reports unspent proceeds of debt, unearned revenues, amounts held on behalf of others, and amounts to support restricted fund balances as restricted cash and cash equivalents. At June 30, 2026, the District reported \$40,876,901 of restricted cash within its governmental funds and \$99,624 within its fiduciary funds.

Investments—The District reported no investments at June 30, 2026.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

4. RECEIVABLES

Major revenues accrued by the District at June 30, 2026 consisted of the following:

Receivables—Represents amounts due from various sources for out-of-district tuition, commissions, reimbursements and other services provided. At June 20, 2026, the District reported accounts receivable of \$19,652 and \$4,040 in the General Fund and Special Aid Fund, respectively.

Intergovernmental Receivables—Represent amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2026 are presented in the table below:

General Fund:			
New York State—Excess Cost Aid	\$	830,564	
New York State—Medicaid		53,963	
BOCES aid		804,501	
Miscellaneous		<u>84,663</u>	\$ 1,773,691
Special Aid Fund:			
New York State—Summer Handicapped Program		198,696	
New York State—Universal Pre-k		500,522	
New York State—Recovery from COVID Grant		31,169	
New York State—Mentor Grant		38,430	
Federal Government—Title I		162,208	
Federal Government—Title IIA		57,230	
Federal Government—Title IVA		722	
Federal Government—Section 611/619 IDEA		<u>1,072,754</u>	2,061,731
School Lunch Fund:			
Federal Government—Breakfast and lunch programs			<u>335,423</u>
Total governmental funds			<u>\$ 4,170,845</u>

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2026 was as follows:

	Balance 7/1/2025	Increases	Decreases	Balance 6/30/2026
Capital assets, not being depreciated/amortized:				
Land	\$ 1,960,844	\$ -	\$ -	\$ 1,960,844
Construction in progress	816,402	3,747,287	100,000	4,463,689
Total capital assets, not being depreciated/amortized	<u>2,777,246</u>	<u>3,747,287</u>	<u>100,000</u>	<u>6,424,533</u>
Capital assets, being depreciated/amortized:				
Land improvements	3,703,224	-	-	3,703,224
Building and improvements	159,405,973	134,010	-	159,539,983
Furniture and equipment	20,929,349	458,326	25,000	21,362,675
Vehicles	10,789,229	806,744	1,184,273	10,411,700
Intangible assets				
Right-to-use lease equipment	1,092,023	451,602	416,999	1,126,626
Total capital assets, being depreciated/amortized	<u>195,919,798</u>	<u>1,850,682</u>	<u>1,626,272</u>	<u>196,144,208</u>
Less accumulated depreciation/amortization for:				
Land improvements	2,831,644	56,653	-	2,888,297
Buildings and improvements	69,792,832	3,863,746	-	73,656,578
Furniture and equipment	14,348,408	1,160,181	2,222	15,506,367
Vehicles	6,100,678	1,022,655	1,184,272	5,939,061
Intangible assets				
Right-to-use lease equipment	178,838	135,023	83,516	230,345
Total accumulated depreciation/amortization	<u>93,252,400</u>	<u>6,238,258</u>	<u>1,270,010</u>	<u>98,220,648</u>
Total capital assets, being depreciated/amortized, net	<u>102,667,398</u>	<u>(4,387,576)</u>	<u>356,262</u>	<u>97,923,560</u>
Governmental activities capital assets, net	<u>\$ 105,444,644</u>	<u>\$ (640,289)</u>	<u>\$ 456,262</u>	<u>\$ 104,348,093</u>

Depreciation/amortization expense was charged to the functions and programs of governmental activities as follows:

General support	\$ 69,096
Instruction	5,339,402
Pupil transportation	787,939
Food services	41,821
Total	<u>\$ 6,238,258</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2026, were as follows:

	General Fund	Student Activities Fund	Total Governmental Funds
Salaries and employee benefits	\$ 1,838,270	\$ -	\$ 1,838,270
Taxes owed	-	1,807	1,807
Total accrued liabilities	<u>\$ 1,838,270</u>	<u>\$ 1,807</u>	<u>\$ 1,840,077</u>

7. PENSION PLANS

The District participates in the New York State Teachers' Retirement System ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided

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

Employees' Retirement System—ERS provides retirement benefits as well as death and disability benefits. The net position of ERS 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 ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. ERS 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.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3.0%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3.0%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liability/(Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2026, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of June 30, 2025 for TRS and March 31, 2026 for ERS. The total pension liability used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2024 and April 1, 2025, respectively, with update procedures used to rollforward the total pension liability to the measurement dates. The District's proportion of the net pension liability/(asset) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2025	March 31, 2026
Net pension liability/(asset)	\$ (11,509,551)	\$ 1,356,951
District's portion of the Plan's total net pension liability/(asset)	0.194383%	0.0240520%

For the year ended June 30, 2026, the District recognized pension expense of \$(623,929) and \$1,663,333 for TRS and ERS, respectively. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from sources shown on below:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Difference between expected and actual experiences	\$ 6,033,571	\$ 776,527	\$ -	\$ -
Changes of assumptions	4,556,273	232,928	124,092	-
Net difference between projected and actual earnings on pension plan investments	-	-	8,988,931	2,433,087
Changes in proportion and differences between the District's contributions and proportionate share of contributions	164,498	573,533	164,592	234,113
District contributions subsequent to the measurement date	3,992,951	452,259	-	-
Total	<u>\$ 14,747,293</u>	<u>\$ 2,035,247</u>	<u>\$ 9,277,615</u>	<u>\$ 2,667,200</u>

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

Year Ending June 30,	TRS	ERS
2027	\$ 5,789,148	\$ 662,596
2028	(2,458,160)	(790,754)
2029	(2,576,421)	(464,985)
2030	(507,794)	(491,068)
2031	1,018,558	-
Thereafter	211,396	-

Actuarial Assumptions—The total pension liability as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liability to the respective measurement dates. The actuarial valuations used the following actuarial assumptions:

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

For TRS, annuitant mortality rates are based on July 1, 2019 – June 30, 2024 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2021, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2020 – March 31, 2025 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2021.

