MARCELLUS CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

June 30, 2026

MARCELLUS CENTRAL SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Marcellus Central School District
Marcellus, 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 Marcellus Central School District (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 Marcellus Central School District as of June 30, 2026, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for Financial Statements

Marcellus Central School 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 Marcellus Central School District's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis (MD&A); schedule of changes in the District's OPEB liability and related ratios; budgetary comparison schedule – general fund and related notes; schedule of district contributions; and schedule of district's proportionate share of net pension asset (liability)* on pages 4-10, and 50-54, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marcellus Central School District's basic financial statements. The *schedule of change from adopted budget to final budget and the real property tax limit - general fund; the schedule of project expenditures – capital projects fund;* and *net investment in capital assets* on pages 55-57 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of change from adopted budget to final budget and the real property tax limit - general fund; the schedule of project expenditures – capital projects fund*; and *net investment in capital assets* are 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 19, 2026 on our consideration of Marcellus Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 Marcellus Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Grossman St Amour CPAs

Syracuse, New York
October 19, 2026

The purpose of management's discussion and analysis (MD&A) is to help the Marcellus Central School District's (the District) residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the District's finance team's knowledge of the District's finances.

If you have questions about this report or require further information, contact the District's business office at 2 Reed Parkway, Marcellus, NY 13108 or through phone at 315-673-6000. You may also visit the Districts website at www.marcellusschools.org for further information.

Overview of the Financial Statements

The District's financial report contains basic financial statements. Those financial statement present the District's finances at both an overall and a detailed level. The first financial statement is the government-wide financial statements that cover the District's governmental activities.

- Governmental activities comprise the District's most basic functions of delivering quality educational services to students by carrying out the District's mission. Our District's mission: To connect, empower and ignite.

The remaining basic financial statements present the District's finances in greater detail. These fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The District currently reports all of its governmental activities in the following types of governmental funds:

- The general fund accounts for all financial resources except those accounted for in another fund.
- Special revenue funds account for the proceeds of specific revenue sources that are restricted or committed to expenditure for a specific purpose, such as the District's school food service program or the District's special aid fund whereby revenue sources are primarily from federal and state grants.
- The District also uses capital projects funds to account for financial resources to be used for the acquisition or construction of capital facilities and other capital assets.

The next section of this financial report contains notes to the financial statements, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District use notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts where determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements.

The District's government wide financial statements use the economic resources measurement of focus and accrual basis of accounting. In other words, they comprehensively report all types of financial statement elements:

- *Assets*—resources the District controls, from short-term assets like cash to long-term assets like buildings and other capital equipment.
- *Liabilities*—amounts the District owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions

- *Deferred outflows of resources* and *deferred inflows of resources*—flows that occurred during the year, or in *prior* years, that will not be reported as expenses and revenues until the future year to which they are related
- *Revenues and expenses*—inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the capital activities of the District.

	Financial Statements	
	Government-Wide	Governmental Fund
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term.	Only current financial resources, such as cash, taxes receivable, and accounts payable.
Types of revenues/additions	All types of revenues/additions that flow into the District during the year that relate to that year, regardless of when cash is paid.	Only revenues that are measurable and available to finance expenditures of that year.
Types of expenses / deductions / expenditures	All types of expenses/deductions that flow out of the District during the year that relate to that year, regardless of when cash is paid.	Only expenditures for which the related governmental fund liability is incurred in that year.
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the District during the year that relate to a future year.	Current financial resources that flow into and out of the governmental funds during the year that relate to a future year.

More detail about the measurement focuses and bases of accounting can be found in the first note to the financial statements, the summary of significant accounting policies, beginning on page 17.

Analysis of the District's Finances

Table 1:

	Governmental Activities and Total School District		Total Percentage Change
	2026	2025	2025 - 2026
Current and other assets	$ 7,453,000	$ 9,820,000	-24.10%
Capital assets	71,139,000	71,890,000	-1.04%
Net pension asset	4,881,000	2,486,000	96.34%
Total assets	83,473,000	84,196,000	-0.86%
Deferred outflow of resources	10,152,000	11,894,000	-14.65%
Total assets and deferred outflow of resources	$ 93,625,000	$ 96,090,000	
Long-term debt-due in one year	$ 5,120,000	$ 6,037,000	-15.19%
Long-term debt-due in more than one year	74,132,000	84,951,000	-12.74%
Net pension liability	629,000	1,951,000	-67.76%
Other liabilities	4,395,000	4,135,000	6.29%
Total liabilities	84,276,000	97,074,000	-13.18%
Deferred inflow of resources	20,496,000	11,029,000	85.84%
Net position (deficit):			
Invested in capital assets	71,139,000	71,890,000	-1.04%
Related debt	(38,870,000)	(41,491,000)	-6.32%
Restricted	2,583,000	3,149,000	-17.97%
Unrestricted net deficit	(45,999,000)	(45,561,000)	0.96%
Total net deficit	(11,147,000)	(12,013,000)	-7.21%
Total liabilities and net position (deficit)	$ 93,625,000	$ 96,090,000	

The condensed summary above shows that as of June 30, 2026, the District's total net deficit was $11,147,000 representing a decrease of $867,000 or -7.21% from 2025.

At June 30, 2026 there was a $2,395,000 net increase of the TRS pension asset and a $1,322,000 net decrease of the ERS liability from 2025. Total liabilities excluding the ERS liability decreased $11,476,000, primarily due to the decrease in the other postemployment benefits payable of $8,726,000 and payments on the bonds payable of $2,997,000.

Governmental Activities

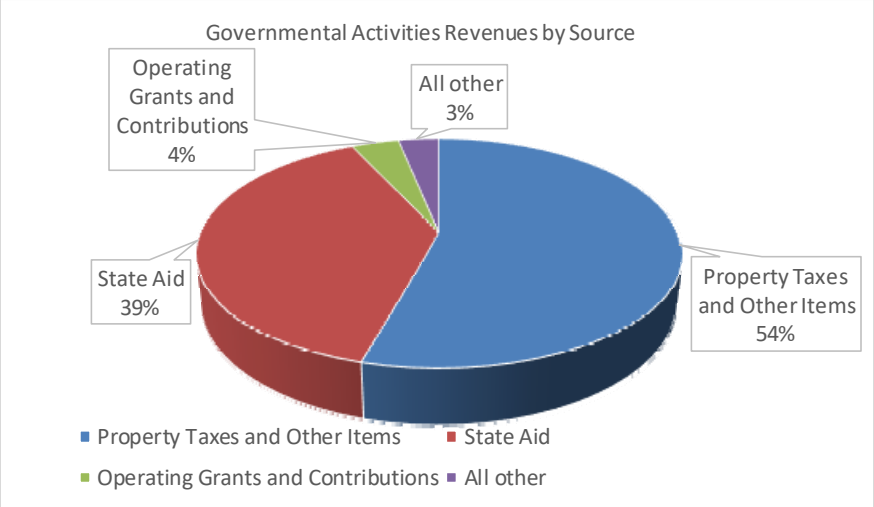
The District's overall revenues exceeded expenses in the current year, which resulted in an increase in net position of $867,000. The overall increase in net position is attributed to the following significant items:

- The District participates in multi-employer pension plans (TRS and ERS) which are managed by trustees for these two plans. The required funding, investment allocation and other significant assumptions impacting these plans is not directly controlled by the District. The changes in the funding, investment returns and actuarial assumptions impact the District's expenses, whereby in 2026, these changes resulted in a decrease of benefit expenses of $1,618,000. These decreased expenses are not current year cash savings, therefore not impacting fund balance but impact the overall net position of the District.
- Operating grants and contributions increased by $512,000, which is attributed to the New York State Universal Free Meals starting in school year 2025-2026. Under this program, the state reimbursed the District up to the combined state and federal reimbursement rate for a free meal for each federally reimbursed reduced-price and paid meal claimed. This program allowed for every student to receive free meals.

