

**PHELPS-CLIFTON SPRINGS
CENTRAL SCHOOL DISTRICT, NEW YORK**

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2026



BUSINESS
ADVISORS
AND CPAS

TABLE OF CONTENTS

	Pages
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 19
 Basic Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Balance Sheet - Governmental Funds	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	23
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities	24
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	25
 Notes to the Basic Financial Statements:	 26 - 53
 Required Supplementary Information:	
Schedule of Changes in District's Total OPEB Liability and Related Ratio	54
Schedule of the District's Proportionate Share of the Net Pension Liability	55
Schedule of District Contributions	56
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund	57 - 58
Note to Budgetary Comparison Schedule	59
 Supplementary Information:	
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	60
Capital Projects Fund Schedule of Project Expenditures	61
Combining Balance Sheet - Nonmajor Governmental Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	63
Net Investment in Capital Assets/Right to Use Assets	64
Schedule of Expenditures of Federal Awards	65
 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	 66 - 67

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Phelps-Clifton Springs 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 Phelps-Clifton Springs 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 and, where applicable, cash flows 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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in District's total OPEB liability and related ratio, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and budgetary comparison information on pages 4-19 and 54-59 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 accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents and schedule of expenditures of federal awards 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. Such 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 and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Fairport, New York
October 3, 2026

Mengel, Metzger, Baw & Co. LLP

Phelps-Clifton Springs Central School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2026

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

Financial Highlights

At the close of the fiscal year, the total assets plus deferred outflows (what the District owns) exceeded its total liabilities plus deferred inflows (what the District owes) by \$10,141,982 (net position) an increase of \$15,700,922 from the prior year.

General revenues which include Federal and State Aid, Real Property Taxes, Non-Property Taxes, Investment Earnings, Compensation for Loss, and Miscellaneous accounted for \$50,174,547 or 93% of all revenues. Program specific revenues in the form of Charges for Services, Operating Grants and Contributions, and Capital Grants and Contributions, accounted for \$3,901,627 or 7% of total revenues.

As of the close of the fiscal year, the District's governmental funds reported combined fund balances of \$39,249,647 an increase of \$5,138,992 in comparison with the prior year.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the District's assets plus deferred outflow of resources and liabilities plus deferred inflow of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in 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 government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *governmental* activities of the District include instruction, pupil transportation, cost of food sales, general administrative support, community service, and interest on long-term debt.

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

Fund Financial Statements

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

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

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

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

The District adopts, and voters approve an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.

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

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

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

Notes to the Financial Statements

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

Government-Wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets plus deferred outflow of resources and liabilities plus deferred inflow of resources, is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and facilities must also be considered to assess the District's overall health.

All of the District's services are reported in the government-wide financial statements as governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes, federal and state aid, and investment earnings finance most of these activities.

Financial Analysis of the School District As a Whole

Net Position

	Governmental Activities		Total Variance	Total Percent Variance
	2026	2025		
<u>ASSETS:</u>				
Current and Other Assets	\$ 47,772,455	\$ 38,470,131	\$ 9,302,324	24.18%
Capital Assets	52,453,714	52,625,717	(172,003)	(0.33%)
Total Assets	\$ 100,226,169	\$ 91,095,848	\$ 9,130,321	10.02%
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>				
Deferred Outflows of Resources	\$ 14,394,291	\$ 16,117,004	\$ (1,722,713)	(10.69%)
<u>LIABILITIES:</u>				
Long-Term Debt Obligations	\$ 59,412,801	\$ 59,681,397	\$ (268,596)	(0.45%)
Other Liabilities	2,029,024	2,340,576	(311,552)	(13.31%)
Total Liabilities	\$ 61,441,825	\$ 62,021,973	\$ (580,148)	(0.94%)
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Deferred Inflows of Resources	\$ 43,036,653	\$ 50,749,819	\$ (7,713,166)	(15.20%)
<u>NET POSITION:</u>				
Net Investment in Capital Assets	\$ 34,299,532	\$ 32,451,041	\$ 1,848,491	5.70%
<u>Restricted For:</u>				
Capital Projects	13,814,145	12,155,802	1,658,343	13.64%
Retirement Contribution Reserve	3,939,001	4,257,948	(318,947)	(7.49%)
Capital Reserve	8,911,945	6,541,704	2,370,241	36.23%
Debt Service Reserve	5,597,570	4,636,193	961,377	20.74%
Other Purposes	3,186,278	1,407,574	1,778,704	126.37%
Unrestricted	(59,606,489)	(68,808,421)	9,201,932	(13.37%)
Total Net Position	\$ 10,141,982	\$ (5,558,940)	\$ 15,700,922	(282.44%)

Key Variances

- Current and Other Assets increased \$9,302,324 as a result of the TRS net pension asset, and BOCES lease.
- Deferred Outflows of Resources decreased \$1,722,713 as a result of differences between expected and actual experience and changes of assumption on the OPEB actuarial report.
- Capital Projects increased \$1,658,343 as a result of the new emergency roof project.
- Capital Reserve increased \$2,370,241 as a result of year end funding of reserves.
- Deferred Inflows of Resources decreased \$7,713,166 as a result of differences between expected and actual experience and changes of assumption on the OPEB actuarial report.

The District's financial position is the product of many factors.

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

There are five restricted net position balances: Capital Projects, Retirement Contribution Reserve, Capital Reserve, Debt Service Reserve, and Other Purposes. The remaining balance of unrestricted net position was a deficit of \$59,606,489 primarily a result of postemployment benefits related to retiree health care obligations for which the district cannot legally fund.

Changes in Net Position

The District's total revenue increased 3% to \$54,076,174. State and federal aid 57% and property taxes 30% accounted for most of the District's revenue. The remaining 13% of the revenue comes from non property taxes, investment earnings, compensation for loss, and miscellaneous.

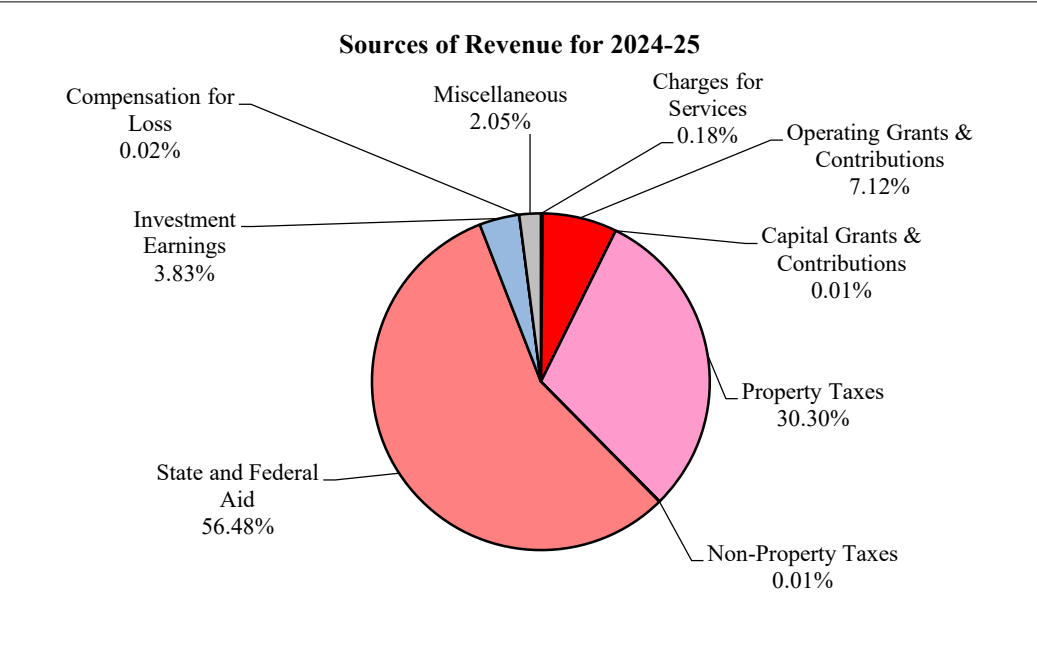
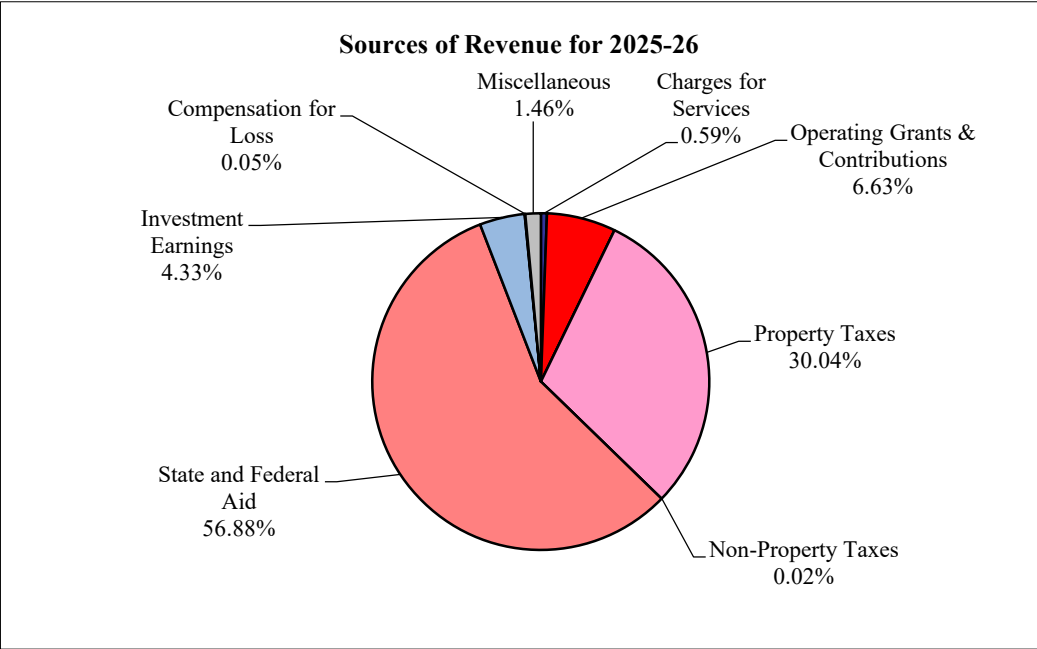
The total cost of all the programs and services decreased 11% to \$38,375,252. The District's expenses are predominately related to education and caring for the students (instruction) 74%. General support which included expenses associated with the operation, maintenance and administration of the District accounted for 14% of the total costs. See table below:

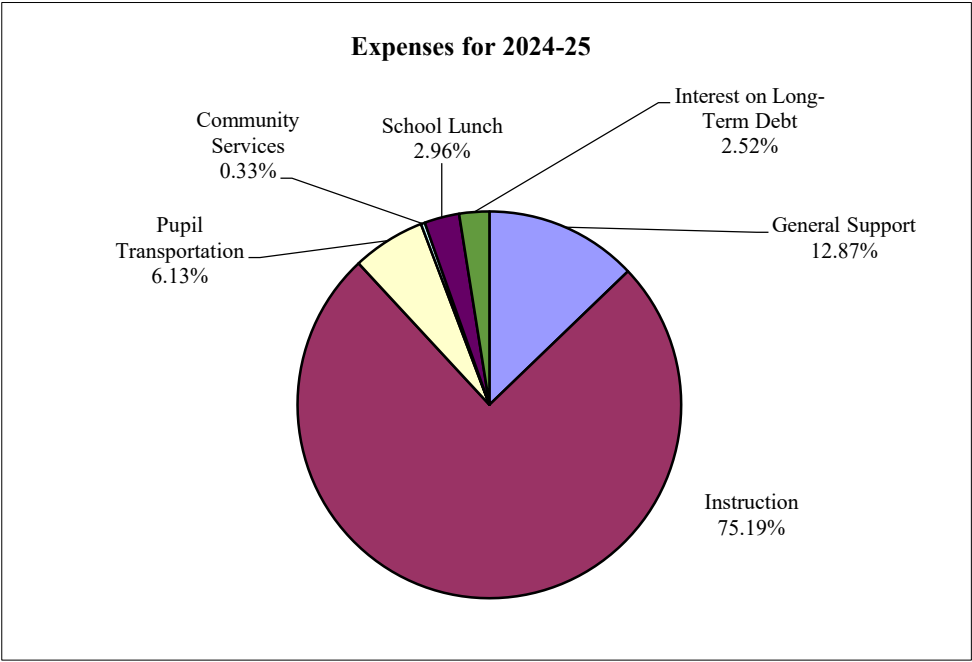
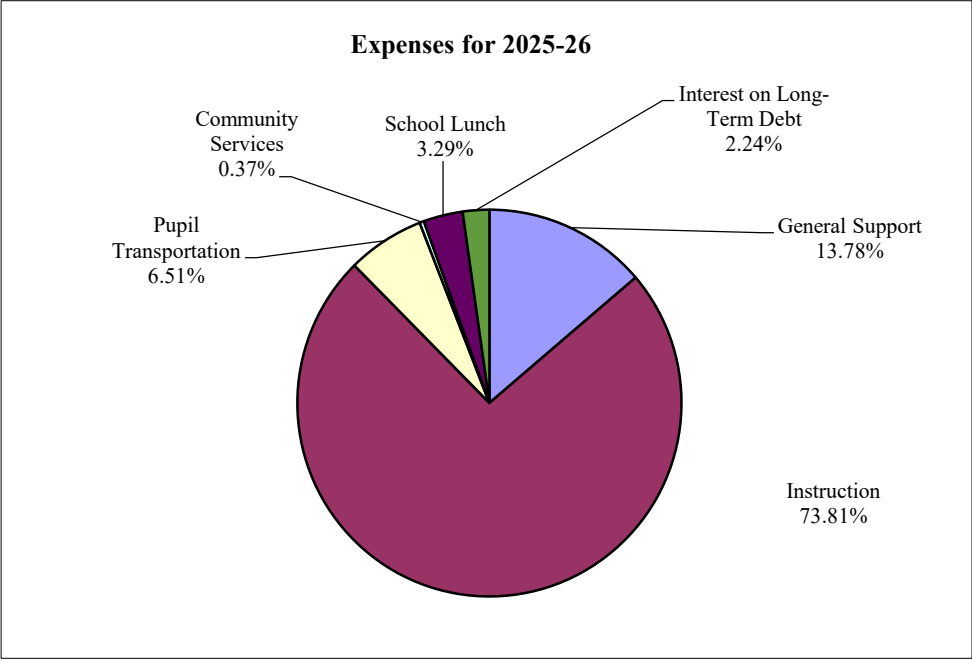
	Governmental Activities		Total	Total
	2026	2025	Variance	Percent Variance
<u>REVENUES:</u>				
<u>Program -</u>				
Charges for Service	\$ 318,318	\$ 93,479	\$ 224,839	240.52%
Operating Grants & Contributions	3,583,309	3,737,769	(154,460)	(4.13%)
Capital Grants & Contributions	-	6,242	(6,242)	(100.00%)
Total Program	\$ 3,901,627	\$ 3,837,490	\$ 64,137	1.67%
<u>General -</u>				
Property Taxes	\$ 16,245,711	\$ 15,906,520	\$ 339,191	2.13%
Non Property Taxes	8,187	7,815	372	4.76%
State and Federal Aid	30,758,158	29,654,396	1,103,762	3.72%
Investment Earnings	2,339,560	2,012,292	327,268	16.26%
Compensation for Loss	25,067	11,395	13,672	119.98%
Miscellaneous	797,864	1,071,366	(273,502)	(25.53%)
Total General	\$ 50,174,547	\$ 48,663,784	\$ 1,510,763	3.10%
TOTAL REVENUES	\$ 54,076,174	\$ 52,501,274	\$ 1,574,900	3.00%
<u>EXPENSES:</u>				
General Support	\$ 5,288,477	\$ 5,546,289	\$ (257,812)	(4.65%)
Instruction	28,325,816	32,405,481	(4,079,665)	(12.59%)
Pupil Transportation	2,497,865	2,639,967	(142,102)	(5.38%)
Community Services	140,166	142,817	(2,651)	(1.86%)
School Lunch	1,263,034	1,273,637	(10,603)	(0.83%)
Interest	859,894	1,084,644	(224,750)	(20.72%)
TOTAL EXPENSES	\$ 38,375,252	\$ 43,092,835	\$ (4,717,583)	(10.95%)
CHANGE IN NET POSITION	\$ 15,700,922	\$ 9,408,439		
NET POSITION, BEGINNING OF YEAR	(5,558,940)	(14,967,379)		
NET POSITION, END OF YEAR	\$ 10,141,982	\$ (5,558,940)		

The overall change in net position increased \$15,700,922 which is \$6,292,483 higher than the prior year change in net position. The most significant impact was from the \$1,574,900 increase in revenue primarily related to an increase in Aid and property taxes and \$4,717,583 decrease in expenditures with the vast majority from instruction.

Key Variances

- Charges for Services increased \$224,839 as a result of the Early College Access program.
- Investment Earnings increased \$327,268 as a result of increased cash balances generating interest, and excess interest received from DASNY bonds.
- Miscellaneous Revenue decreased \$273,502 as a result of a smaller BOCES refund this year, and less donations.
- Instruction decreased \$4,079,665 as a result of ARP grants ended in prior year, and changes in pension and OPEB.
- Interest decreased \$224,750 as a result of interest payments per debt schedules.





Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$39,249,647 which is more than last year's ending fund balance of \$34,110,655. The District reports four major governmental funds individually in the governmental funds financial statements. Those funds are the General Fund, the Special Aid Fund, the Debt Service Fund, and the Capital Projects Fund.

General Fund

The General Fund is the chief operating fund of the District. At the end of the current year, the total fund balance of the General Fund was \$18,498,638. F Fund balance for the General Fund increased by \$2,339,068 compared with the prior year, which was primarily a result of conservative budgeting and interest earnings. See table below:

<u>General Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Total Percent Variance</u>
Total Revenues	\$ 49,556,388	\$ 48,042,494	\$ 1,513,894	3.15%
Total Expenditures	42,535,508	41,302,210	1,233,298	2.99%
Other Financing Sources				
Transfers-In	257,177	-	257,177	100.00%
Transfers-Out	(4,938,989)	(12,209,878)	7,270,889	(59.55%)
Change in Fund Balance	<u>\$ 2,339,068</u>	<u>\$ (5,469,594)</u>	<u>\$ 7,808,662</u>	<u>(142.76%)</u>
Fund Balance				
Nonspendable	\$ 658,764	\$ 564,514	\$ 94,250	16.70%
Restricted	15,692,166	13,679,307	2,012,859	14.71%
Assigned	189,937	20,279	169,658	836.62%
Unassigned	1,957,771	1,895,470	62,301	3.29%
Total Fund Balance	<u>\$ 18,498,638</u>	<u>\$ 16,159,570</u>	<u>\$ 2,339,068</u>	<u>14.47%</u>

Nonspendable Fund Balance – represents 4% of the total fund balance and represents those items that represent prepaid expenditures for health, workers' compensation, and liability insurances.

Restricted Fund Balance – is the largest component of fund balance, 57% relate to the capital reserves and 28% relate to the ERS and TRS reserve. A detail of the restricted reserves can be found in the footnotes to the financial statements.

Assigned Fund Balance – represents the smallest portion of fund balance consisting of encumbrances for items that have been ordered but not yet received.

Unassigned Fund Balance – increased 3% over the prior year and represents 4% of the subsequent years budget and is within the requirements of Section 1318 of the Real Property Tax Law. These funds are available for cash flow and unanticipated ordinary contingent expenditures.

The District appropriated funds from the following reserves to support the budget:

	<u>2026-27</u>	<u>2025-26</u>	<u>Total Variance</u>	<u>Total Percent Variance</u>
Retirement Contribution	\$ 500,000	\$ 394,787	\$ 105,213	26.65%
Teachers Retirement Contribution	20,000	20,000	-	100.00%
Debt	300,000	300,000	-	100.00%
Employee Benefit Accrued Liability	95,000	95,000	-	100.00%
Total	<u>\$ 915,000</u>	<u>\$ 809,787</u>	<u>\$ 105,213</u>	<u>12.99%</u>

As indicated above, the District appropriated \$915,000 in reserve funds to support the 2025-26 budget which represents 2% of the 2025-26 budget and is \$105,213 more than the prior year. The appropriated reserves are included in the restricted fund balance and if expended would reduce those funds to \$14,777,166. Based on the current financial condition of the District did not appropriate fund balance to support the operating budget.

Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for the acquisition or construction of capital facilities and other capital assets, such as equipment. A Capital Projects Fund must be used if the acquisition or construction is financed in whole or in part from the proceeds of obligations, but may include funding from Federal, State and local sources. At the end of the current year, the total fund balance of the Capital Projects Fund was \$13,814,145 and a summary of the projects can be found in the financial statements.

The largest component of the capital projects fund is the 2025 Capital Project. Fund balance for the Capital Projects Fund increased by \$1,658,343 compared with the prior year. See table below:

<u>Capital Projects Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Total Percent Variance</u>
Total Revenues	\$ -	\$ 6,242	\$ (6,242)	(100.00%)
Total Expenditures	2,654,759	3,684,013	(1,029,254)	(27.94%)
Other Financing Sources				
Transfers-In	4,803,111	12,073,880	(7,270,769)	(60.22%)
Transfers-Out	(490,009)	-	(490,009)	(100.00%)
Proceeds from Obligations	-	21,548	(21,548)	(100.00%)
Change in Fund Balance	<u>\$ 1,658,343</u>	<u>\$ 8,417,657</u>	<u>\$ (6,759,314)</u>	<u>(80.30%)</u>
Fund Balance				
Restricted	\$ 9,494,863	\$ 12,155,802	\$ (2,660,939)	(21.89%)
Assigned	4,319,282	-	4,319,282	100.00%
Total Fund Balance	<u>\$ 13,814,145</u>	<u>\$ 12,155,802</u>	<u>\$ 1,658,343</u>	<u>13.64%</u>

Key Variances

- Total expenditures are down due to the timing of capital project expenditures. In the prior year there was an emergency pool project.
- Transfers-In decreased as a result of a large capital reserve transfer in prior year for the capital improvement project. In the current year there was a smaller transfer for the emergency roof project.
- Transfers-out increased as a result of the closing out of completed capital projects.

Special Aid Fund

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

<u>Special Aid Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Total Percent Variance</u>
Total Revenues	\$ 2,243,810	\$ 2,400,458	\$ (156,648)	(6.53%)
Total Expenditures	2,379,688	2,536,456	(156,768)	(6.18%)
Other Financing Sources				
Transfers-In	135,878	135,998	(120)	(0.09%)
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.00%</u>

Key Variances

- ARP grant ended in prior year.

Debt Service Fund

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

<u>Debt Service Fund:</u>	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Total Percent Variance</u>
Total Revenues	\$ 652,323	\$ 412,023	\$ 240,300	58.32%
Other Financing Sources				
Transfers-In	309,054	-	309,054	100.00%
Change in Fund Balance	\$ 961,377	\$ 412,023	\$ 549,354	133.33%
Fund Balance				
Restricted	\$ 5,597,570	\$ 4,636,193	\$ 961,377	20.74%
Total Fund Balance	\$ 5,597,570	\$ 4,636,193	\$ 961,377	20.74%

Key Variances

- Total revenues increased as a result of increased interest earnings, and excess interest from a DASNY bond.
- Transfers-in increased as a result of completed capital projects being closed out.

Significant Capital Asset and Long-Term Financing Activity

Significant Capital and Right to Use Assets

Capital assets are accounted for at historical (actual) cost or, if the cost is not practicably determinable, at estimated cost. The cost of the capital asset should include ancillary charges necessary to place the asset into use. Donated capital assets and capital assets acquired in a service concession arrangement should be recorded at acquisition value. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date, or the amount at which a liability could be liquidated with the counter party at the acquisition. Right to use assets (leases) are valued at the future minimum lease payment. By the end of the 2026 fiscal year, the District had invested \$52,453,714 in a broad range of capital assets and lease assets, including land, work in progress, buildings and improvements, and machinery and equipment (capital assets), as well as, equipment (lease assets). The change in capital assets and leased assets, net of accumulated depreciation (capital assets) and amortization (leased assets), is reflected below:

	<u>2026</u>	<u>2025</u>	<u>Total Variance</u>	<u>Total Percent Variance</u>
Capital Assets:				
Land	\$ 86,900	\$ 86,900	\$ -	0.00%
Work in Progress	5,353,859	19,649,875	(14,296,016)	-72.75%
Buildings and Improvements	40,824,801	27,262,130	13,562,671	49.75%
Machinery and Equipment	4,143,774	3,700,917	442,857	11.97%
Total Capital Assets	\$ 50,409,334	\$ 50,699,822	\$ (290,488)	(0.57%)
Lease Assets:				
Equipment	\$ 2,044,380	\$ 1,925,895	\$ 118,485	6.15%
Total Lease Assets	\$ 2,044,380	\$ 1,925,895	\$ 118,485	6.15%

Key Variances

- Work in Progress decreased \$14,296,016 as a result of the completion and capitalization of the 2020 capital project.
- Buildings and Improvements increased \$13,562,671 as a result of the completion and capitalization of the 2020 capital project.