For TRS, the actuarial assumptions used in the June 30, 2024 valuation are based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2024. For ERS, the 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 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 each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized on the following page.

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2025	March 31, 2026
Asset class:				
Domestic equities	33.0 %	25.0 %	6.7 %	3.3 %
International equities	15.0	14.0	7.4	5.9
Global equities	4.0	0.0	7.0	0.0
Private equity	9.0	15.0	9.8	7.0
Real estate	11.0	12.0	6.5	5.2
Opportunistic portfolio/Absolute return strategy	0.0	3.0	0.0	5.1
Credit	0.0	4.0	0.0	5.1
Domestic fixed income securities	16.0	0.0	2.6	0.0
Global bonds	2.0	0.0	2.4	0.0
High-yield bonds	1.0	0.0	4.7	0.0
Private debt	2.0	0.0	6.1	0.0
Real assets	0.0	4.0	0.0	5.5
Real estate debt	6.0	0.0	3.8	0.0
Fixed income	0.0	22.0	0.0	1.8
Cash	1.0	1.0	0.6	0.3
Total	<u>100.0 %</u>	<u>100.0 %</u>		

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

Sensitivity of the Proportionate Share of the Net Pension Liability/(Asset) to the Discount Rate Assumption—The chart on the following page presents the District’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 6.95% for TRS and 5.90% for ERS, as well as what the District’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage-point lower (5.95% for TRS and 4.90% for ERS) or one percentage-point higher (7.95% for TRS and 6.90% for ERS) than the current assumption.

	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$ 22,115,748	\$ (11,509,551)	\$ (39,803,490)
	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
ERS			
Employer's proportionate share of the net pension liability/(asset)	\$ 9,267,601	\$ 1,356,951	\$ (5,256,703)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

	(Dollar in Thousands)	
	TRS	ERS
Valuation date	June 30, 2024	April 1, 2025
Employers' total pension liability	\$ 148,272,068	\$ 253,773,040
Plan fiduciary net position	154,193,125	248,131,290
Employers' net pension liability/(asset)	<u>\$ (5,921,057)</u>	<u>\$ 5,641,750</u>
System fiduciary net position as a percentage of total pension liability	104.0%	97.8%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2026 are paid to the System in September, October and November 2026 through a state aid intercept. Accrued retirement contributions as of June 30, 2026 represent employee and employer contributions for the fiscal year ended June 30, 2026 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2026 amounted to \$3,992,951.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2026 represent the projected employer contribution for the period of April 1, 2026 through June 30, 2026 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to \$452,259.

8. OTHER POSTEMPLOYMENT BENEFIT ("OPEB") OBLIGATION

Plan Description—In addition to pension benefits, the District provides postemployment health insurance coverage to retired employees at the cost of the retiree in accordance with the provisions of various employment contracts. The benefit level, employee contributions and employer contributions are governed by the District's contractual agreements.

The Clarence Central School District administers the Clarence Central School District Retiree Medical Plan (the “Plan”) as a single-employer defined benefit other postemployment benefit plan. The plan provides for continuation of medical insurance benefits for certain retirees at the cost of the retirees. The plan and required contributions and benefits thereof can be amended by action of the District subject to an applicable collective bargaining and employment agreements. The plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying the benefits under the plan.

Employees Covered by Benefit Terms—At July 1, 2025, the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	115
Active employees	<u>534</u>
Total	<u>649</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The District’s total OPEB liability of \$3,722,055 was measured as of March 31, 2026, and was determined by an actuarial valuation as of July 1, 2025.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the July 1, 2025 actuarial valuation, the entry age normal method, over a level percent of salary was used. The actuarial assumptions used in the July 1, 2025 valuation were based on the results of a March 31, 2026 measurement date, and were reported as of June 30, 2026. The discount rate of 4.41% was used which is based on Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date. The salary scale reflects the rate at which payroll amounts are expected to increase over time for purposes of attributing liabilities under the Entry Age Normal, Level Percent of Pay actuarial cost method. The initial healthcare trend rate was based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical CPI information. An initial health care trend rate of 6.10% was used, decreasing annually to an ultimate rate of 3.70%.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balance at June 30, 2025	<u>\$ 3,531,721</u>
Changes for the year:	
Service cost	129,231
Interest	152,894
Changes of assumptions	(5,463)
Differences between expected and actual experience	91,862
Benefit payments	<u>(178,190)</u>
Net changes	<u>190,334</u>
Balance at June 30, 2026	<u><u>\$ 3,722,055</u></u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (3.41%)	Current Discount Rate (4.41%)	1% Increase (5.41%)
Total OPEB liability	\$ 3,982,273	\$ 3,722,055	\$ 3,484,758

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the total OPEB liability of a 1% change in the initial (6.10%) and ultimate (3.70%) healthcare cost trend rates.

	1% Decrease (5.10%/2.70%)	Current Healthcare Cost Trend Rates (6.10%/3.70%)	1% Increase (7.10%/4.70%)
Total OPEB liability	\$ 3,414,303	\$ 3,722,055	\$ 4,075,105

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the District’s Board of Education. The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental activities contributed \$178,190 for the fiscal year ended June 30, 2026. The District’s contributions to the OPEB plan are based on negotiated contracts with three bargaining units, as discussed in Note 15. Any amendments to the employer’s contributions are subject to the collective bargaining units.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The District reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability are required to be determined. The table below presents the District’s deferred outflows of resources and deferred inflows of resources at June 30, 2026:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 799,614	\$ 212,385
Changes of assumptions	-	128,103
Benefit payments subsequent to the measurement date	44,548	-
Total	<u>\$ 844,162</u>	<u>\$ 340,488</u>

The District’s benefit payments subsequent to the measurement date will be recognized as reduction of the total OPEB liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		
2027	\$	51,912
2028		51,912
2029		51,912
2030		51,912
2031		87,305
Thereafter		164,173

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft or damage to assets, vehicle liability, injuries to employees, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District purchases insurance for: real and business personal property for direct physical loss including flood and earthquake; commercial general liability; educators’ legal liability; business automobile; crime and miscellaneous property; umbrella liability; and cyber liability. The blanket buildings’ and contents’ coverage is \$286,005,544. There have not been any significant changes in any of the insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

Health Insurance—The District maintains a self-funded health insurance plan. The District makes monthly payments based on employee claims as well as payments for fees charged for administering the program and for excess insurance coverage. The District maintains excess insurance coverage that limits self-funded exposure to \$160,000 per individual participant in a given plan year and \$1,000,000 in the aggregate.