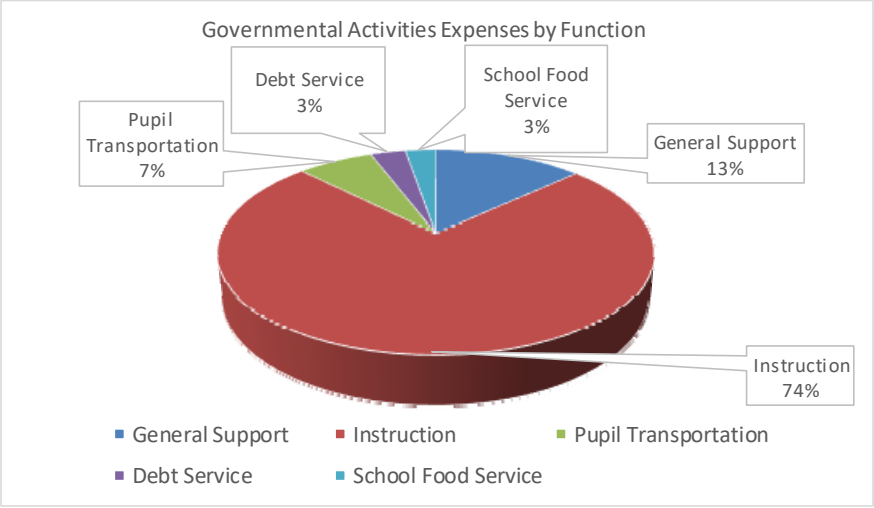
Table 2:

	Governmental Activities and Total School District		Total Percentage Change
	2026	2025	2025 - 2026
REVENUES			
Program revenues:			
Charges for services	$ 153,000	$ 513,000	-70.18%
Operating grants and contributions	1,613,000	1,101,000	46.50%
General revenues:			
Property taxes and other tax items	23,151,000	22,304,000	3.80%
State sources	16,516,000	16,747,000	-1.38%
Federal sources	101,000	114,000	-11.40%
Other general revenues	1,112,000	1,283,000	-13.33%
Total revenues	42,646,000	42,062,000	1.39%
PROGRAM EXPENSES			
General support	5,505,000	6,012,000	-8.43%
Instruction	31,057,000	32,523,000	-4.51%
Pupil transportation	2,800,000	2,669,000	4.91%
Debt service	1,297,000	2,298,000	-43.56%
School food service	1,120,000	856,000	30.84%
Total expenses	41,779,000	44,358,000	-5.81%
Change in net position	$ 867,000	$ (2,296,000)	-137.76%

Governmental Activities (continued)



The District's two primary revenue sources are the State Aid and local property taxes and other items. The overall revenues by source are consistent with 2025, with a slight increase in property taxes by 1% and a decrease of 1% in State Aid in 2026.



The District's overall program expenses decreased by $2,579,000 or 5.81% from 2025. Expenses by function are relatively consistent with the prior year with instruction increasing by 1%, school food service by 1%, and pupil transportation by 1%. General support decreased by 1% and debt service by 2%.

Governmental Funds

The District reports two major funds individually in the governmental fund financial statements. Those funds are the general and capital projects funds. As stated earlier, the fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources.

	General Fund		Capital Projects Fund	
	2026	2025	2026	2025
Total revenues	$ 40,199,932	$ 39,599,325	$ -	$ 293,790
Total expenditures	41,544,065	40,367,280	1,675,974	3,412,674
Excess (deficiency) of revenues over expenditures	(1,344,133)	(767,955)	(1,675,974)	(3,118,884)
Other financing sources and uses				
BANS redeemed from appropriations	-	-	377,008	269,007
Interfund transfers - in	-	-	-	2,700,000
Interfund transfers - out	(31,808)	(2,558,738)	-	-
Total other sources (uses)	(31,808)	(2,558,738)	377,008	2,969,007
Net change in fund balances	(1,375,941)	(3,326,693)	(1,298,966)	(149,877)
Fund balances - beginning of year	5,550,577	8,877,270	30,599	180,476
Fund balances (deficits) - end of year	$ 4,174,636	$ 5,550,577	$ (1,268,367)	$ 30,599

General Fund

Annually, the District's general fund expenditures are approved by voters, as such, the financial resources required for these expenditures, such as the property tax levy are tied into the approved expenditures for the 2026 fiscal year. The District's expenses exceeded revenues by $1,375,941. The overall net change in fund balance for the general fund increased by $1,951,000, as in the prior year an amount of $2,700,000 was liquidated from the capital reserve and transferred to the capital project fund.

Capital Project Fund

The District has various ongoing capital projects. The most significant ongoing project is the 2021 Capital Outlay project, whereby the District expended $922,139 on this voter approved project in 2026. This project is to reconstruct, renovate, improve, rehabilitate, furnish and equip the Marcellus Senior High School, Driver Middle School and K.C. Heffernan Elementary Schools. The District has a long history of successful capital improvement projects and continues to invest in its facilities, which will allow a safe and secure environment for all students and staff, maintaining a source of pride among members of the community and add to the student's daily learning experience through facility improvements. Bus purchases were also made in 2026 of $753,640 within the Capital Project Fund.

Capital Asset and Long-Term Financing Activity

The District's overall carrying value of capital assets decreased to $71,138,708. As discussed earlier, the District continues with significant capital projects and bus purchases over the past year, whereby capital assets increased $2,064,850. Disposals of fixed assets totaled $709,948, and depreciation totaled $2,783,865.

The District's long-term financing is related to its capital projects. During 2026, the District had ordinary payments of principal on its outstanding financing of $2,996,917, whereby bonds payable was $37,090,634 as of June 30, 2026.

Currently Known Facts, Decisions, or Conditions

Property Taxes and State Aid

New York State has a property tax cap applicable to municipal entities, including school districts. Under this law the growth in the property tax levy, the total amount to be raised through property taxes charged on the District's taxable assessed value of property, is capped at two percent or the rate of inflation, whichever is less, with some exceptions. The exclusions provided in the formula (pension costs and debt service) can be difficult to forecast and thus, have a dramatic impact on the tax cap limit. For the 2025-2026 year, the District had a tax levy increase of 3.46%, the District's allowable limit. For 2026, the District's property taxes and other items levied represent approximately 54% of the revenues of the District.

The District also receives financial assistance from New York State. The District received approximately 39% of its revenues from financial assistance from New York State in the 2025-2026 year. New York State is not constitutionally obligated to maintain or continue financial assistance to the District at present levels. In addition, any delays by New York State in adopting its budget may delay payment of New York State assistance. The New York State budget is due by April 1st each year, but for fiscal year 2026/2027, the budget wasn't approved until May 28, 2026. Any significant adverse change in New York States financial position may materially impact the District.

Budget – 2026-2027

The District's general fund budget was approved by voters on May 19, 2026, authorizing the District to expend a sum of up to $43,330,431 for the 2026-2027 school year and levy the necessary taxes when due.

Factors bearing on the District's future

- At June 30, 2026, New York State limits the amount of general obligation debt that school districts can issue to 10% of the assessed value of all taxable property within the District's geographic limits.
- Legislative mandates and estate education department initiatives, which are not accompanied by financial support, continue to be a concern to the District.
- Employer contributions for Teachers' Retirement System and Employees' Retirement System may continue to fluctuate.
- The District is carefully evaluating the State of New York's decision that beginning in 2032 buses must be electric and the entire fleet be zero emissions by 2040. The District is currently calculating the financial impact this will have on taxpayers based on the current information available.