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

Long-Term Financing Activity

At year end, the District had \$59,412,801 in general obligation bonds and other long-term debt outstanding as follows:

Type	2026	2025	Total Variance	Total Percent Variance
Serial Bonds Payable	\$ 17,755,000	\$ 19,980,000	\$ (2,225,000)	(11.14%)
Lease Liability	69,182	92,157	(22,975)	(24.93%)
OPEB Liability	39,278,140	35,728,937	3,549,203	9.93%
Net Pension Liability	555,250	2,005,780	(1,450,530)	(72.32%)
Retainage Payable	-	84,266	(84,266)	(100.00%)
Compensated Absences	1,755,229	1,790,257	(35,028)	(1.96%)
Total Long-Term Financing	\$ 59,412,801	\$ 59,681,397	\$ (268,596)	(0.45%)

Key Variances

- Net Pension Liability decreased \$1,450,530 as a result of the overall performance of the NYS Employee Retirement System.
- Retainage Payable decreased \$84,266 as a result of retainage that was previously withheld on capital project expenditures was paid out when the project completed.
- Serial Bonds Payable decreased \$2,225,000 as a result of principal payments on bonds per the debt schedules.

NYS ERS and TRS Pension Systems

All non-teaching and non-certified administrative employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State are members of the New York State and Local Employees' Retirement System ("ERS"). In the District's 2026-27 budget, the appropriation for payments to ERS is \$1,480,466.

Teachers and certified administrators are members of the New York State Teachers' Retirement System ("TRS" and collectively with ERS, the "Retirement Systems"). Payments to the TRS are deducted from the District's State aid payments. In the District's 2026-27 budget, the appropriation for payments to TRS is \$1,439,999.

The average contribution rate for the ERS for the 2025-26 fiscal year is 16.5%. The average contribution rate for the TRS for the 2025-26 fiscal year is 9.59%. The funding status of the ERS pension system as of March 31, 2026 indicates the System is funded at 97.78% while the TRS System is funded at 104%. As a result the Teachers Retirement System reports a net pension asset totaling \$3,996,055.

Other Postemployment Benefits (OPEB)

The District and other municipal units of government in the State are prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees.

OPEB consists primarily of health care benefits and may include other benefits such as disability benefits and life insurance. There is no authority in current State law to establish a trust account in order to fund any part of this liability, however, the District budgets and pays the actual costs relating to this expenditure in the General Fund.

Bond Rating

Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "A1" with no outlook to the District's outstanding bonds. A rating reflects only the view of the rating agency assigning such ratings, and any desired explanation of the significance of such ratings should be obtained from Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich St., New York, New York 1007. Phone: (212) 553-008, Fax: (212) 553-1390.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely, if in the judgement of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the outstanding bonds.

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

Currently Known Facts, Decision or Conditions

Employee Contracts

The District has the following significant employee contracts:

<u>Contracts</u>	<u>Expiration Date</u>
Phelps-Clifton Springs Faculty Association	June 30, 2027
Phelps-Clifton springs Employee's Association	June 30, 2025 *
Phelps-Clifton Springs Sec/Aides Association	June 30, 2027
Phelps-Clifton Springs Administrators' Association	June 30, 2026
Phelps-Clifton Springs Management Exempt	June 30, 2026

* Currently in negotiations

Unemployment Rate

Unemployment statistics are not available for the District as such, smallest area for which such statistics are available (which includes the District) is Ontario, Seneca, and Wayne County. The data set forth below with respect to the County.

	Ontario County	Seneca County	Wayne County	New York State
	Unemployment	Unemployment	Unemployment	Unemployment
<u>Year</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
2021	4.3%	4.8%	4.5%	7.1%
2022	3.1%	3.3%	3.3%	4.3%
2023	3.3%	3.5%	3.4%	4.1%
2024	3.4%	3.7%	3.5%	4.3%

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 (herein referred to as the "Tax Levy Limit Law" or "Law") was signed by the Governor. The Tax Levy Limit Law modifies current law by imposing a limit on the amount of real property taxes that a school district may levy. The Law will affect school district tax levies for the school district financial year beginning July 1, 2012. On April 12, 2019 the enacted State budget legislation for fiscal year 2020 made the Tax Levy Limitation Law permanent.

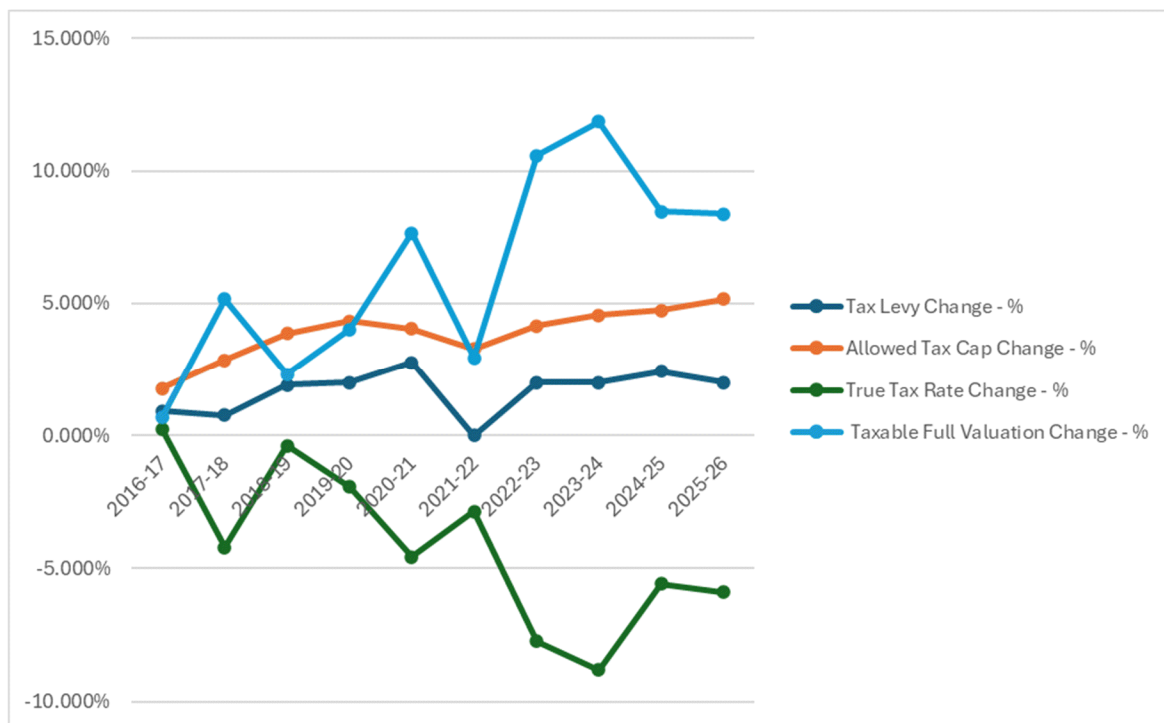
Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

The Tax Levy Limit Law imposed a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, as described in the Law. Tax levies that do not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a tax levy in excess of the limit. In the event the voters reject the tax levy, the school district's tax levy for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year, without any stated exceptions.

The Law sets forth several exceptions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on voter approved capital expenditures, certain pension cost increases, and other items enumerated in the Law. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law provides an express exception from the limitation for those taxes to be levied to pay the local share of debt service on voter approved capital expenditures. However, Such exception would not apply to taxes to be levied commencing in the 2012-13 fiscal year of a school district to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari payments.

Summary of Percent Change in Tax Levy, Tax Cap, True Tax Rate, and Taxable Full Valuation



As indicated in the above table since 2020, True value tax rates have been decreasing as a result of the 2% tax cap and large increases in property values. The Phelps- Clifton Springs CSD has consistently stayed below the tax levy limit.

2026-27 Budgetary Information

On May 19, 2026, the voters of the District approved the proposed 2026-27 budget totaling \$48,944,277 with a 74.32% approval rate.

The overall expenditure budget increased 3.29%, while the local tax levy increased 2.23% which is within the property tax cap.

Although the District foundation aid increased \$422,640 based on state aid runs this was offset by projected increases to employee benefits of \$450,000, salaries of \$575,000, a special education-student placements of \$470,000.

The 2026-27 Budget included the establishment of a new \$10,000,000 capital reserve and voter authorization to spend \$1,095,000 for the purchase of 5 full size passenger diesel buses.

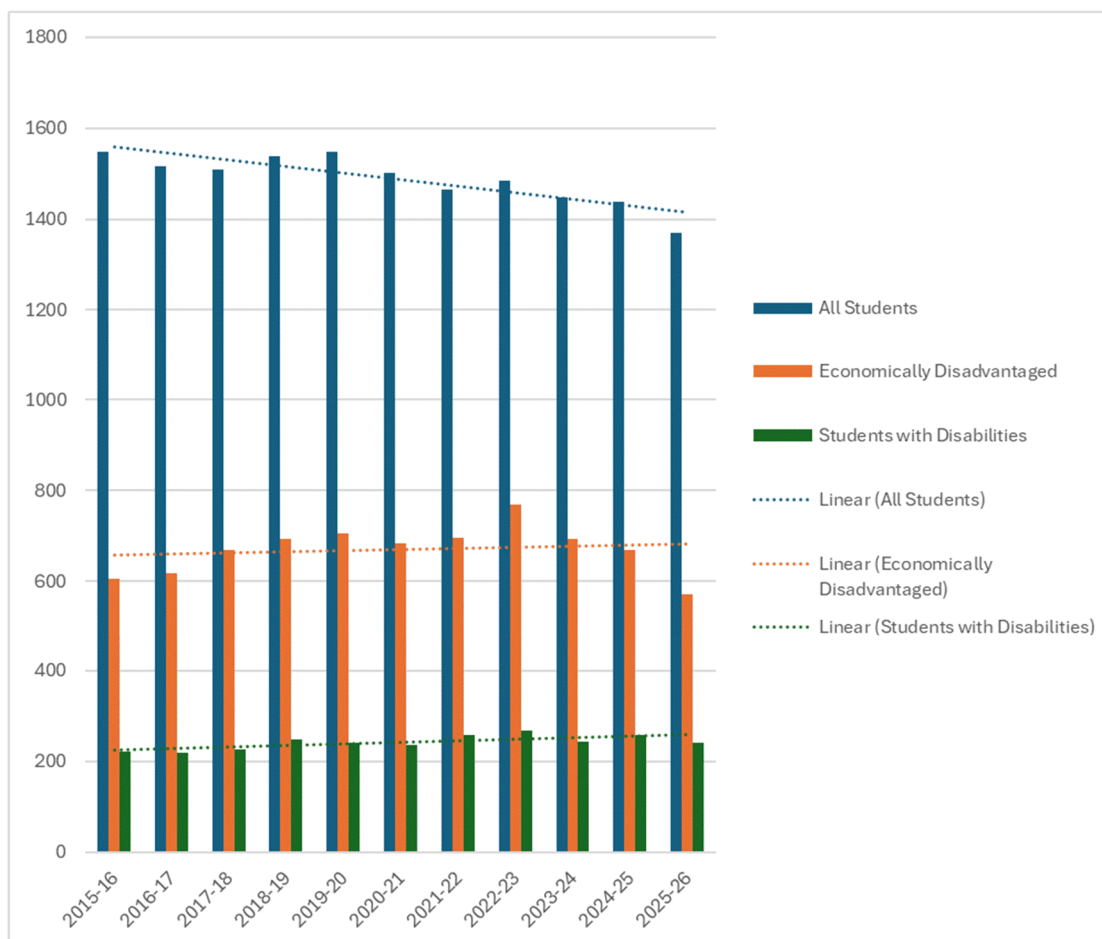
In addition, there were 3 separate proposals in the budget relating to School Bus Purchase, Capital Reserve and Library Funding

The District's long term capital plan includes a \$35 million project to be completed by 2028 for building improvements to provide safe and healthy spaces. The District will continue with projects to remain in compliance regarding NYSED regulations around buildings and zero emission transportation.