A summary of the District's current liability for health care claims recorded in General Fund since July 1, 2023 is reported below:

<u>Year Ended June 30,</u>	<u>Liability Beginning</u>	<u>Claims and Adjustments</u>	<u>Claim Payments</u>	<u>Liability Ending</u>
2026	\$ 810,000	\$7,005,000	\$7,270,000	\$ 545,000
2025	1,525,000	6,740,000	7,455,000	810,000
2024	1,719,000	8,005,000	8,199,000	1,525,000

10. LEASES

The District is a lessee for a noncancellable lease of various equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities that are significant individually, or in the aggregate, to the financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leased assets are reported with other capital assets and lease liabilities are reported with noncurrent liabilities on the statement of net position.

The District previously entered into long-term lease agreements as the lessee for the acquisition and use of various equipment. Additionally, the District entered into a lease in the current year with a present value of \$491,797 and an interest rate of 4.84%, which matures on June 30, 2030. As of June 30, 2026, outstanding lease liability totaled \$651,541. The District is required to make annual principal and interest payments on the equipment ranging from \$94,871 to \$110,938. The leases have interest rates ranging from 4.84% to 5.37%. The value of the right-to-use lease assets as of the end of the current fiscal year was \$1,126,626 and had accumulated amortization of \$230,345.

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District’s short-term debt for the fiscal year ended June 30, 2026 follows:

Description	Interest Rate	Maturity Date	Balance 7/1/2025	Issues	Redemptions	Balance 6/30/2026
Capital Projects Fund:						
Various capital projects - 2025	3.50%	7/24/2025	\$ 3,130,262	\$ -	\$ 3,130,262	\$ -
Various capital projects - 2026	3.05%	7/23/2026	-	3,174,253	-	3,174,253
Arbitration - 2026	3.50%	7/23/2026	-	10,000,000	-	10,000,000
Total			<u>\$ 3,130,262</u>	<u>\$ 13,174,253</u>	<u>\$ 3,130,262</u>	<u>\$ 13,174,253</u>

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

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

The District’s outstanding long-term liabilities include serial bonds, premiums on serial bonds, lease liability, other postemployment benefits obligation (“OPEB”), compensated absences and net pension liability. The serial bonds of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District’s long-term liabilities for the year ended June 30, 2026 follows:

	Balance 7/1/2025	Additions	Reductions	Balance 6/30/2026	Due Within One Year
Serial bonds	\$ 36,985,000	\$ -	\$ 3,635,000	\$ 33,350,000	\$ 3,700,000
Premiums on serial bonds	4,111,721	-	596,111	3,515,610	596,111
Bonds payable, net	41,096,721	-	4,231,111	36,865,610	4,296,111
Lease liability	328,024	491,797	168,280	651,541	177,049
OPEB obligation	3,531,721	373,987	183,653	3,722,055	-
Compensated absences*	8,508,000	-	726,118	7,781,882	1,300,895
Net pension liability*	4,106,122	-	2,749,171	1,356,951	-
Total	<u>\$ 57,570,588</u>	<u>\$ 865,784</u>	<u>\$ 8,058,333</u>	<u>\$ 50,378,039</u>	<u>\$ 5,774,055</u>

(*Deletions to the compensated absences and net pension liabilities are shown net of additions.)

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 12 to 15 years.

Principal is paid annually, interest is paid semi-annually; these payments are recorded in the General Fund. A summary of additions and payments for the year ended June 30, 2026 is shown below:

Description	Year of Issue/ Maturity	Interest Rate (%)	Balance 7/1/2025	Additions	Payments	Balance 6/30/2026
School District Serial Bonds - 2012	2012/2026	2.36	\$ 110,000	\$ -	\$ 110,000	\$ -
Refunding 2015 Serial Bonds	2015/2027	2.00-5.00	925,000	-	450,000	475,000
DASNY Serial Bonds - 2018B	2018/2032	4.00 - 5.00	15,065,000	-	1,875,000	13,190,000
DASNY Serial Bonds - 2024C	2024/2039	5.00	20,885,000	-	1,200,000	19,685,000
Total			<u>\$ 36,985,000</u>	<u>\$ -</u>	<u>\$ 3,635,000</u>	<u>\$ 33,350,000</u>

In the event of a default in the payment of the principal of or interest on the serial 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.

The District does not hold any lines of credit.

Premiums on Serial Bonds—The District has outstanding premiums related to the refunding 2015 serial bonds, 2018B DASNY serial bonds, and 2024C DASNY serial bonds. These premiums are being amortized on a straight-line basis over the life of the bonds. The total remaining unamortized premium on bonds at June 30, 2026 is \$3,515,610.

Lease Liability—The District entered into long-term leases for various equipment. The outstanding balance at June 30, 2026 was \$651,541. Refer to Note 10 for additional information related to the District's leases.

OPEB Obligation—As explained in Note 8, the District provides health insurance coverage for certain retirees. The District's annual OPEB cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The long-term OPEB obligation is estimated to be \$3,722,055 at June 30, 2026.

Compensated Absences—As explained in Note 1, the District records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2026 for governmental activities is \$7,781,882. Management estimates that \$1,300,895 is due within one year, and since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

Net Pension Liability—The District reported a liability, \$1,356,951, for its proportionate share of the net pension liability for the Employees' Retirement System. Refer to Note 7 for additional information related to the District's net pension liability.