MARCELLUS CENTRAL SCHOOL DISTRICT

Statement of Net Position (Deficit)

June 30, 2026

ASSETS	
Cash	
Unrestricted	$ 3,442,132
Restricted	2,583,243
Receivables	
State and federal aid	1,327,953
Other	70,481
Inventories	29,893
Capital assets, net	71,138,708
Net pension asset- proportionate share	4,880,774
Total assets	83,473,184
DEFERRED OUTFLOW OF RESOURCES	
Other postemployment benefits	3,316,159
Pensions	6,944,720
Total deferred outflow of resources	10,260,879
Total assets and deferred outflow of resources	$ 93,734,063
LIABILITIES	
Accounts payable	$ 169,711
Accrued liabilities	483,372
Due to teachers' retirement system	1,776,025
Due to employees' retirement system	186,616
Notes payable	
Bond anticipation	1,779,009
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,126,917
Other postemployment benefits payable	1,729,218
Compensated absences payable	264,000
Due and payable after one year	
Bonds payable	33,963,717
Other postemployment benefits payable	39,112,944
Compensated absences payable	1,055,332
Net pension liability- proportionate share	629,478
Total liabilities	84,276,339
DEFERRED INFLOW OF RESOURCES	
Other postemployment benefits	14,957,919
Pensions	5,199,002
Total deferred inflows of resources	20,156,921
NET POSITION (DEFICIT)	
Net investment in capital assets	32,269,065
Restricted	2,583,243
Unrestricted (deficit)	(45,551,505)
Total net position (deficit)	(10,699,197)
Total liabilities, deferred inflows of resources and net position (deficit)	$ 93,734,063

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT

Statement of Activities and Changes in Net Position (Deficit)

For the Year Ended June 30, 2026

	Expenses	Indirect Expenses Allocation	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General support	$ (4,197,851)	$ (1,240,270)	$ -	$ -	$ (5,438,121)
Instruction	(24,084,465)	(6,614,770)	30,766	583,492	(30,084,977)
Pupil transportation	(2,364,497)	(413,423)	-	-	(2,777,920)
Employee benefits	(8,832,805)	8,832,805	-	-	-
Debt service - interest	(1,296,915)	-	-	-	(1,296,915)
School food service	(556,111)	(564,342)	122,079	1,029,747	31,373
Total functions and programs	$ (41,332,644)	$ -	$ 152,845	$ 1,613,239	(39,566,560)
GENERAL REVENUES					
Real property taxes					21,243,406
Other real property tax items					1,836,482
Nonproperty taxes					70,822
Use of money and property					400,487
Sale of property and compensation for loss					34,570
State sources					16,515,924
Medicaid reimbursement					100,891
Miscellaneous					677,920
Total general revenues					40,880,502
Change in net position					1,313,942
Total net deficit - beginning of year					(12,013,139)
Total net deficit - end of year					$ (10,699,197)

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2026

	Major Funds		Non-Major Funds				
	General Fund	Capital Projects Fund	Special Aid Fund	School Food Service Fund	Student Deposits Fund	Scholarships Fund	Total Governmental Funds
ASSETS							
Cash and cash equivalents							
Unrestricted	$ 3,262,223	$ -	$ -	$ 6,692	$ 173,217	$ -	$ 3,442,132
Restricted	1,615,219	710,642	89,024	-	-	168,358	2,583,243
Receivables							
State and federal aid	887,993	-	277,554	162,406	-	-	1,327,953
Due from other funds	659,589	-	-	-	-	-	659,589
Other	69,586	-	-	895	-	-	70,481
Inventories	-	-	-	29,893	-	-	29,893
Total assets	$ 6,494,610	$ 710,642	$ 366,578	$ 199,886	$ 173,217	$ 168,358	$ 8,113,291
LIABILITIES							
Accounts payable	$ 169,658	$ -	$ 53	$ -	$ -	$ -	$ 169,711
Accrued liabilities and deferred revenue	187,675	-	46,000	18,081	22,059	80,264	354,079
Due to other funds	-	200,000	320,525	137,442	1,622	-	659,589
Bond anticipation note payable	-	1,779,009	-	-	-	-	1,779,009
Due to teachers' retirement system	1,776,025	-	-	-	-	-	1,776,025
Due to employees' retirement system	186,616	-	-	-	-	-	186,616
Total liabilities	2,319,974	1,979,009	366,578	155,523	23,681	80,264	4,925,029
FUND BALANCES							
Nonspendable:							
Reserved for inventory	-	-	-	29,893	-	-	29,893
Restricted for:							
Reserved for unemployment insurance	28,386	-	-	-	-	-	28,386
Reserved for retirement contributions	1,350,804	-	-	-	-	-	1,350,804
Reserved for employee benefits accrued liability	236,029	-	-	-	-	-	236,029
Reserved for scholarships	-	-	-	-	-	88,094	88,094
Committed to:							
Committed fund balance	-	-	-	-	149,536	-	149,536
Assigned to:							
Assigned appropriated fund balance (deficit)	1,506,282	(1,268,367)	-	-	-	-	237,915
Assigned unappropriated fund balance	176,356	-	-	14,470	-	-	190,826
Unassigned:							
Unassigned fund balance	876,779	-	-	-	-	-	876,779
Total fund balances (deficit)	4,174,636	(1,268,367)	-	44,363	149,536	88,094	3,188,262
Total liabilities and fund balances	$ 6,494,610	$ 710,642	$ 366,578	$ 199,886	$ 173,217	$ 168,358	$ 8,113,291

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position (Deficit)

June 30, 2026

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash				
Unrestricted	$ 3,442,132	$ -	$ -	$ 3,442,132
Restricted for reserves	2,583,243	-	-	2,583,243
Receivables				
State and federal aid	1,327,953	-	-	1,327,953
Due from other funds	659,589	-	(659,589)	-
PILOT, transportation and other	70,481	-	-	70,481
Inventories	29,893	-	-	29,893
Capital assets, net	-	71,138,708	-	71,138,708
Net pension asset- proportionate share	-	4,880,774	-	4,880,774
Total assets	8,113,291	76,019,482	(659,589)	83,473,184
DEFERRED OUTFLOW OF RESOURCES				
Other postemployment benefits	-	3,316,159	-	3,316,159
Pensions	-	6,944,720	-	6,944,720
Total deferred outflows of resources	-	10,260,879	-	10,260,879
	$ 8,113,291	$ 86,280,361	$ (659,589)	$ 93,734,063
LIABILITIES				
Payables				
Accounts payable	$ 169,711	$ -	$ -	$ 169,711
Accrued liabilities	354,079	129,293	-	483,372
Due to other funds	659,589	-	(659,589)	-
Due to employees' retirement system	186,616	-	-	186,616
Due to teachers' retirement system	1,776,025	-	-	1,776,025
Bond anticipation note payable	1,779,009	-	-	1,779,009
Long-term debt-due within one year				
Bonds payable	-	3,126,917	-	3,126,917
Other postemployment benefits payable	-	1,729,218	-	1,729,218
Compensated absences	-	264,000	-	264,000
Long-term debt-due in more than one year				
Bonds payable	-	33,963,717	-	33,963,717
Other postemployment benefits payable	-	39,112,944	-	39,112,944
Compensated absences	-	1,055,332	-	1,055,332
Net pension liability- proportionate share	-	629,478	-	629,478
Total liabilities	4,925,029	80,010,899	(659,589)	84,276,339
DEFERRED INFLOWS OF RESOURCES				
Other postemployment benefits	-	14,957,919	-	14,957,919
Pensions	-	5,199,002	-	5,199,002
Total deferred inflows of resources	-	20,156,921	-	20,156,921
FUND BALANCE/NET POSITION (DEFICIT)				
Total fund balance/net position (deficit)	3,188,262	(13,887,459)	-	(10,699,197)
	$ 8,113,291	$ 86,280,361	$ (659,589)	$ 93,734,063