Enrollment Information

The school district enrollment also impacts the budget process. The following graphs highlight some of the key District trends:

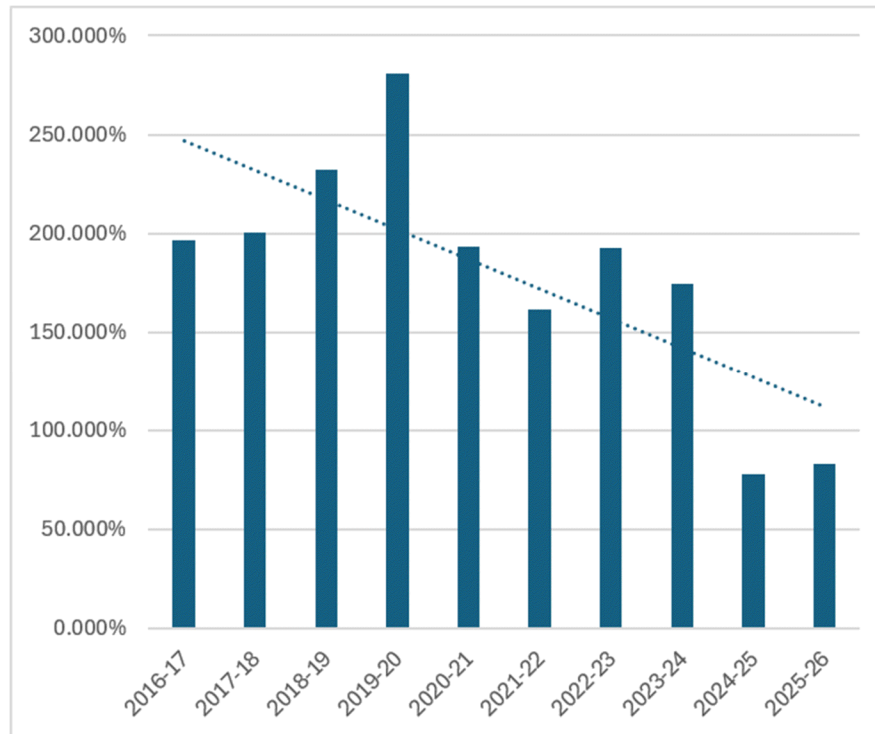
District Students: K-12 Total Enrollment, Economically Disadvantaged and Students with Disabilities Trends 2015-16 to 2025-26



The District has experienced a decrease in K-12 student enrollment much like the majority of school districts throughout the state due to lower birthrates and declining population.

Other Postemployment Benefits (OPEB)

The chart below shows the total OPEB obligation as a percentage to the General Fund budget.



The District continues to see this expenditure to be a significant impact on the overall budget. The District reviews and evaluates the health insurance programs we participate in on an annual basis in order to control the overall cost of health insurance for our active and retired employees. Through our participation in the Finger Lakes Area School Health Plan we have made available new programs for health savings accounts and other subsidy plans to help control those costs.

Zero Emission Vehicle Mandate

New York State's zero-emission school bus mandate (Education Law §3638) requires all public school districts, as well as any contracted transportation providers, to transition to fully zero-emission (primarily electric) school bus fleets over time. Under the law, districts must ensure that all new school bus purchases or leases meet zero-emission standards by the applicable deadline (originally July 1, 2027, with recent updates extending to approximately 2032) and must include the same requirement in transportation service contracts. In addition, districts are required to phase out all gasoline and diesel buses so that, by the final statutory deadline (originally July 1, 2035, with potential extension to 2040), only zero-emission buses are operated and maintained. The law also includes procurement provisions such as domestic manufacturing requirements and permits limited waivers for interim compliance challenges, while maintaining the ultimate conversion requirement. To support implementation, the State has established significant funding programs, including the NYSERDA School Bus Incentive Program funded in part by the Environmental Bond Act, which provides financial assistance for electric bus purchases, charging infrastructure, and fleet electrification planning.

Pre-K Program

The District currently offers half and full day 4 year old programs through a Community Based Organization. Based on NYSED mandate for 2027, any parent that requests a placement for their 4 year old UPK child, the District will continue to offer.

Contacting the School District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Phelps-Clifton Springs Central School District
1490 State Route 488
Clifton Springs, New York 14541

PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Net Position

June 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 10,045,647
Investments	26,677,270
Accounts receivable	6,342,952
Inventories	51,767
Prepaid items	658,764
Net pension asset	3,996,055
Capital Assets:	
Land	86,900
Work in progress	5,353,859
Other capital assets (net of depreciation)	47,012,955
TOTAL ASSETS	\$ 100,226,169
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	\$ 14,394,291
 LIABILITIES	
Accounts payable	\$ 52,638
Accrued liabilities	236,552
Unearned revenues	63,691
Due to other governments	468
Due to teachers' retirement system	1,474,230
Due to employees' retirement system	201,445
Long-Term Obligations:	
Due in one year	2,578,947
Due in more than one year	56,833,854
TOTAL LIABILITIES	\$ 61,441,825
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	\$ 43,036,653
 NET POSITION	
Net investment in capital assets	\$ 34,299,532
Restricted For:	
Capital projects	13,814,145
Debt service	5,597,570
Reserve for employee retirement system	3,939,001
Capital reserves	8,911,945
Other purposes	3,186,278
Unrestricted	(59,606,489)
TOTAL NET POSITION	\$ 10,141,982

PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Activities

For The Year Ended June 30, 2026

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for	Operating Grants and	Governmental
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Activities</u>
<u>Primary Government -</u>				
General support	\$ 5,288,477	\$ -	\$ -	\$ (5,288,477)
Instruction	28,325,816	259,777	2,243,810	(25,822,229)
Pupil transportation	2,497,865	-	-	(2,497,865)
Community services	140,166	-	-	(140,166)
School lunch	1,263,034	58,541	1,339,499	135,006
Interest	859,894	-	-	(859,894)
Total Primary Government	\$ 38,375,252	\$ 318,318	\$ 3,583,309	\$ (34,473,625)
General Revenues:				
Property taxes				\$ 16,245,711
Non property taxes				8,187
State and federal aid				30,758,158
Investment earnings				2,339,560
Compensation for loss				25,067
Miscellaneous				797,864
Total General Revenues				\$ 50,174,547
Changes in Net Position				\$ 15,700,922
Net Position, Beginning of Year				(5,558,940)
Net Position, End of Year				\$ 10,141,982

PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK

Balance Sheet

Governmental Funds

June 30, 2026

	General Fund	Special Aid Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 9,126,179	\$ 65,171	\$ -	\$ 451,377	\$ 402,920	\$ 10,045,647
Investments	6,843,839	-	5,557,987	13,394,492	880,952	26,677,270
Receivables	5,554,431	636,397	-	7,899	144,225	6,342,952
Inventories	-	-	-	-	51,767	51,767
Due from other funds	830,259	-	39,583	-	-	869,842
Prepaid items	658,764	-	-	-	-	658,764
TOTAL ASSETS	\$ 23,013,472	\$ 701,568	\$ 5,597,570	\$ 13,853,768	\$ 1,479,864	\$ 44,646,242
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES						
Liabilities -						
Accounts payable	\$ 52,598	\$ -	\$ -	\$ 40	\$ -	\$ 52,638
Accrued liabilities	197,848	1,134	-	-	2,668	201,650
Due to other funds	-	700,104	-	39,583	130,155	869,842
Due to other governments	-	-	-	-	468	468
Due to TRS	1,474,230	-	-	-	-	1,474,230
Due to ERS	201,445	-	-	-	-	201,445
Unearned revenue	56,082	330	-	-	7,279	63,691
TOTAL LIABILITIES	\$ 1,982,203	\$ 701,568	\$ -	\$ 39,623	\$ 140,570	\$ 2,863,964
Deferred Inflows -						
Deferred inflows of resources	\$ 2,532,631	\$ -	\$ -	\$ -	\$ -	\$ 2,532,631
Fund Balances -						
Nonspendable	\$ 658,764	\$ -	\$ -	\$ -	\$ 51,767	\$ 710,531
Restricted	15,692,166	-	5,597,570	9,494,863	345,058	31,129,657
Assigned	189,937	-	-	4,319,282	942,469	5,451,688
Unassigned	1,957,771	-	-	-	-	1,957,771
TOTAL FUND BALANCE	\$ 18,498,638	\$ -	\$ 5,597,570	\$ 13,814,145	\$ 1,339,294	\$ 39,249,647
TOTAL LIABILITIES						
DEFERRED INFLOWS AND						
FUND BALANCES	\$ 23,013,472	\$ 701,568	\$ 5,597,570	\$ 13,853,768	\$ 1,479,864	

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

Capital assets/right to use assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

52,453,714

Interest is accrued on outstanding bonds in the Statement of Net Position
but not in the funds.

(34,902)

The following long-term obligations are not due and payable in the
current period and therefore are not reported in the governmental funds:

Serial bonds payable	(17,755,000)
Leases liability	(69,182)
OPEB liability	(39,278,140)
Compensated absences	(1,755,229)
Net pension asset	3,996,055
Deferred outflow - pension	5,998,048
Deferred outflow - OPEB	8,396,243
Net pension liability	(555,250)
Deferred inflow - advanced refunding	(330,000)
Deferred inflow - pension	(4,395,314)
Deferred inflow - OPEB	(35,778,708)

Net Position of Governmental Activities

\$ 10,141,982

PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For The Year Ended June 30, 2026

	General Fund	Special Aid Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Real property taxes and tax items	\$ 16,245,711	\$ -	\$ -	\$ -	\$ -	\$ 16,245,711
Non-property taxes	8,187	-	-	-	-	8,187
Charges for services	259,777	-	-	-	-	259,777
Use of money and property	1,650,266	-	652,323	-	36,971	2,339,560
Sale of property and compensation for loss	25,067	-	-	-	-	25,067
Miscellaneous	609,222	-	-	-	188,642	797,864
State sources	30,705,787	1,082,323	-	-	370,448	32,158,558
Federal sources	52,371	1,161,487	-	-	969,051	2,182,909
Sales	-	-	-	-	58,541	58,541
TOTAL REVENUES	\$ 49,556,388	\$ 2,243,810	\$ 652,323	\$ -	\$ 1,623,653	\$ 54,076,174
EXPENDITURES						
General support	\$ 4,955,956	\$ 74,987	\$ -	\$ -	\$ -	\$ 5,030,943
Instruction	22,248,699	2,177,644	-	-	-	24,426,343
Pupil transportation	1,549,522	109,168	-	1,024,554	-	2,683,244
Community services	113,306	-	-	-	-	113,306
Employee benefits	10,473,492	17,889	-	-	215,168	10,706,549
Debt service - principal	2,247,975	-	-	-	-	2,247,975
Debt service - interest	946,558	-	-	-	-	946,558
Cost of sales	-	-	-	-	568,626	568,626
Other expenses	-	-	-	-	583,433	583,433
Capital outlay	-	-	-	1,630,205	-	1,630,205
TOTAL EXPENDITURES	\$ 42,535,508	\$ 2,379,688	\$ -	\$ 2,654,759	\$ 1,367,227	\$ 48,937,182
EXCESS (DEFICIENCY) OF REVENUES						
OVER EXPENDITURES	\$ 7,020,880	\$ (135,878)	\$ 652,323	\$ (2,654,759)	\$ 256,426	\$ 5,138,992
OTHER FINANCING SOURCES (USES)						
Transfers - in	\$ 257,177	\$ 135,878	\$ 309,054	\$ 4,803,111	\$ -	\$ 5,505,220
Transfers - out	(4,938,989)	-	-	(490,009)	(76,222)	(5,505,220)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (4,681,812)	\$ 135,878	\$ 309,054	\$ 4,313,102	\$ (76,222)	\$ -
NET CHANGE IN FUND BALANCE	\$ 2,339,068	\$ -	\$ 961,377	\$ 1,658,343	\$ 180,204	\$ 5,138,992
FUND BALANCE, BEGINNING OF YEAR						
	16,159,570	-	4,636,193	12,155,802	1,159,090	34,110,655
FUND BALANCE, END OF YEAR	\$ 18,498,638	\$ -	\$ 5,597,570	\$ 13,814,145	\$ 1,339,294	\$ 39,249,647

PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For The Year Ended June 30, 2026

NET CHANGE IN FUND BALANCES -

TOTAL GOVERNMENTAL FUNDS **\$ 5,138,992**

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

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

Capital Outlay	\$ 1,630,205	
Additions to Assets, Net	1,998,682	
Depreciation and Amortization	<u>(3,800,890)</u>	
		(172,003)

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

Debt Repayments	2,247,975
-----------------	-----------

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	4,164
--	-------

The retainage liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds	84,266
---	--------

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	6,843,834
---	-----------

(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds

Teachers' Retirement System	1,494,931
Employees' Retirement System	(58,765)

Portion of deferred (inflow) / outflow recognized in long term debt	82,500
---	--------

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

Compensated Absences	<u>35,028</u>
----------------------	---------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 15,700,922

PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK

Statement of Fiduciary Net Position

June 30, 2026

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 209,332
TOTAL ASSETS	<u>\$ 209,332</u>
NET POSITION	
Restricted for individuals, organizations and other governments	\$ 209,332
TOTAL NET POSITION	<u><u>\$ 209,332</u></u>

Statement of Changes in Fiduciary Net Position

For The Year Ended June 30, 2026

	<u>Custodial Funds</u>
ADDITIONS	
Library taxes	\$ 194,000
Student activity	103,987
TOTAL ADDITIONS	<u>\$ 297,987</u>
DEDUCTIONS	
Student activity	\$ 82,558
Library taxes	194,000
TOTAL DEDUCTIONS	<u>\$ 276,558</u>
CHANGE IN NET POSITION	\$ 21,429
NET POSITION, BEGINNING OF YEAR	<u>187,903</u>
NET POSITION, END OF YEAR	<u><u>\$ 209,332</u></u>

PHELPS-CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK

Notes To The Basic Financial Statements

June 30, 2026

I. Summary of Significant Accounting Policies

The financial statements of the Phelps-Clifton Springs Central School District, New York (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units* and GASB Statement 61, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

1. 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. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office. The District accounts for assets held for various student organizations in a Custodial Fund.

B. Joint Venture

The District is a component of the Ontario-Seneca-Yates-Cayuga-Wayne Counties Board of Cooperative Educational Services (Wayne-Finger Lakes BOCES). The BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

(I.) (Continued)

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

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

During the year, the District was billed \$9,360,445 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$2,601,021.

Financial statements for the BOCES are available from the Wayne-Finger Lakes BOCES administrative office.

C. Basis of Presentation

1. Districtwide Statements

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

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

2. Fund Statements

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

(I.) (Continued)

The District reports the following governmental funds:

a. **Major Governmental Funds** –

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

Capital Projects Fund - Used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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

Debt Service Fund - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

b. **Nonmajor Governmental Funds**- The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

School Lunch Fund - Used to account for transactions of the District’s lunch, breakfast and milk programs.

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

c. **Fiduciary Funds** - Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used.

Custodial Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds.

D. Measurement Focus and Basis of Accounting

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.

(I.) (Continued)

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

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

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 25, 2025. Taxes are collected during the period September 2 to October 31, 2025.

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

(I.) (Continued)

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

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents

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

New York State Law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

J. Investments

The District participates in the New York Cooperative Liquid Assets Securities System (NYCLASS) local government investment pool. NYCLASS measures its investments at fair value in accordance with Paragraph 41 of GASB Statement 79 and Paragraph 11 of GASB Statement 31, and therefore a participant's investment in NYCLASS is not required to be categorized within the fair value hierarchy for purposes of 81a(2) of GASB Statement 72.

K. Receivables

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

In addition, the District will report a receivable relating to a lease arrangement. The receivable is recorded at the present value of the future payments and recognized over the life of the lease.

L. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch 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 inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

(I.) (Continued)

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

A nonspendable fund balance for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

M. Capital Assets

In the District-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and capitalization threshold by type of assets is as follows:

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

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

N. Right To Use Assets

The District-wide financial statements, right-to-use-assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is between 5 and 10 years based on the contract terms and/or estimated replacement of the assets.

O. Unearned Revenue

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

P. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until that time.

(I.) (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Q. Vested Employee Benefits

1. Compensated Absences

The District, based on policy and/or various negotiated labor or employment contracts, recognizes a liability for compensated absences for leave time that:

- (a) has been earned for services previously rendered by employees.
- (b) has accumulated and is allowed to be carried over into subsequent years.
- (c) is more likely than not to be used as time off or settled (for example paid in cash to the employee or as a payment to an employee flex spending account) during or upon separation from employment.

Based on the criteria listed, only vacation leave, sick leave and sick leave banks meet the qualifications to be recognized as a liability for compensated absences. The total long-term estimated liability for compensated absences is reported as incurred in the District-wide and proprietary fund financial statements. The short-term liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Consistent with GASB Statement 101, Compensated Absences, the liability has been calculated using the more likely than not to be used as leave or settled at separation method with the compensated absences liability being calculated based on the pay rates in effect at year end.

R. Other Benefits

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

In addition to providing pension benefits, the District provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits may be shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

(I.) (Continued)

S. **Accrued Liabilities and Long-Term Obligations**

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

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

T. **Equity Classifications**

1. **District-wide Statements**

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

a. **Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

On the Statement of Net Position the following balances represent the restricted for other purposes:

	<u>Total</u>
Workers' Compensation	\$ 437,199
Unemployment Costs	136,897
Retirement Contribution - TRS	490,198
Scholarships	345,058
Employee Benefit Accrued Liability	<u>1,776,926</u>
Total Net Position - Restricted for Other Purposes	<u>\$ 3,186,278</u>

c. **Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications . The reported deficit of \$59,606,489 system unfunded pension at year end is the result of full implementation of GASB #75 regarding retiree health obligations and the New York State Pension obligation.

(I.) (Continued)

2. **Fund Statements**

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

- a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes:

	<u>Total</u>
Inventory in School Lunch	\$ 51,767
Prepaid Items	658,764
Total Nonspendable Fund Balance	<u>\$ 710,531</u>

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

Capital Reserve - According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for 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 §3651 of the Education Law. The Reserve is accounted for in the General Fund under restricted fund balance. Year end balances are as follows:

<u>Name of Reserve</u>	<u>Maximum Funding</u>	<u>Total Funding Provided</u>	<u>Total Year to Date Balance</u>
2023 Capital Reserve	\$ 8,000,000	\$ 8,000,000	\$ 4,708,480
2024 Transportation Reserve	\$ 5,000,000	\$ 4,424,517	\$ 4,203,465
2026 Capital Reserve	\$ 10,000,000	\$ -	\$ -

Reserve for Debt Service - According to General Municipal Law §6-1, the 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 the sale. Also, earnings on project monies invested together with unused proceeds are reported here.

(I.) (Continued)

Employee Benefit Accrued Liability Reserve - According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to 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.

Teachers' Retirement Reserve - General Municipal Law §6-r was amended to include a Teachers' Retirement Reserve (TRS) sub-fund. The reserve has an annual funding limit of 2% of the prior year TRS salaries and a maximum cumulative total balance of 10% of the previous years TRS salary.

Retirement Contribution Reserve - According to General Municipal Law §6-r, must be used financing retirement contributions. 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.

Tax Certiorari Reserve - According to General Municipal Law §3651.1-a, must be used to establish a reserve fund for tax certiorari claims and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which 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 proceeding 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.

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

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

(I.) (Continued)

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund and the School Lunch Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balances include the following:

	<u>Total</u>
<u>General Fund -</u>	
Workers' Compensation	\$ 437,199
Unemployment Costs	136,897
Retirement Contribution - ERS	3,939,001
Retirement Contribution - TRS	490,198
Capital Reserves	8,911,945
Employee Benefit Accrued Liability	1,776,926
<u>Capital Projects Fund -</u>	
Capital Projects	9,494,863
<u>Misc Special Revenue Fund -</u>	
Scholarships	345,058
<u>Debt Service Fund -</u>	
Debt Service	5,597,570
Total Restricted Fund Balance	<u>\$ 31,129,657</u>

The District appropriated and/or budgeted funds from the following reserves for the 2026-27 budget:

	<u>Total</u>
Retirement Contribution-ERS	\$ 500,000
Retirement Contribution-TRS	20,000
Debt	300,000
Employee Benefit Accrued Liability	95,000
Total	<u>\$ 915,000</u>

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

d. **Assigned Fund Balance** – Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the District's purchasing agent through their authorization of a purchase order prior to year end. The District assignment is based on the functional level of expenditures.

(I.) (Continued)

Management has determined significant encumbrances for the General Fund to be \$153,300, the Capital Projects Fund to be \$11,700, the Special Aid Fund to be \$9,400 and the non-major funds to be \$6,400.

Capital Projects Fund -

Capital Improvements

\$ 1,186,491

Assigned fund balances include the following:

	<u>Total</u>
General Fund - Encumbrances	\$ 189,937
Capital Fund- Assigned Fund Balance	4,319,282
School Lunch Fund - Year End Equity	942,469
Total Assigned Fund Balance	<u>\$ 5,451,688</u>

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

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

3. Order of Use of Fund Balance

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

U. New Accounting Standards

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

GASB has issued Statement No. 103, *Financial Reporting Model Improvements*.

GASB has issued Statement No. 104, *Disclosure of Certain Capital Assets*.

(I.) (Continued)

V. Future Changes in Accounting Standards

GASB has issued Statement No. 105, *Subsequent Events*, which will be effective for fiscal years beginning after June 15, 2026.

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

II. Stewardship, Compliance and Accountability

By its nature as a local government unit, the District is subject to various federal, state and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the District approved the proposed appropriation budget.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the Board approves them because of a need which exists which was not determined at the time the budget was adopted. During the 2025-26 fiscal year, the budget was increased \$20,279 for prior year carryover encumbrances, \$888,237 for transfer to capital-buses, and \$2,000,000 for the Emergency Roof Project.

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

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

B. Encumbrances

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

III. Cash and Investments

Custodial Credit Risk: is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these notes.

The U.S. Treasuries within the NYCLASS investment portfolio are backed by the full faith and credit of the United States Government and therefore do not require collateral. New York State Municipal Bonds within the portfolio are backed by the full faith and credit of the State of New York and therefore do not require collateral. The other permissible investment security types are collateralized in accordance with NYS GML Section 10 and the NYCLASS Investment Policy. Repurchase Agreements (repo) are collateralized 102% by either U.S. Treasuries or U.S. Agencies. Certificates of Deposit (CD) also require full collateral; currently NYCLASS CDs are being collateralized by Federal Home Loan Bank (FHLB) Letters of Credit (LOC).

Credit Risk: In compliance with the State Law, District investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America whether the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the States, obligations issued by other municipalities and authorities with the State, and certain pooled investments NYCLASS is rated by S&P Global ratings. The current rating is AAAM.

Concentration of Credit Risk: To promote competition in rates and service costs, and to limit the risk of institutional failure, District deposits and investments are placed with multiple institutions. The District's investment policy limits the amounts that may be deposited with any one financial institution.

Interest Rate Risk: The District has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

NYCLASS: The dollar weighted average days to maturity (WAM) of NYCLASS at June 30, 2026, was 40.84 days. The weighted average life (WAL) of NYCLASS at December 31, 2025 was 79.99 days. The WAM of NYCLASS Prime at June 30, 2026 was 39.11 days and the WAL was 60.46 days.

A. Cash

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with Securities held by the Pledging Financial Institution	8,510,643
Total	<u>\$ 8,510,643</u>

B. Investment Pool

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

(III.) (Continued)

Total investments of the cooperative as of year end are \$26,677,271, which consisted of \$5,706,268 in repurchase agreements, \$19,346,357 in U.S. Treasury Securities, \$490,862 in FDIC insured deposits and \$1,133,784 in collateralized bank deposits, with various interest rates and due dates.

<u>Fund</u>	<u>Fair Value</u>	<u>Type of Investment</u>
General	\$ 6,843,839	NYCLASS
School Lunch	\$ 654,344	NYCLASS
Debt Service	\$ 5,557,988	NYCLASS
Capital Projects	\$ 13,394,492	NYCLASS
Misc Special Revenue	\$ 226,608	NYCLASS

Restricted Cash and Investments: represents cash and investments where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash and investments as of year end included \$31,129,657 within the governmental funds and \$209,332 in the fiduciary funds.