The following is a maturity schedule of the District's indebtedness:

Year Ending June 30,	Serial Bonds	Premiums on Serial Bonds	Leases	OPEB Obligation	Compensated Absences	Net Pension Liability	Total
2027	\$ 3,700,000	\$ 596,111	\$ 177,049	\$ -	\$ 1,300,895	\$ -	\$ 5,774,055
2028	3,385,000	362,550	186,274	-	-	-	3,933,824
2029	3,555,000	362,550	180,135	-	-	-	4,097,685
2030	3,730,000	362,550	108,083	-	-	-	4,200,633
2031	3,895,000	362,550	-	-	-	-	4,257,550
2032-2036	11,195,000	994,978	-	-	-	-	12,189,978
2037-2041	3,890,000	474,321	-	-	-	-	4,364,321
2042 and beyond	-	-	-	3,722,055	6,480,987	1,356,951	11,559,993
Total	<u>\$ 33,350,000</u>	<u>\$ 3,515,610</u>	<u>\$ 651,541</u>	<u>\$ 3,722,055</u>	<u>\$ 7,781,882</u>	<u>\$ 1,356,951</u>	<u>\$ 50,378,039</u>

Interest requirements on serial bonds and leases are as follows:

Year Ending June 30,	Serial Bonds	Leases
2027	\$ 1,597,600	\$ 28,761
2028	1,412,600	19,535
2029	1,243,350	9,863
2030	1,065,600	2,855
2031	901,900	-
2032-2036	2,439,150	-
2037-2041	296,000	-
Total	<u>\$ 8,956,200</u>	<u>\$ 61,014</u>

13. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- ***Net Investment in Capital Assets***—This category groups all capital assets into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- ***Restricted Net Position***—This category presents external restriction imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Position***—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2026 includes:

- ***Inventory***—Representing the portion of fund balance, \$38,484 composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. At June 30, 2026, the District had restricted funds as shown in the table below:

	General Fund	Miscellaneous Special Revenue Fund	Student Activities Fund	Total
Insurance reserve	\$ 5,100,185	\$ -	\$ -	\$ 5,100,185
Tax certiorari	537,846	-	-	537,846
Employee benefits and accrued liability	2,846,117	-	-	2,846,117
Debt service	583,259	-	-	583,259
Retirement contribution	4,562,950	-	-	4,562,950
Repairs	3,351,411	-	-	3,351,411
Capital projects	2,308,401	-	-	2,308,401
Other	-	3,437	-	3,437
Student activities	-	-	101,258	101,258
Total	<u>\$ 19,290,169</u>	<u>\$ 3,437</u>	<u>\$ 101,258</u>	<u>\$ 19,394,864</u>

- ***Restricted for Insurance***—According to General Municipal Law Section 6-m, this restriction must be used to pay the cost of reimbursement to the State Health Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The restriction 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.
- ***Restricted for Tax Certiorari***—According to Education Law Section 3651.1-a, this restriction must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the restriction shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeds in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.
- ***Restricted for Employee Benefits***—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

- ***Restricted for Debt Service***—According to General Municipal Law Section 6-l, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement.
- ***Restricted for Retirement Contribution***—According to General Municipal Law Section 6-r, this restriction must be used for financing retirement contributions within the ERS and TRS. 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.
- ***Restricted for Repair Reserve***—According to General Municipal Law Section 6-d, this restriction must be used to pay the cost of repairs to capital improvements or equipment, which repairs are a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this restriction may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years.
- ***Restricted for Capital Projects***—According to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law.
- ***Restricted for Other***—Amounts received by the District through grant awards that are restricted for use for a specific purpose or task in accordance with the terms and conditions of the applicable grant award letter.
- ***Restricted for Student Activities***—Amounts generated by the Extraclassroom Activities at the District which are restricted for use only within the Student Activities Fund for specified student activities.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority. As of June 30, 2026, the District reported no committed fund balance.

In the fund financial statements, assignments are not legally required segregations, but are segregated for a specific purpose by the District at June 30, 2026 and include:

	General Fund	School Lunch Fund	Total
Subsequent year's expenditures	\$ 2,500,000	\$ -	\$ 2,500,000
Encumbrances	638,830	-	638,830
Specific use:			
School lunch	-	1,283,841	1,283,841
Total	<u>\$ 3,138,830</u>	<u>\$ 1,283,841</u>	<u>\$ 4,422,671</u>

- ***Assigned to Subsequent Year's Expenditures***—Representing available fund balance being appropriated to meet expenditure requirements in the 2026-27 fiscal year.
- ***Assigned to Encumbrances***—Representing amounts related to unperformed (executory) contracts for goods and services.
- ***Assigned for Specific Use***—Representing fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose relates to each fund's operations and represents the remaining amounts within the funds that is not restricted or committed.

If the District must use funds for emergency expenditures the Board of Education shall authorize the Assistant Superintendent of Finance and Operations to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are typically short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2026 is presented below:

	Interfund	
	Receivable	Payable
Governmental Funds:		
General Fund	\$ -	\$ 6,205,898
Capital Projects Fund	9,536,046	-
Special Aid Fund	-	3,339,303
School Lunch Fund	-	724
Miscellaneous Special Revenue Fund	9,879	-
Total governmental funds	<u>\$ 9,545,925</u>	<u>\$ 9,545,925</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The District made the following transfers during the year ended June 30, 2026:

	Transfers out:	
Fund	General Fund	
Transfers in:		
Capital Projects Fund	\$	866,250
Special Aid Fund		94,000
Total	\$	960,250

Transfers are used primarily to support deficits in the Special Aid Fund and capital project expenditures.

15. LABOR CONTRACTS

District employees are represented by three bargaining units, with the balance governed by Board of Education rules and regulations. Negotiated contracts are in place through June 30, 2027 for the Clarence Administrators Association and Clarence Teachers Association and, June 30, 2028 for the Clarence CSEA.

16. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations. The District considers encumbrances significant if they are in excess of \$100,000. The significant encumbrances reported by the District as of June 30, 2026 are as follows:

Fund	Purpose	Encumbered
General Fund	Camera replacement services	\$ 166,352
General Fund	Axis server replacement with maintenance agreement	156,454

17. TAX ABATEMENTS

The District is subject to tax abatements granted by the Town of Clarence Industrial Development Agency ("TCIDA") and the Erie County Industrial Development Agency ("ECIDA"). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the TCIDA and ECIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by TCIDA and ECIDA, the District collected \$279,184 during the 2025-2026 fiscal year in payments in lieu of taxes ("PILOT"), these collections were made in lieu of \$400,830 in property taxes.

18. CONTINGENCIES

Litigation—Various legal actions are pending against the District. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

Grants—In the normal course of operations, the District receives grant funds from various federal and state agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the District. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any such amounts to be immaterial.

Other—The District is also involved in litigation arising in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District's financial condition or results of operations.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through **September 18, 2025**, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—
Teachers' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Measurement date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's proportion of the net pension liability/(asset)	0.194383%	0.192969%	0.198142%	0.198513%	0.196619%	0.192254%	0.189438%	0.192700%	0.191122%	0.189694%
District's proportionate share of the net pension liability/(asset)	<u>\$ (11,509,551)</u>	<u>\$ (5,757,443)</u>	<u>\$ 2,265,922</u>	<u>\$ 3,809,241</u>	<u>\$ (34,072,110)</u>	<u>\$ 5,312,510</u>	<u>\$ (4,921,599)</u>	<u>\$ (3,484,521)</u>	<u>\$ (1,452,718)</u>	<u>\$ 2,031,699</u>
District's covered payroll	\$ 38,168,754	\$ 36,843,084	\$ 36,597,765	\$ 35,167,041	\$ 33,641,133	\$ 32,900,677	\$ 32,033,898	\$ 31,704,082	\$ 30,546,075	\$ 29,532,428
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(30.2%)	(15.6%)	6.2%	10.8%	(101.3%)	16.1%	(15.4%)	(11.0%)	(4.8%)	6.9%
Plan fiduciary net position as a percentage of the total pension liability	104.0%	102.1%	99.2%	98.6%	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Teachers' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 3,858,702	\$ 3,858,861	\$ 3,595,885	\$ 3,765,910	\$ 3,446,370	\$ 3,206,000	\$ 2,915,000	\$ 3,402,000	\$ 3,107,000	\$ 3,580,000
Contributions in relation to the contractually required contribution	<u>(3,858,702)</u>	<u>(3,858,861)</u>	<u>(3,595,885)</u>	<u>(3,765,910)</u>	<u>(3,446,370)</u>	<u>(3,206,000)</u>	<u>(2,915,000)</u>	<u>(3,402,000)</u>	<u>(3,107,000)</u>	<u>(3,580,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 39,392,037	\$ 38,168,754	\$ 36,843,084	\$ 36,597,765	\$ 35,167,041	\$ 33,641,133	\$ 32,900,677	\$ 32,033,989	\$ 31,704,082	\$ 30,546,075
Contributions as a percentage of covered payroll	9.8%	10.1%	9.8%	10.3%	9.8%	9.5%	8.9%	10.6%	9.8%	11.7%

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—
Employees' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Measurement date	March 31, 2026	March 31, 2025	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
District's proportion of the net pension liability/(asset)	0.0240520%	0.0239484%	0.0271976%	0.0262744%	0.0251519%	0.0250316%	0.0245553%	0.0248766%	0.0267779%	0.0247145%
District's proportionate share of the net pension liability/(asset)	<u>\$ 1,356,951</u>	<u>\$ 4,106,122</u>	<u>\$ 4,004,585</u>	<u>\$ 5,634,281</u>	<u>\$ (2,056,063)</u>	<u>\$ 24,925</u>	<u>\$ 6,502,396</u>	<u>\$ 1,762,585</u>	<u>\$ 864,242</u>	<u>\$ 2,322,226</u>
District's covered payroll	\$ 12,069,818	\$ 9,787,955	\$ 9,997,657	\$ 9,443,813	\$ 9,108,886	\$ 8,962,780	\$ 8,635,937	\$ 8,671,445	\$ 8,681,134	\$ 8,020,367
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	11.2%	42.0%	40.1%	59.7%	(22.6%)	0.3%	75.3%	20.3%	10.0%	29.0%
Plan fiduciary net position as a percentage of the total pension liability	97.8%	93.1%	93.9%	90.8%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Employees' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 1,590,797	\$ 1,452,683	\$ 1,256,105	\$ 1,058,562	\$ 1,429,628	\$ 1,277,665	\$ 1,229,181	\$ 1,259,291	\$ 1,301,754	\$ 1,222,625
Contributions in relation to the contractually required contribution	<u>(1,590,797)</u>	<u>(1,452,683)</u>	<u>(1,256,105)</u>	<u>(1,058,562)</u>	<u>(1,429,628)</u>	<u>(1,277,665)</u>	<u>(1,229,181)</u>	<u>(1,259,291)</u>	<u>(1,301,754)</u>	<u>(1,222,625)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 12,069,818	\$ 9,787,955	\$ 9,997,657	\$ 9,443,813	\$ 9,108,886	\$ 8,962,780	\$ 8,635,937	\$ 8,671,445	\$ 8,681,134	\$ 8,020,367
Contributions as a percentage of covered payroll	13.2%	14.8%	12.6%	11.2%	15.7%	14.3%	14.2%	14.5%	15.0%	15.2%

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Changes in the District's Total OPEB Liability and Related Ratios—
Last Ten Fiscal Years