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT

Statement of Revenues, Expenditures
and Changes in Fund Balance (Deficit) - Governmental Funds

For the Year Ended June 30, 2026

	Major Funds		Non-Major Funds				
	General	Capital Projects Fund	Special Aid	School Food Service Fund	Student Deposits	Scholarships Fund	Governmental Funds
REVENUES							
Real property taxes	$ 21,243,406	$ -	$ -	$ -	$ -	$ -	$ 21,243,406
Other real property tax items	1,836,482	-	-	-	-	-	1,836,482
Nonproperty taxes	70,822	-	-	-	-	-	70,822
Charges for services	30,766	-	-	-	-	-	30,766
Use of money and property	400,487	-	-	-	-	-	400,487
Sale of property and compensation for loss	66,361	-	-	-	-	-	66,361
State sources	16,100,351		415,573	678,359	-	-	17,194,283
Sales	-	-	-	119,549	-	-	119,549
Miscellaneous	350,366	-	7,543	2,530	275,943	44,068	680,450
Federal sources	100,891	-	583,492	351,388	-	-	1,035,771
Total revenues	40,199,932	-	1,006,608	1,151,826	275,943	44,068	42,678,377
EXPENDITURES							
General support	3,538,513	-	-	-	268,585	45,429	3,852,527
Instruction	20,753,769	-	909,419	-	-	-	21,663,188
Pupil transportation	1,909,575	-	128,997	-	-	-	2,038,572
School food program	-	-	-	556,111	-	-	556,111
Employee benefits	10,270,437	-	-	564,342	-	-	10,834,779
Debt service							
Principal	2,975,541	-	-	-	-	-	2,975,541
Interest	1,707,354	-	-	-	-	-	1,707,354
Capital outlay	388,876	1,675,974	-	-	-	-	2,064,850
Total expenditures	41,544,065	1,675,974	1,038,416	1,120,453	268,585	45,429	45,692,922
Excess (deficiency) of revenues over expenditures	(1,344,133)	(1,675,974)	(31,808)	31,373	7,358	(1,361)	(3,014,545)
OTHER FINANCING SOURCES AND USES							
BANs redeemed from appropriations	-	377,008	-	-	-	-	377,008
Interfund transfers	(31,808)	-	31,808	-	-	-	-
Total other sources (uses)	(31,808)	377,008	31,808	-	-	-	377,008
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	(1,375,941)	(1,298,966)	-	31,373	7,358	(1,361)	(2,637,537)
Fund balance - beginning of year	5,550,577	30,599	-	12,990	142,178	89,455	5,825,799
Fund balance (deficit) - end of year	$ 4,174,636	$ (1,268,367)	$ -	$ 44,363	$ 149,536	$ 88,094	$ 3,188,262

See notes to basic financial statements

MARCELLUS CENTRAL SCHOOL DISTRICT

Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Balance (Deficit) to the Statement of Activities

For the Year Ended June 30, 2026

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	$ 21,243,406	$ -	$ -	$ -	$ 21,243,406
Other real property tax items	1,836,482	-	-	-	1,836,482
Nonproperty taxes	70,822	-	-	-	70,822
Charges for services	30,766	-	-	-	30,766
Use of money and property	400,487	-	-	-	400,487
Sale of property and compensation for loss	66,361	-	(31,791)	-	34,570
State sources	17,194,283	-	-	-	17,194,283
Federal sources	1,035,771	-	-	-	1,035,771
Sales - school food programs	119,549	-	-	-	119,549
Miscellaneous	680,450	-	-	-	680,450
Total revenues	42,678,377	-	(31,791)	-	42,646,586
EXPENDITURES/EXPENSES					
General support	3,852,527	-	309,855	35,469	4,197,851
Instruction	21,663,188	-	2,164,155	257,122	24,084,465
Pupil transportation	2,038,572	-	309,855	16,070	2,364,497
School food programs	556,111	-	-	-	556,111
Employee benefits	10,834,779	(2,001,974)	-	-	8,832,805
Debt service	4,682,895	-	-	(3,385,980)	1,296,915
Capital outlay	2,064,850	-	(2,064,850)	-	-
Total expenditures/expenses	45,692,922	(2,001,974)	719,015	(3,077,319)	41,332,644
Excess (deficiency) of revenues over expenditures/expenses	(3,014,545)	2,001,974	(750,806)	3,077,319	1,313,942
OTHER SOURCES AND USES					
BANs redeemed from appropriations	377,008	-	-	(377,008)	-
Total other sources (uses)	377,008	-	-	(377,008)	-
Net change for the year	$ (2,637,537)	$ 2,001,974	$ (750,806)	$ 2,700,311	$ 1,313,942

See notes to basic financial statements

Note 1 – Summary of Certain Significant Accounting Policies

The financial statements of the Marcellus Central School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are described below:

A) Reporting entity:

The Marcellus Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (Board) consisting of 6 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 the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

i) Extraclassroom Activities Fund

The extraclassroom activities fund of the District represent the funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activities fund is 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 activities fund can be found at the District's business office. The District accounts for assets held for various student organizations in a special revenue fund.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

B) Joint venture:

The District is a component district in Onondaga-Cortland-Madison Board BOCES (OCMBOCES). 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. There are 23 participating school districts, including Marcellus, in OCMBOCES.

The participation in OCMBOCES is accounted for as a joint venture by the District since it has both an ongoing financial interest and an ongoing financial responsibility to OCMBOCES. The District has an ongoing financial interest since OCMBOCES pays surpluses to the component districts on an annual basis, although the District has no equity interest in OCMBOCES. The District does not control the financial or operating policies of OCMBOCES; however, it has an ongoing financial responsibility since the continued existence of OCMBOCES depends on continued funding from the participating school districts.

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 are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

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

During the year, the District was billed $3,431,512 for OCMBOCES administrative and program costs. The District's share of OCMBOCES aid amounted to $1,418,181.

Financial statements for the OCMBOCES are available from the OCMBOCES administrative office. As of June 30, 2025 (the most recent available audited financial statements), OCMBOCES has a total net position (deficit) of $(177,772,023).

The District contracts with OCMBOCES whereby the contracts convey control of the right to use the underlying assets in the contracts for a period of time in an exchange like transaction. These contracts at inception have terms ranging from 4 to 5 years and are for technology and other equipment. These contracts are not significant to these financial statements and are recognized as an outflow of resources in accordance with the terms and conditions of the contracts.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

C) Basis of presentation:

i) District-wide statements:

The Statement of Net Position and the Statement of Activities present financial information about the overall District's governmental activities, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal transactions. Governmental activities are generally 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 Net Position presents the financial position of the District at year end. 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. Employee benefits are allocated to functional areas in proportion to the payroll expenditures 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.

ii) Fund Statements:

The fund statements provide information about the District's funds, including each type of fiduciary fund. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column. All remaining governmental funds are reported as non-major funds.

Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions except those required to be accounted for in another fund.

Capital Projects Fund: These funds are used to account for the financial resources used for acquisition, construction, or major repair of, or the right-to-use capital facilities and other capital and intangible assets. For these funds, each capital project is assessed to determine whether it is a major or non-major fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be non-major are reported in the supplemental schedules either separately or in the aggregate.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

C) Basis of presentation (continued):

The District reports the following non-major funds:

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, child nutrition operations, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds or by outside parties. Special revenue funds include the following:

Special Aid Fund: Used to account for special operating projects or programs supported in whole, or in part, with federal funds or state or Local grants.