IV. Receivables

- A. Receivables at June 30, 2026 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>				<u>Total</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	
Accounts Receivable	\$ 35,150	\$ -	\$ -	\$ 2,290	\$ 37,440
Lease Receivable	2,532,631	-	-	-	2,532,631
Due From State and Federal	687,830	636,397	7,899	141,935	1,474,061
Due From Other Governments	2,298,820	-	-	-	2,298,820
Total Receivables	\$ 5,554,431	\$ 636,397	\$ 7,899	\$ 144,225	\$ 6,342,952

District management has deemed the amounts to be fully collectible.

- B. Lease Receivable – The District has entered into a lease of their classroom space which matures in the year 2035. The future principal and interest collections are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 235,459	\$ 104,541
2028	245,810	94,190
2029	256,616	83,384
2030	267,897	72,103
2031	279,675	60,325
2032-35	1,247,174	112,827
Total	\$ 2,532,631	\$ 527,370

V. Interfund Receivables, Payables, Revenues and Expenditures

Interfund Receivables, Payables, Revenues and Expenditures at June 30, 2026 were as follows:

	Interfund			
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 830,259	\$ -	\$ 257,177	\$ 4,938,989
Special Aid Fund	-	700,104	135,878	-
Debt Service Fund	39,583	-	309,054	-
Capital Projects Fund	-	39,583	4,803,111	490,009
Nonmajor Funds	-	130,155	-	76,222
Total	\$ 869,842	\$ 869,842	\$ 5,505,220	\$ 5,505,220

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs, support capital project expenditures, school lunch programs and debt service expenditures.

VI. Capital Assets and Lease Assets

A. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance 7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2026</u>
Governmental Activities:				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 86,900	\$ -	\$ -	\$ 86,900
Work in progress	19,649,875	1,551,975	15,847,991	5,353,859
<i>Total Nondepreciable</i>	<u>\$ 19,736,775</u>	<u>\$ 1,551,975</u>	<u>\$ 15,847,991</u>	<u>\$ 5,440,759</u>
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 75,238,485	\$ 15,847,991	\$ -	\$ 91,086,476
Machinery and equipment	7,834,325	1,339,867	1,022,145	8,152,047
<i>Total Depreciated Assets</i>	<u>\$ 83,072,810</u>	<u>\$ 17,187,858</u>	<u>\$ 1,022,145</u>	<u>\$ 99,238,523</u>
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 47,976,355	\$ 2,285,320	\$ -	\$ 50,261,675
Machinery and equipment	4,133,408	853,763	978,898	4,008,273
<i>Total Accumulated Depreciation</i>	<u>\$ 52,109,763</u>	<u>\$ 3,139,083</u>	<u>\$ 978,898</u>	<u>\$ 54,269,948</u>
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	<u>\$ 30,963,047</u>	<u>\$ 14,048,775</u>	<u>\$ 43,247</u>	<u>\$ 44,968,575</u>
Total Capital Assets	<u>\$ 50,699,822</u>	<u>\$ 15,600,750</u>	<u>\$ 15,891,238</u>	<u>\$ 50,409,334</u>

(VI.) (Continued)

B. Lease Assets

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

<u>Type</u>	<u>Balance 7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2026</u>
<u>Lease Assets:</u>				
Equipment	\$ 5,370,285	\$ 780,292	\$ 1,278,277	\$ 4,872,300
<i>Total Lease Assets</i>	\$ 5,370,285	\$ 780,292	\$ 1,278,277	\$ 4,872,300
<u>Less Accumulated Amortization -</u>				
Equipment	\$ 3,444,390	\$ 661,807	\$ 1,278,277	\$ 2,827,920
<i>Total Accumulated Amortization</i>	\$ 3,444,390	\$ 661,807	\$ 1,278,277	\$ 2,827,920
<i>Total Lease Assets, Net</i>	\$ 1,925,895	\$ 118,485	\$ -	\$ 2,044,380

C. Other capital assets (net of depreciation and amortization):

Depreciated Capital Assets, net	\$ 44,968,575
Amortized Lease Assets, net	2,044,380
Other Capital Assets, Net	\$ 47,012,955

D. Depreciation/Amortization expense for the period was charged to functions/programs as follows:

<u>Governmental Activities:</u>	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
General Government Support	\$ 174,569	\$ -	\$ 174,569
Instruction	2,288,798	661,807	2,950,605
Pupil Transportation	647,464	-	647,464
School Lunch	28,252	-	28,252
Total Depreciation/ Amortization Expense	\$ 3,139,083	\$ 661,807	\$ 3,800,890

VII. Long-Term Debt Obligations

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

	<u>Balance 7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2026</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
<u>Bonds and Notes Payable -</u>					
Serial Bonds Payable	\$ 19,980,000	\$ -	\$ 2,225,000	\$ 17,755,000	\$ 2,330,000
Lease Liability	92,157	-	22,975	69,182	22,288
Total Bonds and Notes Payable	\$ 20,072,157	\$ -	\$ 2,247,975	\$ 17,824,182	\$ 2,352,288
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 2,005,780	\$ -	\$ 1,450,530	\$ 555,250	\$ -
OPEB Liability	35,728,937	3,549,203	-	39,278,140	-
Retainage Payable	84,266	-	84,266	-	-
Compensated Absences	1,790,257	-	35,028	1,755,229	226,659
Total Other Liabilities	\$ 39,609,240	\$ 3,549,203	\$ 1,569,824	\$ 41,588,619	\$ 226,659
Total Long-Term Obligations	\$ 59,681,397	\$ 3,549,203	\$ 3,817,799	\$ 59,412,801	\$ 2,578,947

(VII.) (Continued)

<u>Description</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2026</u>
Construction-Refunding	\$ 9,310,000	2022	2030	2.00%-5.00%	\$ 5,010,000
Renovations	\$ 6,745,000	2017	2031	3.00%-5.00%	2,960,000
Renovations	\$ 10,780,000	2024	2038	5.00%	9,785,000
Total Serial Bonds					\$ 17,755,000
Leases	\$ 145,065	2020	2030	Various	\$ 69,182

The following is a summary of debt service requirements:

<u>Year</u>	<u>Serial Bonds</u>		<u>Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 2,330,000	\$ 837,650	\$ 22,287	\$ 2,745
2028	2,435,000	732,950	23,631	1,690
2029	2,545,000	623,450	19,409	604
2030	2,660,000	508,950	3,855	108
2031	1,395,000	389,250	-	-
2032-36	4,340,000	1,184,750	-	-
2037-38	2,050,000	155,000	-	-
Total	\$ 17,755,000	\$ 4,432,000	\$ 69,182	\$ 5,147

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The balance of the defeased debt totaled \$5,450,000.

Interest on long-term debt for June 30, 2026 was composed of:

Interest Paid	\$ 946,558
Less: Amortization of Refunded Bond	(82,500)
Less: Interest Accrued in the Prior Year	(39,066)
Plus: Interest Accrued in the Current Year	34,902
Total Long-Term Interest Expense	\$ 859,894

VIII. Deferred Inflows/Outflows of Resources

The following is a summary of the deferred inflows/outflows of resources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	\$ 5,998,048	\$ 4,395,314
Leases	-	2,532,631
Bonds	-	330,000
OPEB	8,396,243	35,778,708
Total	\$ 14,394,291	\$ 43,036,653

IX. Pension Plans

A. General Information

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

B. Provisions and Administration

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

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

C. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 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 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier 6 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 for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year.

(IX.) (Continued)

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, 2026:

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2026	\$ 631,376	\$ 1,474,230

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
Net pension assets/(liability)	\$ (555,250)	\$ 3,996,055
District's portion of the Plan's total net pension asset/(liability)	0.009842%	0.067489%

For the year ended June 30, 2026, the District recognized pension expenses of \$705,173 for ERS and (\$215,817) for TRS. At June 30, 2026, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 317,747	\$ 2,094,824	\$ -	\$ -
Changes of assumptions	95,312	1,581,914	-	43,084
Net difference between projected and actual earnings on pension plan investments	-	-	995,594	3,120,909
Changes in proportion and differences between the District's contributions and proportionate share of contributions	339,032	83,137	172,749	62,978
Subtotal	\$ 752,091	\$ 3,759,875	\$ 1,168,343	\$ 3,226,971
District's contributions subsequent to the measurement date	201,445	1,284,637	-	-
Grand Total	\$ 953,536	\$ 5,044,512	\$ 1,168,343	\$ 3,226,971

(IX.) (Continued)

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2026	\$ -	\$ 2,016,108
2027	287,340	(854,973)
2028	(293,311)	(897,832)
2029	(162,681)	(171,687)
2030	(247,600)	363,780
Thereafter	-	77,508
Total	\$ (416,252)	\$ 532,904

E. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

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

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

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 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 as of March 31, 2026 for ERS and June 30, 2025 for TRS are summarized as follows:

(IX.) (Continued)

Long Term Expected Rate of Return		
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
<u>Asset Type -</u>		
Domestic equity	3.29%	6.70%
International equity	5.85%	7.40%
Global equity	n/a	7.00%
Private equity	7.00%	9.80%
Real estate	5.20%	6.50%
Opportunistic portfolios	5.30%	n/a
Real assets	5.54%	n/a
Global bonds	n/a	2.40%
Cash	0.25%	0.60%
Private debt	n/a	6.10%
Real estate debt	n/a	3.80%
High-yield bonds	n/a	4.70%
Domestic fixed income	n/a	2.60%
Fixed income	1.75%	n/a
Credit	5.10%	n/a

The real rate of return is net of the long-term inflation assumption of 2.90% for ERS and 2.50% for TRS.

F. Discount Rate

The discount rate used to calculate the total pension liability was 5.90% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from 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.

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

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

(IX.) (Continued)

<u>ERS</u>	1% Decrease <u>(5.95%)</u>	Current Assumption <u>(5.90%)</u>	1% Increase <u>(6.90%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (3,792,207)	\$ (555,250)	\$ 2,150,989

<u>TRS</u>	1% Decrease <u>(5.95%)</u>	Current Assumption <u>(6.95%)</u>	1% Increase <u>(7.95%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (7,678,471)	\$ 3,996,055	\$ 13,819,562

H. Pension Plan Fiduciary Net Position

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

	<u>(In Thousands)</u>	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
Employers' total pension liability	\$ 253,773,040	\$ 148,272,069
Plan net position	248,131,290	154,193,125
Employers' net pension asset/(liability)	<u>\$ (5,641,750)</u>	<u>\$ 5,921,056</u>
Ratio of plan net position to the employers' total pension asset/(liability)	97.78%	104.00%

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2026 represent the projected employer contribution for the period of April 1, 2026 through June 30, 2026 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to \$201,445

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 \$1,474,230.

X. Postemployment Benefits

A. General Information About the OPEB Plan

Plan Description – The District’s defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2026, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	370
Active Employees	238
Total	608

B. Total OPEB Liability

The District’s total OPEB liability of \$39,278,140 was measured as of June 30, 2026, and was determined by an actuarial valuation as of that date.

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

Inflation	2.40%
Salary Increases	2.40%, average, including inflation
Discount Rate	4.67%
Healthcare Cost Trend Rates	Initial rate of 6.60% decreasing to an ultimate rate of 3.80% over 49 years
Retirees' Share of Benefit-Related Costs	Varies depending on contract

The discount rate was based on a yield or index rate for 20-year, tax exempt general obligation municipal bonds.

Mortality rates were based on the PubT-2010 Headcount-weighted Mortality Table for Teaching Positions and PubG- 2010 Headcount-Weighted Mortality table for Non-Teaching positions with scale MP-2021 as appropriate.