	Year Ended June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability										
Service cost	\$ 129,231	\$ 92,259	\$ 99,031	\$ 116,022	\$ 125,248	\$ 195,269	\$ 188,647	\$ 146,114	\$ 162,118	\$ 155,052
Interest	152,894	107,360	97,931	86,707	73,038	123,683	168,499	137,786	151,517	125,084
Changes in benefit terms	-	-	(37,420)	-	-	(7,903)	49,523	(80,540)	-	-
Changes of assumptions	(5,463)	799,627	160,542	(405,465)	83,054	(2,000,695)	(568,871)	1,015,579	(406,258)	250,489
Differences between expected and actual experience	91,862	(72,742)	(30,925)	(90,007)	(236,052)	108,799	462,697	7,345	70,125	(152,275)
Benefit payments	(178,190)	(175,680)	(163,357)	(189,737)	(118,832)	(218,120)	(187,373)	(132,005)	(131,970)	(125,554)
Net changes in total OPEB liability	190,334	750,824	125,802	(482,480)	(73,544)	(1,798,967)	113,122	1,094,279	(154,468)	252,796
Total OPEB liability—beginning	<u>3,531,721</u>	<u>2,780,897</u>	<u>2,655,095</u>	<u>3,137,575</u>	<u>3,211,119</u>	<u>5,010,086</u>	<u>4,896,964</u>	<u>3,802,685</u>	<u>3,957,153</u>	<u>3,704,357</u>
Total OPEB liability—ending	<u>\$ 3,722,055</u>	<u>\$ 3,531,721</u>	<u>\$ 2,780,897</u>	<u>\$ 2,655,095</u>	<u>\$ 3,137,575</u>	<u>\$ 3,211,119</u>	<u>\$ 5,010,086</u>	<u>\$ 4,896,964</u>	<u>\$ 3,802,685</u>	<u>\$ 3,957,153</u>
Plan Fiduciary Net Position										
Contributions—employer	\$ (178,190)	\$ (175,680)	\$ (163,357)	\$ (189,737)	\$ (118,832)	\$ (218,120)	\$ (187,373)	\$ (132,005)	\$ (131,970)	\$ (125,554)
Benefit payments	<u>178,190</u>	<u>175,680</u>	<u>163,357</u>	<u>189,737</u>	<u>118,832</u>	<u>218,120</u>	<u>187,373</u>	<u>132,005</u>	<u>131,970</u>	<u>125,554</u>
Net change in plan fiduciary net position	-	-	-	-	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability—ending	<u>\$ 3,722,055</u>	<u>\$ 3,531,721</u>	<u>\$ 2,780,897</u>	<u>\$ 2,655,095</u>	<u>\$ 3,137,575</u>	<u>\$ 3,211,119</u>	<u>\$ 5,010,086</u>	<u>\$ 4,896,964</u>	<u>\$ 3,802,685</u>	<u>\$ 3,957,153</u>
Covered-employee payroll	\$ 38,710,212	\$ 37,473,584	\$ 50,064,951	\$ 48,357,917	\$ 45,987,794	\$ 44,458,424	\$ 43,117,471	\$ 41,772,400	\$ 41,208,759	\$ 39,869,030
District's net OPEB liability as a percentage of covered-employee payroll	9.6%	9.4%	5.6%	5.5%	6.8%	7.2%	11.6%	11.7%	9.2%	9.9%

The notes to the Required Supplementary Information are an integral part of this schedule.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP) and Actual—General Fund
Year Ended June 30, 2026

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Over (Under) Original Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under) Bugertary Actual</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Local sources:					
Real property taxes	59,393,225	59,393,225	-	\$ 57,404,795	\$ 1,988,430
Real property tax items	7,000	7,000		2,002,962	(1,995,962)
Non-property tax items	6,409,070	6,409,070	-	7,446,216	(1,037,146)
Charges for services	385,000	385,000	-	461,118	(76,118)
Use of money and property	1,131,000	1,131,000	-	1,948,475	(817,475)
Sale of property and compensation for loss	30,000	30,000	-	121,077	(91,077)
Miscellaneous	585,000	585,000	-	531,032	53,968
Total local sources	67,940,295	67,940,295	-	69,915,675	(1,975,380)
State sources	27,967,417	27,967,417	-	27,718,340	249,077
Federal sources:					
Medicaid assistance	520,000	520,000	-	156,239	363,761
Total revenues	96,427,712	96,427,712	-	97,790,254	(1,362,542)
OTHER FINANCING SOURCES					
Leases iissued	-	491,797	491,797	491,797	-
Total other financing sources	-	491,797	491,797	491,797	-
Total revenues and other financing sources	\$ 96,427,712	\$ 96,919,509	\$ 491,797	\$ 98,282,051	\$ (1,362,542)

(continued)

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP) and Actual—General Fund
Year Ended June 30, 2026

(concluded)						
	Budgeted Amounts		Variance with Original Budget Over (Under) Final Budget	Actual Amounts	Encumbrances	Variance with Final Budget Over (Under) Budgetary Actual
	Original	Final				
EXPENDITURES						
General support:						
Board of education	\$ 20,383	\$ 20,383	\$ -	\$ 18,090	\$ -	\$ 2,293
Central administration	347,309	347,309	-	333,506	-	13,803
Finance	909,982	893,368	(16,614)	798,380	7,631	87,357
Staff	621,358	626,237	4,879	584,817	-	41,420
Central services	7,592,971	7,593,609	638	7,182,321	534,633	(123,345)
Special items	1,165,808	1,175,594	9,786	697,476	-	478,118
Instruction:						
Instruction, administration and improvement	3,098,680	3,171,988	73,308	3,091,924	-	80,064
Teaching—regular school Programs for students with handicapping conditions	31,278,515	31,232,841	(45,674)	31,808,304	69,613	(645,076)
Teaching—special schools	13,914,032	13,651,566	(262,466)	12,400,956	2,500	1,248,110
Instructional media	215,075	215,075	-	258,073	-	(42,998)
Pupil services	2,113,424	2,406,504	293,080	2,256,288	14,981	135,235
Pupil transportation	3,357,186	3,384,771	27,585	3,341,934	5,548	37,289
Employee benefits	5,477,512	6,316,759	839,247	5,721,046	3,924	591,789
Debt service:	22,359,338	22,346,012	(13,326)	20,348,846	-	1,997,166
Principal	4,364,600	3,942,880	(421,720)	3,803,280	-	139,600
Interest	1,961,201	1,998,731	37,530	1,950,000	-	48,731
Total expenditures/encumbrances	98,797,374	99,323,627	526,253	94,595,241	638,830	4,089,556
OTHER FINANCING USES						
Transfers out	1,031,250	1,031,250	-	960,250	-	71,000
Total expenditures/encumbrances and other financing uses	99,828,624	100,354,877	526,253	95,555,491	638,830	4,160,556
Net change in fund balance*	(3,400,912)	(3,435,368)		2,726,560		
Fund balance—beginning	27,365,830	27,365,830		27,365,830		
Fund balance—ending	<u>\$ 23,964,918</u>	<u>\$ 23,930,462</u>		<u>\$ 30,092,390</u>		