Student Deposits Fund: Used to account for the extraclassroom activities funds and other student deposits managed by the District. The Board exercises general oversight of these funds. The extraclassroom activities funds are independent of the District with respect to its financial transactions and the designation of student management.

Scholarships Fund: Used to account for funds collected that benefit annual third-party awards and scholarships for students.

School Food Service Fund: Used to account for transactions of lunch, breakfast and milk programs.

D) Measurement focus and basis of accounting:

Measurement focus describes what type of information is reported and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities, and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities, and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available resources (e.g. compensated absences for employees still in active service) would not be reported.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

D) Measurement focus and basis of accounting (continued):

Basis of accounting describes when changes are recognized and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognized changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year as it matches the liquidation of related obligations.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, lease liabilities, subscription liabilities, claims and judgments, compensated absences, pensions, and other post-employment benefits, which are recognized as expenditures to the extent they have matured. General capital asset, intangible lease asset, and intangible subscription asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions of leases and subscriptions with terms greater than one year are reported as other financing sources.

E) Real Property taxes:

Real property taxes are levied annually by the Board of Education no later than September 1, 2025. Taxes were collected during the period September 1, 2025 to October 31, 2025. Uncollected real property taxes are subsequently enforced by Onondaga County, in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

F) Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net resources 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 to financial statements.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different 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.

Refer to Note 8 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenue activity.

H) Estimates:

The preparation of financial statements in conformity with GAAP 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 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, pension costs, OPEB, workers' compensation liabilities, potential contingent liabilities, useful lives of capital assets, intangible lease assets, and intangible subscription assets.

I) Cash, Cash Equivalents and Investments:

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 date of acquisition.

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

Note 1 - Summary of Certain Significant Accounting Policies (continued)

I) Cash, Cash Equivalents and Investments (continued):

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. Investments are stated at fair value, based on quoted market prices.

Certain cash balances are restricted by various legal or contractual obligations, such as legal reserves or debt agreements.

J) Accounts Receivable:

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

K) Inventories and prepaid items:

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

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 and Balance Sheet using the consumption method. A current asset for the prepaid amount is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed. A reserve for these non-liquid assets (inventories) has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures.

L) Other assets/restricted assets:

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the district-wide financial statements, and their use is limited by applicable bond covenants.

In the district-wide financial statements, bond discounts and premiums, and any prepaid bond issuance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

M) Capital assets:

Capital assets acquisitions are reported at historical costs. Donated assets are reported at estimated fair market value at the time received. Land and construction in progress are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	$5,000	Straight Line	40 years
Furniture, equipment and vehicles	$5,000	Straight Line	5-20 years

N) 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 assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. If applicable, the District has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is the District contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The fourth item relates to OPEB reporting in the district wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position or Balance Sheet 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 assets or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – property taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

O) Unearned credits:

The District reports unearned credits on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned credits 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 the resources, the liability for unearned credits is removed and revenue is recognized.

P) Pension Obligations:

The District participates in the New York State Teachers' Retirement System (TRS) and New York State and Local Employees' Retirement System (ERS)(the systems). These are cost-sharing multiple employer defined benefit, public employee retirement systems. The systems provide retirement, disability, withdrawal, and death benefits to plan members and beneficiaries related to years of service and final average salary.

Plan Description and Benefits Provided:

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship, and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

The ERS is included in the state's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244 or may be found at www.osc.state.ny.us/retire/publications/index.php.

Plan members who joined the system before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976 and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contributed at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer and employee contributions are deducted from state aid in the subsequent months of September, October, and November, with the balance to be paid by the District, if necessary. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year.

	NYSTRS	NYSERS
2025-2026	$ 1,816,091	$ 616,415
2024-2025	1,714,355	553,696
2023-2024	1,712,289	477,608

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2026 was $1,816,091 for the TRS at the contribution rate of 9.59% and $616,415 for the ERS at an average contribution rate of 14.40%. ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57 and 105.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

Pension Asset/(Liabilities), Pension Expense (Credit), 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 ERS and TRS systems in reports provided to the District.

	ERS	TRS
Measurement Date	3/31/2026	6/30/2025
District's proportionate share of the net pension asset/(liability)	$ (629,478)	$ 4,880,774
District's portion of the Plan's net pension asset/(liability)	0.0111575%	0.082431%
Change in proportion since the prior measurement date	$ (1,321,038)	$ 2,395,016

For the year ended June 30, 2026, the District recognized is proportionate share of pension expense of $679,918 for ERS and ($274,849) 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:

	Deferred outflow of resources		Deferred inflow of resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	$ 360,224	$ 2,558,614	$ -	$ -
Changes of assumption	108,054	1,932,147	-	52,623
Net difference between projected and actual earnings on pension plan investments	-	-	1,128,689	3,811,873
Changes in proportion and differences between the District's contributions and proportionate share of contributions	113,531	56,059	103,004	102,813
District's contribution subsequent to the measurement date	-	1,816,091	-	-
Total	$ 581,809	$ 6,362,911	$ 1,231,693	$ 3,967,309

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2027 for ERS and June 30, 2026 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended:	ERS	TRS
2026	$ -	$ 2,461,038
2027	254,984	(1,059,141)
2028	(406,641)	(1,117,271)
2029	(248,720)	(228,606)
2030	(249,507)	430,763
Thereafter	-	92,728
	$ (649,884)	$ 579,511

Actuarial Assumptions

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

	ERS	TRS
Measurement date	March 31, 2026	June 30, 2025
Actuarial valuation date	April 1, 2025	June 30, 2024
Inflation	2.90%	2.50%
Salary increases	5.20%	2.04%-5.80%
Investment rate of return (net of) investment expenses, including inflatio	5.90%	6.95%
Cost of living adjustments	1.50%	1.40%

For ERS, annuitant mortality rates are based on FY 2020-2025 system's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021.

For ERS, the actuarial assumptions were based on the results of an actuarial experience study completed March 31, 2025. For TRS, assumptions were computed by the TRS' Office of the Actuary and adopted by the TRS' Retirement Board in October, 2025. The actuarial assumptions are based upon recent TRS member experience. Detailed assumption information may be found in the TRS' annual Actuarial Valuation Report.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

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

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected 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 arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

	ERS		TRS	
	Target Allocation	Long-term expected Real rate of return	Target Allocation	Long-term expected Real rate of return
	2026	2026	2025	2025
Asset Type				
Domestic equity	25%	3.29%	33%	6.70%
International equity	14%	5.85%	15%	7.40%
Global equity	0%	0.00%	4%	7.00%
Real estate equity	12%	5.20%	11%	6.50%
Private equity	15%	7.00%	9%	9.80%
Domestic fixed income	22%	1.75%	16%	2.60%
Opportunistic/ARS	3%	5.13%	0%	0.00%
Credit	4%	5.10%	0%	0.00%
Real assets	4%	5.54%	0%	0.00%
Global bonds	0%	0.00%	2%	2.40%
Private debt	0%	0.00%	2%	6.10%
Real estate debt	0%	0.00%	6%	3.80%
High-yield bonds	0%	0.00%	1%	4.70%
Cash equivalents	1%	0.25%	1%	0.60%
	100%		100%	

The real rates of return are net of the long-term inflation assumption of 2.9% for ERS and 2.5% for TRS.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.90% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes the 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 determined. Based upon the assumptions, the system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

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

The following represents the District's proportionate share of the net pension asset/(liability) as of June 30, 2026 calculated using the discount rate of 5.90% of ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (4.90% for ERS and 5.95% for TRS) or 1-percentage point higher (6.90% for ERS and 7.95% for TRS) than the current rate:

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset/(liability)	$ (4,299,164)	$ (629,478)	$ 2,438,542

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension asset/(liability)	$ (9,378,470)	$ 4,880,774	$ 16,879,187

Changes of Assumptions

Change of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

P) Pension Obligations (continued):

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 covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to $186,616 of employer contributions. Employee contributions are remitted monthly.