(X.) (Continued)

C. Changes in the Total OPEB Liability

Balance at June 30, 2025	\$ 35,728,937
<u>Changes for the Year -</u>	
Service cost	\$ 1,059,419
Interest	1,866,511
Changes in assumptions or other inputs	2,434,053
Benefit payments	(1,810,780)
Net Changes	\$ 3,549,203
Balance at June 30, 2026	\$ 39,278,140

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.67%) or 1-percentage-point higher (5.67%) than the current discount rate:

	1% Decrease	Discount	1% Increase
	(3.67%)	Rate	(5.67%)
	(4.67%)		(5.67%)
Total OPEB Liability	\$ 44,609,907	\$ 39,278,140	\$ 34,878,468

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.60% decreasing to 2.80%) or 1-percentage-point higher (7.60% decreasing to 4.80%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare	1% Increase
	(5.60%	Cost Trend Rates	(7.60%
	Decreasing	(6.60%	Decreasing
	to 2.80%)	Decreasing	Decreasing
	to 2.80%)	to 3.80%)	to 4.80%)
Total OPEB Liability	\$ 33,688,216	\$ 39,278,140	\$ 46,309,141

D. OPEB Asset and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the District recognized OPEB expense of (\$5,033,054). At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Differences between expected and actual experience	\$ 5,873,897	\$ 27,216,680
Changes of assumptions	2,522,346	8,562,028
Total	\$ 8,396,243	\$ 35,778,708

(X.) (Continued)

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

<u>Year</u>	
2027	\$ (7,643,588)
2028	(5,434,689)
2029	(6,972,409)
2030	(6,862,823)
2031	(468,956)
Total	<u>\$ (27,382,465)</u>

XI. Risk Management

A. General Information

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

B. Health Plan

For its employee health and dental insurance coverage the Phelps-Clifton Springs Central School District is a Participant in the Finger Lakes Area School Health Plan (FLASHP). FLASHP was formed under Article 5-G of the New York State Municipal Law. FLASHP is a non-risk-retained public entity risk pool for its employees' health and dental insurance coverage. The pool is operated for the benefit of municipal corporations (city, town, village, fire district, school district or board of cooperative educational services - BOCES) and community colleges located within the Finger Lakes Region in New York. Current membership includes thirty-seven (37) Participants.

FLASHP contracts with an insurance company to provide services for all of its members. FLASHP negotiates and approves annual contracts from the insurance company for the Participants' health and dental insurance coverage. The District is billed directly by and pays the monthly premiums to the insurance carrier for this coverage. The District has essentially transferred all related risks to the insurance carrier. During the year ended June 30, 2026, the District incurred premiums or contribution expenditures totaling \$6,932,740.

C. Workers' Compensation

The District is a Participant in the Wayne-Finger Lakes School Workers' Compensation Plan (Plan). The Plan is sponsored by the Ontario-Seneca-Yates-Cayuga-Wayne Counties Board of Cooperative Educational Services (Wayne-Finger Lakes BOCES). The Plan's objectives are to furnish workers' compensation benefits at a significant cost savings and to provide for risk management to reduce future liability for workers compensation. Membership in the Plan may be offered to any component district of Wayne-Finger Lakes BOCES with the approval of the Board of Trustees. Such membership shall become effective on the first day of the calendar month following the adoption by the Board of Trustees of the resolution to accept a new Participant. Current membership of the Plan includes Participants from twenty-three (23) municipal corporations.

(XI.) (Continued)

Voluntary withdrawal from the Plan is subject to the following constraints:

1. Effective only once annually on the last day of the Plan year.
2. Notice on intention to withdraw must be given in writing to the Chairperson of the Board of Trustees and Treasurer not less than one (1) year prior to the end of the Plan year. Failure to provide at least one (1) years' notice will result in continued membership in the plan for another year unless all other Participants consents to such withdrawal.
3. Participant is responsible for their pro-rata share of exit fees (claim liability fee, administrative fee, and insurance cost) or entitled to any pro-rata share of surplus at the end of the Plan year in which withdrawal occurs including actual expenses and recognition of any claims/expenses incurred at the time of withdrawal but not yet paid.

The Plan is administered by Wayne-Finger Lakes BOCES. The Plan Participants are charged an annual assessment which is allocated in light of comparative experience and relative exposure based on the estimated total liability of the participating members actuarially computed each year. However, if the Board of Trustees determines that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board of Trustees shall determine the amount needed to meet such deficiency and shall assess such amount against all Participants their pro-rata share, such additional assessment is due within sixty (60) days after written notification from the Chairperson of the Board of Trustees.

The Plan purchases, on an annual basis, stop-loss insurance to limit exposure for claims paid. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. During the year ended June 30, 2026, the District incurred premiums or contribution expenditures totaling \$101,400.

The Plan is audited on an annual basis and is available at the Wayne-Finger Lakes BOCES administrative offices. The most recent audit available for the year ended June 30, 2025, revealed that the Plan is fully funded.

D. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The District has established a self insurance fund to pay these claims. There were no claim and judgment expenditures of this program for the 2025-26 fiscal year. The balance of the fund at June 30, 2026 was \$136,897 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2026, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XII. Commitments and Contingencies

A. Litigation

There are two lawsuits filed against the District of which the outcomes cannot be determined at this time.

B. Grants

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

XIII. Tax Abatement

The County of Ontario IDA, and the District enter into various property tax abatement programs for the purpose of Economic Development. As a result, the district property tax revenue was reduced \$115,581. The District received payment in lieu of tax (PILOT) payment totaling \$68,419 to help offset the property tax reduction.

Required Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Changes in District's Total OPEB Liability and Related Ratio
For The Year Ended June 30, 2026

	TOTAL OPEB LIABILITY									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
Service cost	\$ 1,059,419	\$ 1,431,154	\$ 2,615,280	\$ 2,595,372	\$ 1,981,035	\$ 3,610,933	\$ 2,864,712	\$ 2,684,661	\$ 2,142,464	
Interest	1,866,511	3,068,748	2,897,425	2,229,936	1,577,386	2,305,998	2,952,786	2,224,142	2,146,599	
Changes in benefit terms	-	-	-	-	-	(25,930,527)	-	1,708,177	-	
Differences between expected and actual experiences	-	(38,620,166)	-	17,062,273	-	(12,049,138)	-	6,552,258	462,873	
Changes of assumptions or other inputs	2,434,053	(5,894,433)	(3,239,275)	(2,575,856)	(11,415,609)	5,005,329	16,118,278	(329,399)	-	
Benefit payments	<u>(1,810,780)</u>	<u>(1,803,444)</u>	<u>(2,958,628)</u>	<u>(2,927,796)</u>	<u>(2,666,836)</u>	<u>(2,591,932)</u>	<u>(2,805,175)</u>	<u>(2,783,649)</u>	<u>(2,636,211)</u>	
Net Change in Total OPEB Liability	\$ 3,549,203	\$ (41,818,141)	\$ (685,198)	\$ 16,383,929	\$ (10,524,024)	\$ (29,649,337)	\$ 19,130,601	\$ 10,056,190	\$ 2,115,725	
Total OPEB Liability - Beginning	<u>35,728,937</u>	<u>77,547,078</u>	<u>78,232,276</u>	<u>61,848,347</u>	<u>72,372,371</u>	<u>102,021,708</u>	<u>82,891,107</u>	<u>72,834,917</u>	<u>70,719,192</u>	
Total OPEB Liability - Ending	<u>\$ 39,278,140</u>	<u>\$ 35,728,937</u>	<u>\$ 77,547,078</u>	<u>\$ 78,232,276</u>	<u>\$ 61,848,347</u>	<u>\$ 72,372,371</u>	<u>\$ 102,021,708</u>	<u>\$ 82,891,107</u>	<u>\$ 72,834,917</u>	
Covered Employee Payroll	\$ 13,665,982	\$ 13,665,982	\$ 12,670,832	\$ 12,670,832	\$ 12,315,051	\$ 12,315,051	\$ 13,033,306	\$ 13,033,306	\$ 13,132,266	
Total OPEB Liability as a Percentage of Covered Employee Payroll	287.42%	261.44%	612.01%	617.42%	502.22%	587.67%	782.78%	635.99%	554.63%	

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

Required Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability
For The Year Ended June 30, 2026

NYSERS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net pension liability (assets)	0.0098%	0.0117%	0.0098%	0.0093%	0.0102%	0.0097%	0.0096%	0.0093%	0.0091%	0.0092%
Proportionate share of the net pension liability (assets)	\$ 555,250	\$ 2,005,780	\$ 1,445,182	\$ 2,002,372	\$ (831,674)	\$ 9,685	\$ 2,552,280	\$ 659,891	\$ 293,894	\$ 861,598
Covered-employee payroll	\$ 4,031,273	\$ 4,540,883	\$ 3,717,529	\$ 3,386,739	\$ 3,598,059	\$ 3,428,577	\$ 3,311,562	\$ 3,146,973	\$ 3,049,170	\$ 2,974,868
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	13.774%	44.172%	38.875%	59.124%	(23.115%)	0.282%	77.072%	20.969%	9.638%	28.963%
Plan fiduciary net position as a percentage of the total pension liability	97.78%	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%
NYSTRS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net pension liability (assets)	0.0675%	0.0690%	0.0699%	0.0394%	0.0676%	0.0673%	0.0673%	0.0677%	0.0686%	0.0092%
Proportionate share of the net pension liability (assets)	\$ (3,996,055)	\$ (2,057,966)	\$ 799,892	\$ 1,331,264	\$ (11,716,687)	\$ 1,860,355	\$ (1,748,896)	\$ (1,224,360)	\$ (521,573)	\$ 734,467
Covered-employee payroll	\$ 13,395,592	\$ 13,388,204	\$ 12,918,411	\$ 13,101,743	\$ 12,460,485	\$ 11,592,795	\$ 11,545,508	\$ 11,384,580	\$ 11,126,066	\$ 10,932,350
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	(29.831%)	(15.371%)	6.192%	10.161%	(94.031%)	16.048%	(15.148%)	(10.755%)	(4.688%)	6.718%
Plan fiduciary net position as a percentage of the total pension liability	104.00%	102.10%	99.20%	98.60%	113.20%	97.80%	102.20%	101.53%	100.66%	99.01%

(See Independent Auditors' Report)

Required Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District Contributions
For The Year Ended June 30, 2026

NYSERS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 631,376	\$ 669,736	\$ 466,213	\$ 385,513	\$ 583,469	\$ 497,418	\$ 475,906	\$ 468,870	\$ 464,235	\$ 461,389
Contributions in relation to the contractually required contribution	(631,376)	(669,736)	(466,213)	(385,513)	(583,469)	(497,418)	(475,906)	(468,870)	(464,235)	(461,389)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,031,273	\$ 4,540,883	\$ 3,717,529	\$ 3,386,739	\$ 3,598,059	\$ 3,428,577	\$ 3,311,562	\$ 3,146,973	\$ 3,049,170	\$ 2,974,868
Contributions as a percentage of covered-employee payroll	15.66%	14.75%	12.54%	11.38%	16.22%	14.51%	14.37%	14.90%	15.22%	15.51%
NYSTRS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	1,474,230	1,524,731	\$ 1,448,127	\$ 1,479,988	\$ 1,327,503	\$ 1,185,180	\$ 1,102,303	\$ 1,290,462	\$ 1,166,454	\$ 1,403,149
Contributions in relation to the contractually required contribution	(1,474,230)	(1,524,731)	(1,448,127)	(1,479,988)	(1,327,503)	(1,185,180)	(1,102,303)	(1,290,462)	(1,166,454)	(1,403,149)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 13,395,592	\$ 13,388,204	\$ 12,918,411	\$ 13,101,743	\$ 12,460,485	\$ 11,592,795	\$ 11,545,508	\$ 11,384,580	\$ 11,126,066	\$ 10,932,350
Contributions as a percentage of covered-employee payroll	11.01%	11.39%	11.21%	11.30%	10.65%	10.22%	9.55%	11.34%	10.48%	12.83%

(See Independent Auditors' Report)

Required Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For The Year Ended June 30, 2026

	Original Budget	Amended Budget	Over (Under) Original Budget	Current Year's Revenues	Over (Under) Amended Budget
REVENUES					
Local Sources -					
Real property taxes	\$ 16,160,997	\$ 14,531,865	\$ (1,629,132)	\$ 14,523,144	\$ (8,721)
Real property tax items	80,176	1,709,308	1,629,132	1,722,567	13,259
Charges for services	25,625	25,625	-	259,777	234,152
Use of money and property	1,002,280	1,002,280	-	1,650,266	647,986
Sale of property and compensation for loss	5,000	5,000	-	25,067	20,067
Miscellaneous	145,000	145,000	-	609,222	464,222
State Sources -					
Basic formula	26,891,431	22,366,143	(4,525,288)	23,474,194	1,108,051
Lottery aid	-	4,524,418	4,524,418	4,524,418	-
BOCES	2,000,466	2,000,466	-	2,556,425	555,959
Textbooks	118,000	87,492	(30,508)	87,492	-
All Other Aid -					
Computer software	27,998	50,139	22,141	49,897	(242)
Library loan	-	9,237	9,237	9,237	-
Other aid	-	-	-	4,124	4,124
Federal Sources	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>52,371</u>	<u>(67,629)</u>
TOTAL REVENUES	<u>\$ 46,576,973</u>	<u>\$ 46,576,973</u>	<u>\$ -</u>	<u>\$ 49,556,388</u>	<u>\$ 2,979,415</u>
Other Sources -					
Transfer - in	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 257,177</u>	<u>\$ (42,823)</u>
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 46,876,973</u>	<u>\$ 46,876,973</u>	<u>\$ -</u>	<u>\$ 49,813,565</u>	<u>\$ 2,936,592</u>
Appropriated reserves	<u>\$ 509,787</u>	<u>\$ 1,398,024</u>			
Appropriated fund balance	<u>\$ -</u>	<u>\$ 2,000,000</u>			
Prior year encumbrances	<u>\$ 20,279</u>	<u>\$ 20,279</u>			
TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND BALANCE	<u><u>\$ 47,407,039</u></u>	<u><u>\$ 50,295,276</u></u>			