*The net change in fund balance was included as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the Required Supplementary Information are an integral part of this statement.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2026

1. TEACHERS' RETIREMENT SYSTEM and EMPLOYEES' RETIREMENT SYSTEM

During the year ended June 30, 2026, the inflation rate assumption was increased from 2.40 percent to 2.50 percent for TRS and remained at 2.90 percent for ERS. The discount rate used to calculate the total pension liability remained at 6.95 percent for TRS and 5.90 percent for ERS.

The total pension liability actuarial valuation was determined using the following actuarial assumptions:

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

For TRS, annuitant mortality rates are based on July 1, 2019 – June 30, 2024 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2021, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2020 – March 31, 2025 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021.

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

2. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity General Obligation 20-year AA Municipal Bond Index rate as of the measurement date, which increased from 4.39% to 4.41% at June 30, 2026. Mortality rates were updated to rates based on the sex-distinct and job-category-specific headcount-weighted Pub-2010 Public Retirement Plans Mortality Tables for employees and health retirees, and then adjusted for mortality improvements with Scale MP-2021 mortality improvement scaled on a generational basis. Finally, the healthcare cost trend rate has an initial rate of 6.10% decreasing to an ultimate rate of 3.70%.

3. BUDGETARY INFORMATION

Budgetary Basis of Accounting—Annual budgets are adopted on a basis consistent with generally accepted accounting principles in the United States of America for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid, School Lunch, Miscellaneous Special Revenue and Student Activities Funds. Appropriation limits, where applicable, for the Special Aid Fund and Miscellaneous Special Revenue Fund are maintained based on individual grants and private grants accepted by the Board of Education. The periods of such grants may vary from the District's fiscal year. No budget is adopted for the Student Activities Fund as the extraclassroom activities of the District are maintained by the individual clubs. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's General Fund appropriations for the year ended June 30, 2026 exceeded the final budget as follows:

- Expenditures within teaching—regular school exceeded the budget by \$505,850 due to higher personnel costs than anticipated.
- Expenditures within the teaching—special school exceeded the budget by \$42,998 due to higher personnel costs than anticipated.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget—During the year ended June 30, 2026, the District did not make significant budget adjustments to revenues. The District made significant budget transfers to increase expenditures to cover increased costs of repairs, cyber upgrades, and to cover additional costs related to bus drivers and substitute bus drivers. Additional budget transfers were made for debt service principal and interest costs due to issuance of BAN and a BAN payoff. The District made a budget amendment of \$526,253 for the voter approved use of various reserves.

Final Budget Compared to Actual Results—The most significant variances between estimated revenues and actual revenues included non-property tax items and use of money and property. Non-property tax items revenue was more than anticipated due to the District receiving additional sales tax revenue than anticipated. Use of money and property was more than anticipated due to the District budgeting conservatively for interest earnings due to varying rates and cash available.

The most significant variances between estimated expenditures and actual expenditures included employee benefits, programs for pupils with handicapping conditions, and central services. Employee benefits were less than anticipated as the District budgets conservatively to account for rate changes, unexpected changes in employee plans, and salary rate increases. Programs for pupils with handicapping conditions were less than expected due to the District budgeting conservatively for special education services provided by BOCES as unexpected costs may arise. Central services were less than expected within the salary and substitute costs.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit—General Fund
Year Ended June 30, 2026

Changes from Adopted Budget to Final Budget

Adopted budget, 2025-2026	\$ 98,927,712
Add: Prior year's encumbrances	<u>900,912</u>
Original budget, 2025-2026	99,828,624
Budget revision:	
Use of reserves	<u>526,253</u>
Final budget, 2025-2026	<u>\$ 100,354,877</u>

Section 1318 of Real Property Tax Law Limit Calculation

2026-2027 voter approved expenditure budget	\$ 100,821,016	
Maximum allowed (4% of 2026-2027 budget)		\$ 4,032,841
General Fund fund balance subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	\$ 3,138,830	
Unassigned fund balance	<u>7,663,394</u>	
Total unrestricted fund balance		\$ 10,802,224
Less:		
Appropriated fund balance	\$ 2,500,000	
Encumbrances included in assigned fund balance	<u>638,830</u>	
Total adjustments		<u>3,138,830</u>
General Fund fund balance subject to Section 1318 of Real Property Tax Law		<u>\$ 7,663,394</u>
Actual percentage		7.60%

* Per the Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", updated April 2011 (originally issued November 2010), the portion of General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Capital Projects Expenditures
Year Ended June 30, 2026

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance
			Prior Years	Current Year	Total	
2020 District Improvement	\$ 27,200,000	\$ 27,903,321	\$ 27,562,934	\$ 33,188	\$ 27,596,122	\$ 307,199
2026 District Improvement	20,600,000	20,600,000	802,153	3,537,118	4,339,271	16,260,729
2025 Energy Performance Contract	8,600,000	8,600,000	14,249	77,804	92,053	8,507,947
Capital Outlay 2025-2026	100,000	100,000	-	99,177	99,177	823
Vehicles Purchased	806,743	806,743	-	806,743	806,743	-
Total	<u>\$ 57,306,743</u>	<u>\$ 58,010,064</u>	<u>\$ 28,379,336</u>	<u>\$ 4,554,030</u>	<u>\$ 32,933,366</u>	<u>\$25,076,698</u>