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 covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2026 amounted to $1,562,711 of employer contributions and $213,314 of employee contributions.

Q) Employee benefits – Compensated Absences:

Compensated absences consist of unpaid accumulated annual sick leave and vacation time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave and/or a credit towards their health insurance obligation.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time period. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death. Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's section 403(b) plan.

In the district-wide financial statements, the District recognized a liability for compensated absences, including vacation and sick leave, when employees have earned the right to the leave and it is more likely than not that the leave will be used for time off or otherwise paid in cash, or settled through other means. The liability is measured at the employee's rate of pay at the reporting date, including salary-related payments such as social security and Medicare taxes.

In the fund statements, a liability is reported only for payment due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

R) Other Benefits:

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457. The District provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides individual, family, or surviving spouse post-employment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognized the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of post-employment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with the criteria set forth by GASB.

S) Short-term debt:

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. BANs that are replaced with long-term financing or renewed subsequent to the year-end but before the issuance of the financial statements are treated as long-term liabilities, as these notes will not require the use of working capital during that period. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

T) 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 full, in a timely manner, 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.

U) Equity classifications:

District-wide statements:

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

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) and intangible lease and subscription assets (present value of future payments remaining on the term less accumulated amortization), reduced by outstanding balances of related debt obligations from the acquisition, constructions, improvements of, and the right-to-use those assets, net of any unexpended proceeds.

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.

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

Fund statements:

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

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Food Service Fund of $29,893.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

U) Equity classifications (continued):

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

Employee Benefit Accrued Liability Reserve Fund

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

Retirement Contributions Reserve Fund

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

Unemployment Insurance Payment Reserve Fund

According to GML §6-m, all expenditures made from the unemployment insurance payment reserve fund 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. This reserve is accounted for in the general fund.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

U) Equity classifications (continued):

Restricted fund balance includes the following:

Description		
Reserved for Unemployment Insurance	$	28,386
Reserved for Retirement Contributions		1,350,804
Reserved for Employee Benefits Accrued Liability		236,029
	$	1,615,219
Reserved for Scholarships Fund	$	88,094

Committed – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the Districts highest level of decision-making authority, i.e., the Board of Education. The District has committed fund balance of $149,536 as of June 30, 2026 in the Student Deposits fund.

Assigned – includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of general fund are classified as assigned fund balance in the general fund.

Encumbrances reported in the general fund amounted to $176,356. Assigned Fund Balance in the general fund amounted to $1,682,638. Any remaining fund balance in other funds is considered assigned. The capital projects fund and school food service fund also report assigned fund balance (deficit) of ($1,268,367) and $14,470, respectively. As of June 30, 2026, the District's general fund encumbrances were classified as follows:

General Support	$ 149,285
Instruction	25,556
Pupil Transportation	1,515
	$ 176,356

Unassigned – includes all other general fund net position that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. 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 had been restricted or assigned.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

U) Equity classifications (continued):

New York State Real Property Tax Law 1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Non-spendable and restricted fund balances of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year, encumbrances, and amounts reserved for insurance recoveries are also excluded from the 4% limitation.

Net Position/Fund Balance

Net Position Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted sources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance Flow Assumption: Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted sources (the total committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

Order of Use of Fund Balance: In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extend appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

V) Implementation of 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*, effective for the year ending June 30, 2026. This Statement's objective is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assisting a government's accountability. Additionally, the statements also address certain application issues.

GASB has issued Statement No. 104, Disclosure of Certain Capital Assets, effective for the year ending June 30, 2026. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosure such as leased assets, intangible right-to-use assets, and assets held for sale.

Note 1 - Summary of Certain Significant Accounting Policies (continued)

W) Future Changes in Accounting Standards:

GASB has issued Statement No. 105, Subsequent Events, effective for fiscal years beginning after June 15, 2026. This statement improves the financial reporting requirements for subsequent events by clarifying the subsequent events timeframe and the distinction between recognized and nonrecognized subsequent events.

The District will evaluate and implement the provisions of this standard for the year ending June 30, 2027.

Note 2 - Explanation of Certain Differences Between Fund Statements and District-Wide Statements

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

A) Total fund balance of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and deferred outflows of resources, and long-term assets and liabilities, and deferred inflows of resources.

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

Differences between the fund's Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories. This reconciliation is performed on page 16. The amounts represent:

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

Note 2 - Explanation of Certain Differences Between Fund Statements and District-Wide Statements (continued)

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal payments are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension differences:

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

v) OPEB differences:

OPEB differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and OPEB costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

Note 3 – Stewardship, Compliance and Accountability

The District administration prepares a proposed budget for approval by the Board of Education, which in turn is either approved or disapproved by eligible voters in the District.

The voters of the District approved the proposed appropriation budget for the general fund on May 20, 2025. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriation authorized for the year may be increased by the amount of encumbrances carried forward from the period year. 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 can be funded 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) and appropriations of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP. The general fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2026. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters.

Note 3 – Stewardship, Compliance and Accountability (continued)

The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Encumbrances

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

The Capital project fund had a deficit fund balance of $1,268,367. This will be funded when the District obtains permanent financing for its current construction project.

Note 4 – Cash (and Cash Equivalents) – Custodial credit, concentration of credit, interest rate, and foreign currency risks

Cash, cash equivalents, and investments

Total financial institution bank balances at year-end, per the bank, were $6,253,370. These deposits are insured or collateralized with securities held by the financial institution in the District's name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $1,615,219 restricted for various fund balance reserves in the general fund, $710,642 restricted for the voter-approved capital project in the capital projects fund, $89,024 restricted for grant expenditures in the special aid fund, and $168,358 restricted for scholarships in the scholarships fund.

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2026, all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Administrator of the District.

Note 4 – Cash (and Cash Equivalents) – Custodial credit, concentration of credit, interest rate, and foreign currency risks (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand account.
- Certificates of deposits.
- Obligations of the United States Treasury and United States Agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

Note 5 - Capital Assets

Capital asset balances and activity for the year ended June 30 are as follows:

Governmental activities:	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
Capital assets that are not depreciated:				
Land	$ 246,542	$ -	$ -	$ 246,542
Construction in progress	579,146	-	(579,146)	-
Total nondepreciable	825,688	-	(579,146)	246,542
Capital assets that are depreciated:				
Buildings and improvements	102,364,680	907,114	579,146	103,850,940
Furniture, equipment and vehicles	10,940,838	1,157,736	(709,948)	11,388,626
Total depreciable assets	113,305,518	2,064,850	(130,802)	115,239,566
Less accumulated depreciation:				
Buildings and improvements	(34,279,031)	(2,164,156)	-	(36,443,187)
Furniture, equipment and vehicles	(7,962,661)	(619,709)	678,157	(7,904,213)
Total accumulated depreciation	(42,241,692)	(2,783,865)	678,157	(44,347,400)
Total capital assets, net	$ 71,889,514	$ (719,015)	$ (31,791)	$ 71,138,708

Depreciation expense was charged to governmental functions as follows:	
General support	$ 309,855
Instruction	2,164,155
Pupil transportation	309,855
	$ 2,783,865

Note 6 – Short-Term Debt

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	4/3/2026	4.07%	$ 1,402,377	-	1,402,377	$ -
BAN	4/2/2027	3.55%	$ -	1,972,091	193,082	$ 1,779,009

Interest paid on short-term debt for the year was $56,918. The BAN is a general obligation of the District. The purpose of the BAN was to provide financing for the purchases of buses, not to exceed $1,972,091.