Required Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual - General Fund
For The Year Ended June 30, 2026

	Original	Amended	Over (Under)	Current		Unencumbered
	<u>Budget</u>	<u>Budget</u>	<u>Original</u>	<u>Year's</u>	<u>Encumbrances</u>	<u>Balances</u>
			<u>Budget</u>	<u>Expenditures</u>		
EXPENDITURES						
General Support -						
Board of education	\$ 106,870	\$ 106,870	\$ -	\$ 91,578	\$ -	\$ 15,292
Central administration	189,615	189,615	-	180,872	-	8,743
Finance	713,150	779,418	66,268	742,441	-	36,977
Staff	202,000	202,000	-	143,731	-	58,269
Central services	3,173,103	3,588,964	415,861	3,258,847	122,990	207,127
Special items	611,514	581,514	(30,000)	538,487	-	43,027
Instructional -						
Instruction, administration and improvement	1,544,772	1,512,302	(32,470)	1,387,322	109	124,871
Teaching - regular school	9,043,124	8,967,674	(75,450)	8,558,421	41,677	367,576
Programs for children with handicapping conditions	7,877,273	7,757,150	(120,123)	7,503,741	-	253,409
Occupational education	1,255,150	1,383,827	128,677	1,063,041	-	320,786
Teaching - special schools	140,679	186,667	45,988	165,322	-	21,345
Instructional media	1,924,671	1,943,730	19,059	1,850,326	-	93,404
Pupil services	2,059,630	2,008,918	(50,712)	1,720,526	25,161	263,231
Pupil Transportation	2,175,765	1,922,203	(253,562)	1,549,522	-	372,681
Community Services	127,274	129,018	1,744	113,306	-	15,712
Employee Benefits	12,752,968	10,735,482	(2,017,486)	10,473,492	-	261,990
Debt service - principal	2,270,000	2,256,897	(13,103)	2,247,975	-	8,922
Debt service - interest	1,064,481	979,790	(84,691)	946,558	-	33,232
TOTAL EXPENDITURES	<u>\$ 47,232,039</u>	<u>\$ 45,232,039</u>	<u>\$ (2,000,000)</u>	<u>\$ 42,535,508</u>	<u>\$ 189,937</u>	<u>\$ 2,506,594</u>
Other Uses -						
Transfers - out	\$ 175,000	\$ 5,063,237	\$ 4,888,237	\$ 4,938,989	\$ -	\$ 124,248
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 47,407,039</u>	<u>\$ 50,295,276</u>	<u>\$ 2,888,237</u>	<u>\$ 47,474,497</u>	<u>\$ 189,937</u>	<u>\$ 2,630,842</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -		\$ 2,339,068		
FUND BALANCE, BEGINNING OF YEAR	<u>16,159,570</u>	<u>16,159,570</u>		<u>16,159,570</u>		
FUND BALANCE, END OF YEAR	<u>\$ 16,159,570</u>	<u>\$ 16,159,570</u>		<u>\$ 18,498,638</u>		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

Required Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Note to budgetary Comparison Schedule
For The Year Ended June 30, 2026

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

Expenditure Items	Budget Variance Original Vs. Amended	Explanation for Budget Variance
Employee Benefits	\$ (2,017,486)	Conservative budgeting allowing transfers to other functions that had negative balances.
Transfers-Out	\$ 4,888,237	\$4,000,000 to Capital for Emergency Roof project and \$888,237 for transfer to capital-buses.

Revenue Items	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Use of Money and Property	\$ 647,986	Conservative budgeting for interest earnings due to variable interest rates.
State Sources	\$ 1,667,892	Conservative budgeting, expensed based state aid categories can be difficult to project.

Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change From Adopted Budget To Final Budget
And The Real Property Tax Limit
For The Year Ended June 30, 2026

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

Adopted budget	\$ 47,386,760
Prior year's encumbrances	<u>20,279</u>
Original Budget	\$ 47,407,039
Budget revisions -	
Transfer to capital-buses	888,237
Emergency roof project	<u>2,000,000</u>
FINAL BUDGET	<u>\$ 50,295,276</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

2026-27 voter approved expenditure budget	\$ 48,944,277
<u>Unrestricted fund balance:</u>	
Assigned fund balance	\$ 189,937
Unassigned fund balance	<u>1,957,771</u>
Total Unrestricted fund balance	<u>\$ 2,147,708</u>
<u>Less adjustments:</u>	
Encumbrances included in assigned fund balance	<u>\$ 189,937</u>
Total adjustments	<u>\$ 189,937</u>
General fund fund balance subject to Section 1318 of	
Real Property Tax Law	<u>1,957,771</u>
ACTUAL PERCENTAGE	<u><u>4.00%</u></u>

Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
CAPITAL PROJECTS FUND
Schedule of Project Expenditures
For The Year Ended June 30, 2026

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>					<u>Fund Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		<u>Obligations</u>	<u>Local Sources</u>	<u>State Sources</u>	<u>Transfers</u>	<u>Total</u>	
2019-20 Building Renovations	\$ 15,600,000	\$ 15,600,000	\$ 15,205,753	\$ 85,193	\$ 15,290,946	\$ -	\$ 10,780,000	\$ 4,820,000	\$ -	\$ (309,054)	\$ 15,290,946	\$ -
2021-22 Bus Lift Project	210,000	288,000	249,665	-	249,665	38,335	-	288,000	-	(38,335)	249,665	-
2021-22 Bus Lift Project	450,000	450,000	307,380	-	307,380	142,620	-	450,000	-	(142,620)	307,380	-
2024-25 Bus Purchase	1,073,880	1,073,880	852,437	172,021	1,024,458	-	-	1,073,880	-	(49,422)	1,024,458	-
2025-26 Bus Purchase	888,237	888,237	-	852,533	852,533	35,704	-	803,111	-	49,422	852,533	-
2024-25 Capital Improvements	35,000,000	35,000,000	297,246	1,207,891	1,505,137	33,494,863	-	11,000,000	-	-	11,000,000	9,494,863
Emergency Pool Project	2,500,000	2,500,000	1,843,597	271,600	2,115,197	384,803	-	2,500,000	-	-	2,500,000	384,803
Emergency Roof Project	4,000,000	4,000,000	-	65,521	65,521	3,934,478	-	4,000,000	-	-	4,000,000	3,934,479
Smart School Bond Act	1,739,943	1,739,943	1,668,002	-	1,668,002	71,941	-	-	1,668,002	-	1,668,002	-
TOTAL	\$ 61,462,060	\$ 61,540,060	\$ 20,424,080	\$ 2,654,759	\$ 23,078,839	\$ 38,102,744	\$ 10,780,000	\$ 24,934,991	\$ 1,668,002	\$ (490,009)	\$ 36,892,984	\$ 13,814,145

Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

	Special		
	Revenue Funds		Total
	School	Miscellaneous	Nonmajor
	Lunch	Special Revenue	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 284,470	\$ 118,450	\$ 402,920
Investments	654,344	226,608	880,952
Receivables	144,225	-	144,225
Inventories	51,767	-	51,767
TOTAL ASSETS	\$ 1,134,806	\$ 345,058	\$ 1,479,864
LIABILITIES AND FUND BALANCES			
<u>Liabilities</u> -			
Accrued liabilities	\$ 2,668	\$ -	\$ 2,668
Due to other funds	130,155	-	130,155
Due to other governments	468	-	468
Unearned revenue	7,279	-	7,279
TOTAL LIABILITIES	\$ 140,570	\$ -	\$ 140,570
<u>Fund Balances</u> -			
Nonspendable	\$ 51,767	\$ -	\$ 51,767
Restricted	-	345,058	345,058
Assigned	942,469	-	942,469
TOTAL FUND BALANCE	\$ 994,236	\$ 345,058	\$ 1,339,294
TOTAL LIABILITIES AND			
FUND BALANCES	\$ 1,134,806	\$ 345,058	\$ 1,479,864

Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For The Year Ended June 30, 2026

	Special Revenue Funds		Total Nonmajor Governmental Funds
	School Lunch Fund	Miscellaneous Special Revenue Fund	
REVENUES			
Use of money and property	\$ 27,559	\$ 9,412	\$ 36,971
Miscellaneous	79,676	108,966	188,642
State sources	370,448	-	370,448
Federal sources	969,051	-	969,051
Sales	58,541	-	58,541
TOTAL REVENUES	\$ 1,505,275	\$ 118,378	\$ 1,623,653
EXPENDITURES			
Employee benefits	\$ 215,168	\$ -	\$ 215,168
Cost of sales	568,626	-	568,626
Other expenses	482,975	100,458	583,433
TOTAL EXPENDITURES	\$ 1,266,769	\$ 100,458	\$ 1,367,227
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 238,506	\$ 17,920	\$ 256,426
OTHER FINANCING SOURCES (USES)			
Transfers - out	\$ (76,222)	\$ -	\$ (76,222)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (76,222)	\$ -	\$ (76,222)
NET CHANGE IN FUND BALANCE	\$ 162,284	\$ 17,920	\$ 180,204
FUND BALANCE, BEGINNING OF YEAR	831,952	327,138	1,159,090
FUND BALANCE, END OF YEAR	\$ 994,236	\$ 345,058	\$ 1,339,294

Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets/ Right to Use Assets
For The Year Ended June 30, 2026

Capital assets/right to use assets, net	\$ 52,453,714
--	----------------------

Deduct:

Bond payable	\$ 17,755,000	
Leases liability	69,182	
Deferred inflow advanced refunding	<u>330,000</u>	
		<u>18,154,182</u>

Net Investment in Capital Assets/Right to Use Assets	<u><u>\$ 34,299,532</u></u>
---	------------------------------------

Supplementary Information
PHELPS - CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2026

<u>Grantor / Pass - Through Agency</u> <u>Federal Award Cluster / Program</u>	<u>Assistance</u> <u>Listing</u> <u>Number</u>	<u>Pass-Through</u> <u>Agency</u> <u>Number</u>	<u>Total</u> <u>Expenditures</u>
<u>U.S. Department of Education:</u>			
<u>Passed Through NYS Education Department -</u>			
<u>Special Education Cluster IDEA -</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	0032-26-0671	\$ 458,048
Special Education - Preschool Grants (IDEA Preschool)	84.173	0033-26-0671	23,491
<i>Total Special Education Cluster IDEA</i>			<u>\$ 481,539</u>
Title IIA - Supporting Effective Instruction State Grant	84.367	0147-26-2205	36,583
Title IIIA - English Language Acquisition	84.365	0293-26-2205	2,322
Title IV - Student Support and Enrichment Program	84.424	0204-26-2205	38,245
Title I - School Improvement	84.010	0011-26-2222	124,875
Title I - Grants to Local Educational Agencies	84.010	0021-26-2205	477,923
Total U.S. Department of Education			<u>\$ 1,161,487</u>
<u>U.S. Department of Agriculture:</u>			
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>			
<u>Child Nutrition Cluster -</u>			
National School Lunch Program	10.555	431301060000	\$ 617,839
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	431301060000	100,137
National School Breakfast Program	10.553	431301060000	251,075
<i>Total Child Nutrition Cluster</i>			<u>\$ 969,051</u>
Total U.S. Department of Agriculture			<u>\$ 969,051</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,130,538</u>

**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***

Independent Auditors' Report

To the Board of Education
Phelps-Clifton Springs Central School District, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Phelps-Clifton Springs 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 October 3, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Fairport, New York
October 3, 2026

Mengel, Metzger, Barw & Co. LLP