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
June 30, 2026

Capital assets, net of accumulated depreciation/amortization		\$ 104,348,093
Add:		
Unspent debt proceeds	\$ 9,792,566	
Deferred charge on refunding	<u>60,614</u>	<u>9,853,180</u>
Deduct:		
Serial bonds	\$ (33,350,000)	
Premium on serial bonds	(3,515,610)	
Bond anticipation notes payable	(13,174,253)	
Lease liability	(651,541)	
Capital Projects Fund accounts payable	<u>(1,278,222)</u>	<u>(51,969,626)</u>
Net investment in capital assets		<u>\$ 62,231,647</u>

**INDEPENDENT AUDITORS' 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**

The Board of Education
Clarence Central School District, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clarence Central School District, New York (the "District") as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **September 18, 2025** (which report includes an emphasis of matter paragraph regarding the restatement of net position and fund balance).

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings, as items 2026-001 and 2026-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

September 18, 2025

CLARENCE CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Findings
Year Ended June 30, 2026

We consider the deficiencies presented below to be significant deficiencies in internal control.

Finding 2026-001—Review of Journal Entries and Other Financial Processes

Criteria—Effective internal controls require that significant financial transactions and processes be reviewed by an individual independent of the preparer. Reviews should be performed timely and documented to verify the accuracy, completeness, and appropriateness of financial information. Establishing appropriate review procedures helps ensure compliance with established policies, promotes accountability, and reduces the risk of errors or irregularities going undetected.

Condition and Context—During our testing, we noted that various financial processes, including journal entries and bank reconciliations, did not consistently have evidence of an independent review. In certain instances, there was no documented indication that transactions or reconciliations had been reviewed and approved by an appropriate individual other than the preparer. The absence of a consistent review process limits management's ability to ensure that financial information is accurate, complete, and properly recorded.

Cause—The District has not established or consistently implemented formal procedures requiring independent review and documented approval of significant financial processes. Additionally, responsibilities for reviewing financial transactions and supporting documentation have not been clearly defined, contributing to inconsistencies in the review process.

Effect of Potential Effect—The lack of a consistent and documented review process increases the risk that errors, omissions, or inappropriate transactions may go undetected. Without appropriate oversight, inaccuracies in journal entries, bank reconciliations, and other financial processes could result in misstatements of the District's financial records and reporting. Inadequate review procedures may also increase the risk of unauthorized transactions or irregularities remaining unidentified.

Recommendation—We recommend that the District establish and implement formal review procedures for significant financial processes, including journal entries, bank reconciliations, and other key areas of the financial reporting process. Reviews should be performed by an individual independent of the preparer, to the extent practicable, and documented through an appropriate approval or sign-off process. Management should clearly define review responsibilities and ensure that reviews are performed timely and consistently to strengthen internal controls and improve the accuracy and reliability of financial reporting.

Management's Response—Management agrees with the recommendation and will implement procedures to strengthen the review process for significant financial transactions and activities. The District plans to establish clear review responsibilities and ensure that journal entries, bank reconciliations, and other key financial processes are reviewed and approved by appropriate personnel. Additionally, management will implement procedures to document reviews and approvals to enhance oversight, promote accountability, and improve the accuracy and reliability of financial reporting.

Finding 2026-002—Interfund Loans

Criteria—Interfund loans should be used only for temporary financing needs and should be repaid within a reasonable period. Effective financial controls require the District to monitor interfund receivable and payable balances to ensure that loans are properly authorized, adequately documented, and repaid timely. Interfund loans that remain outstanding for multiple years or are not expected to be repaid in the near term may indicate that the balances are not short-term in nature and may require further evaluation and appropriate financial reporting.

Condition and Context—During our testing, we noted that interfund loan balances have continued to increase over multiple years. Additionally, certain interfund loans have remained outstanding for multiple years and, based on the nature and age of the balances, do not appear to be short-term in nature. The continued growth of interfund loan balances and the existence of long-outstanding balances indicate that the District has not consistently monitored and resolved interfund loans within a reasonable period.

Cause—The District has not established or consistently implemented formal procedures to monitor interfund loan balances, establish reasonable repayment timeframes, and ensure that outstanding balances are periodically reviewed and resolved. Additionally, the District has not clearly defined responsibility for monitoring the age and nature of interfund loans and determining whether balances continue to represent temporary financing arrangements.

Effect or Potential Effect—The continued growth of interfund loans and the existence of balances outstanding for multiple years increases the risk that interfund loans may not be repaid within a reasonable period and may not represent temporary financing arrangements. Long-outstanding interfund balances may also result in inaccurate classification or presentation of financial resources between funds and could affect the District's ability to accurately assess the financial position and available resources of individual funds. Additionally, failure to monitor and resolve interfund loans timely may contribute to the accumulation of increasingly significant balances between funds.

Recommendation—We recommend that the District establish and implement formal procedures for monitoring interfund loans, including maintaining documentation of the purpose and terms of each loan, periodically reviewing outstanding balances, and establishing reasonable repayment timeframes. The District should specifically review interfund loans that have remained outstanding for multiple years to determine whether they continue to qualify as short-term loans and develop a plan to resolve balances that are no longer temporary in nature. Management should also assign responsibility for monitoring interfund loan activity and ensure that balances are reviewed and reconciled on a regular basis.

Management's Response—Management agrees with the recommendation and will implement procedures to strengthen the monitoring and management of interfund loans. The District plans to periodically review outstanding interfund loan balances, establish appropriate repayment timeframes, and evaluate long-outstanding balances to determine whether they continue to represent temporary financing arrangements. Management will also establish responsibility for monitoring interfund loan activity and work to resolve balances that are no longer considered short-term in nature.