Note 7 - Long-Term Obligations

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

Serial Bonds

The School District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The provisions will be in the General Fund's future budgets for capital indebtedness.

Long-term liability balances and activity are as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Government Activities					
Bonds payable	$ 40,087,551	$ -	$ 2,996,917	$ 37,090,634	$ 3,126,917
Other Obligations					
Net pension liability	1,950,516	-	1,321,038	629,478	-
Other postemployment benefits payable	49,567,984	3,326,034	12,051,856	40,842,162	1,729,218
Compensated absences	1,332,073	-	12,741	1,319,332	264,000
Total Long-term Obligations	$ 92,938,124	$ 3,326,034	$ 16,382,552	$ 79,881,606	$ 5,120,135

Note 7 - Long-Term Obligations (continued)

The general fund has typically been used to liquidate long-term liabilities. Additions and reductions to compensated absences are shown net.

The following is a schedule of bonds outstanding at June 30, 2026:

Payable from/ Description	Date of Original Issue	Original Amount	Date of Final Maturity	Interest Rate (%)	Outstanding Amount
Refunding of 2002A & 2006 Bonds	4/23/2014	$ 6,450,000	1/15/2035	2.00-4.00%	$ 3,060,000
Energy Performance Contract	8/14/2015	$ 2,029,037	8/14/2030	2.52%	754,768
Serial Bonds 2015	7/17/2015	$ 583,000	6/15/2030	2.98%	180,000
Serial Bonds 2019A	6/17/2019	$ 14,640,000	6/15/2034	3.00%-5.00%	9,165,000
Serial Bonds 2019A- Premium	6/17/2019	$ 2,449,393	6/15/2034	NA	1,306,342
Serial Bonds 2021	6/16/2021	$ 8,290,000	6/16/2036	4.00%-5.00%	6,295,000
Serial Bonds 2021- Premium	6/16/2021	$ 1,883,295	6/16/2036	NA	1,255,530
Serial Bonds 2024A	6/18/2024	$ 14,390,000	6/15/2039	5.00%	13,650,000
Serial Bonds 2024A- Premium	6/18/2024	$ 1,643,070	6/15/2039	NA	1,423,994
					$ 37,090,634

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

Fiscal year ended June 30,	Principal	Interest	Total
2027	$ 3,126,917	$ 1,528,953	$ 4,655,870
2028	3,261,471	1,400,858	4,662,329
2029	3,391,248	1,267,439	4,658,687
2030	3,531,248	1,123,689	4,654,937
2031	3,630,802	976,743	4,607,545
2032-2036	15,625,243	2,792,050	18,417,293
2034-2041	4,523,705	402,500	4,926,205
Totals	$ 37,090,634	$ 9,492,232	$ 46,582,866

Note 7 - Long-Term Obligations (continued)

Interest on long-term debt for the year was comprised of:

Interest paid	$ 1,650,436
Less interest accrued in the prior year	(141,348)
Plus interest accrued in the current year	129,293
Less amortization of premiums/ discounts	(398,384)
Interest expense	$ 1,239,997

Note 8 – Interfund Transactions – Governmental Funds

Interfund transactions and balances are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	$ 659,589	$ -	$ -	$ 31,808
Special Aid Fund	-	320,525	31,808	-
School Food Service Fund	-	137,442	-	-
Capital Projects Fund	-	200,000	-	-
Scholarships Fund	-	-	-	-
Student Deposits Fund	-	1,622	-	-
Total governmental activities	$ 659,589	$ 659,589	$ 31,808	$ 31,808

Interfund receivables and payables 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 expected to be repaid within one year. During 2025-26, $31,808 was transferred from the general fund to the special aid fund the local portion of the special education summer school programs its students attended.

Note 9 - Pension Plans

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). 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. See Note 1 – Summary of Significant Accounting Policies for further plan details.

Note 10 – Post-Employment Benefits Obligations Payable

Plan Description- The District administers a defined OPEB plan that provides OPEB for all permanent full-time general employees of the District. The plan is a single employer defined benefit OPEB plan (the Plan) administered by Article 11 of the State Compiled Statutes, which grants the authority to establish and amend the benefit terms and financing requirements to the District's Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria as set forth by GASB.

Funding Policy- The obligation of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 3 to 15 years of service to qualify for other post-employment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2026, approximately $1,481,000 was paid on behalf of 132 retirees, beneficiaries and spouses of retirees.

Benefits Provided- The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under, retirees and their spouses receive benefits for the lifetime of the retired employee. 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:

Retirees and Survivors	140
Active employees	274
	414

Net OBEB Liability: The District's total OPEB liability of $40,842,162 was measured as of July 1, 2025, and was determined by an actuarial valuation as of July 1, 2025.

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

Inflation	2.6% (Based on CPI)
Salary Increases	Varied by years of service and retirement system
Discount Rate	5.2% (Bond Buyer Weekly 20-Bond GO)
Healthcare Cost Trend Rates	
Medical	7.0% for 2027 decrease to an ultimate rate of 4.04% by 2086

Note 10 – Post-Employment Benefits Obligations Payable (continued)

Mortality rates were based on the Pub-2010 Mortality Table, as appropriate, with adjustments for mortality improvements based on Scale MP-2021.

Retirement participation rate assumed that 100% of current active members will elect medical coverage at retirement age, and 20% of active member's spouses will elect medical coverage.

Termination rates are based on tables used by the New York State Teachers' Retirement System and the New York State and Local Retirement System for female employees. Rates are tiered based on the percentage of employees who will terminate employment at any given age each year, for reasons other than death or retirement.

The discount rate was based on the Bond Buyer Weekly 20-Bond GO Index.

Changes in the District's net OPEB Liability were as follows:

Balance at June 30, 2025	$ 49,567,984
Changes for the Year	
Service cost	1,348,804
Interest	1,977,230
Changes of benefit terms	-
Differences between expected and actual experience	(2,514,212)
Changes in assumptions or other inputs	(8,326,462)
Benefit payments	(1,211,182)
Net Changes	(8,725,822)
Balance at June 30, 2026	$ 40,842,162

Changes of benefit terms reflect changes in assumptions and other inputs, including a change in the discount rate from 3.93% in 2025 to 5.20% in 2026.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.20%) or 1 percentage point higher (6.20%) than the current discount rate.

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 47,712,949	$ 40,842,162	$ 35,332,941

Note 10 – Post-Employment Benefits Obligations Payable (continued)

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

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	$ 34,902,725	$ 40,842,162	$ 48,438,886

OPEB Expense 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 $1,729,218. At June 30, 2026 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,883,727
Changes of assumptions or other inputs	1,908,343	12,074,192
Contributions subsequent to the measurement period	1,407,816	-
	$ 3,316,159	$ 14,957,919

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

Year Ended June 30,	Amount
2027	$ (1,926,935)
2028	(3,208,861)
2029	(2,551,472)
2030	(1,775,589)
2031	(1,809,964)
2032 and Thereafter	(1,776,755)
	$ (13,049,576)

Note 11 – Risk Management

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

The District incurs costs related to an employee health insurance plan (plan). The plan objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Districts joining the plan must remain a member for a minimum of five years; a member may withdraw from the plan after that time by providing written intent to withdraw on or before January 1st of the commencement of the school year for which the withdrawal is intended to be effective. In the event of a withdrawal, the consortium may determine any sums which are due and owed to the plan or participant. The Cooperative Health Insurance Fund of Central New York consortium has thirty (30) members with each bearing a pro-rata share of the plan's assets and claims liabilities. Plan members are subject to a pro-rata supplemental assessment in the event of deficiencies.

If the plan's assets were to be exhausted, members would be responsible for the plan's liabilities. The plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured. All plan cash accounts are collateralized by securities held by the financial institution where deposits are made. 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 the claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made. The District incurred premiums totaling approximately $5,682,000 for the current year. Payments of claims and claim adjustment expenses are pooled for the group and each member's premiums are adjusted accordingly.

Note 12 – Donor Restricted Endowments

The District administers endowment funds, which are restricted by the donor for the purposes of student scholarships. Donor-restricted endowments are reported at fair value. The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District. Such endowments are recorded within the scholarships fund in accordance with GASB 84.

Note 13 – Commitments and Contingent Liabilities

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. New York State Education Law requires that most capital projects require approval by the New York Office of Facilities Planning. New York State provides building aid for certain type of capital projects undertaken by school districts. Building aid is subject to numerous reporting requirements. The failure to adhere to these reporting requirements could lead to the refund of building aid already received and the loss of future aid on these particular projects. Building aid represents a significant source of financing for the Districts' financing of such projects and any loss or refund of building aid could have a significant impact on these financial statements.

Note 14 – Unrestricted Net Position

Unrestricted net position in the general fund consist of the following at June 30, 2026:

Designated for subsequent year's expenditures	$ 1,506,282
Reserve for encumbrances	176,356
Unreserved	876,779
Total unrestricted net position general fund	$ 2,559,417

Note 15 – Subsequent Events

Management has evaluated subsequent events through October 19, 2026, which is the date the financial statements were available to be issued.

MARCELLUS CENTRAL SCHOOL DISTRICT
Required Supplementary Information
Schedules of Changes in the District's Total OPEB Liability and Related Ratios
For the Eight Fiscal Years Ended June 30,

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Measurement Date	July 1, 2025	July 1, 2024	July 1, 2023	July 1, 2022	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
Total OPEB Liability	$ 40,842,162	$ 49,567,984	$ 49,750,575	$ 48,476,474	$ 52,113,961	$ 55,276,482	$ 41,542,432	$ 40,237,281	$ 40,038,882
Service Cost	1,348,804	1,501,670	1,471,144	1,861,372	1,963,299	1,343,019	1,282,951	1,444,377	1,985,248
Interest	1,977,230	1,850,336	1,749,089	1,144,160	1,254,908	1,486,436	1,592,209	1,481,038	1,498,197
Changes in benefit terms	-	-	(1,418,867)	-	-	-	(1,126,924)	-	70,343
Differences between expected and actual experience in the measurement of the total OPEB liability	(2,514,212)	-	(257,052)	-	(2,719,136)	-	(1,212,856)	-	(6,283,772)
Changes in assumptions or other inputs	(8,326,462)	(2,418,390)	806,410	(5,623,173)	(2,748,393)	11,736,309	1,525,523	(2,040,349)	(8,115,260)
Benefit payments (including implicit subsidy)	(1,211,182)	(1,116,207)	(1,076,623)	(1,019,846)	(913,199)	(831,714)	(755,752)	(686,667)	602,133
Net change in total OPEB liability	(8,725,822)	(182,591)	1,274,101	(3,637,487)	(3,162,521)	13,734,050	1,305,151	198,399	(10,243,111)
Total OPEB liability- beginning	49,567,984	49,750,575	48,476,474	52,113,961	55,276,482	41,542,432	40,237,281	40,038,882	50,281,993
Total OPEB liability- ending	$ 40,842,162	$ 49,567,984	$ 49,750,575	$ 48,476,474	$ 52,113,961	$ 55,276,482	$ 41,542,432	$ 40,237,281	$ 40,038,882
Covered payroll	$ 21,094,338	$ 21,118,782	$ 20,312,618	$ 18,988,943	$ 17,489,074	$ 18,017,760	$ 17,264,274	$ 17,273,871	$ 16,772,005
Total OPEB liability as a percentage of covered payroll	194%	235%	245%	255%	298%	307%	241%	233%	239%

Note:
The District does not have net assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.
10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available

MARCELLUS CENTRAL SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
June 30, 2026

	Budgeted Amounts		Variance with Original Budget - over (under)	Actual Amounts Budgetary (and (GAAP)	Variance with Final Budget - over (under)
	Original	Final	Final Budget	Basis	Actual Amounts
BUDGETARY REVENUES					
Local sources					
Real property taxes	$ 21,146,773	$ 21,146,773	$ -	$ 21,243,406	$ 96,633
Other tax items	1,920,000	1,920,000	-	1,836,482	(83,518)
Nonproperty taxes	40,819	40,819	-	70,822	30,003
Charges for services	46,224	46,224	-	30,766	(15,458)
Use of money and property	670,000	670,000	-	400,487	(269,513)
Sale of property and compensation for loss	17,000	17,000	-	66,361	49,361
Miscellaneous	355,240	376,865	21,625	350,366	(26,499)
Total local sources	24,196,056	24,217,681	21,625	23,998,690	(218,991)
State sources	16,576,225	16,576,225	-	16,100,351	(475,874)
Federal sources	60,000	60,000	-	100,891	40,891
Appropriated reserves	1,506,282	1,506,282	-	-	(1,506,282)
Total budgetary revenues	42,338,563	42,360,188	21,625	40,199,932	(2,160,256)
BUDGETARY OTHER FINANCING SOURCES					
Transfer from other funds	-	-	-	-	-
Total budgetary revenues and other sources	$ 42,338,563	$ 42,360,188	$ 21,625	$ 40,199,932	$ (2,160,256)
BUDGETARY EXPENDITURES					
General support					
Board of education	26,235	26,235	-	16,602	(9,633)
Central administration	195,710	200,210	4,500	206,252	6,042
Finance	449,719	445,219	(4,500)	456,277	11,058
Staff	178,574	178,574	-	186,158	7,584
Central services	2,870,491	2,880,797	10,306	2,774,987	(105,810)
Special items	388,249	387,942	(307)	436,398	48,456
Total general support	4,108,978	4,118,977	9,999	4,076,674	(42,303)
Instruction					
Instruction, administration and improvement	1,099,901	1,099,901	-	1,085,848	(14,053)
Teaching - regular school	11,819,448	11,833,381	13,933	11,788,653	(44,728)
Programs for students with disabilities	3,097,683	3,174,983	77,300	3,105,030	(69,953)
Occupational education	434,665	434,665	-	442,298	7,633
Instructional media	1,671,957	1,722,218	50,261	1,813,302	91,084
Pupil services	2,497,418	2,511,858	14,440	2,544,194	32,336
Total instruction	20,621,072	20,777,006	155,934	20,779,325	2,319
Pupil transportation	2,009,034	2,009,034	-	1,911,090	(97,944)
Employee benefits	10,756,598	10,612,290	(144,308)	10,270,437	(341,853)
Debt service	4,678,569	4,678,569	-	4,682,895	4,326
Total budgetary expenditures	42,174,251	42,195,876	21,625	41,720,421	(475,455)
BUDGETARY OTHER FINANCING USES					
Transfer to other funds	230,000	230,000	-	31,808	(198,192)
Total budgetary expenditures and other uses	$ 42,404,251	$ 42,425,876	$ 21,625	$ 41,752,229	$ (673,647)
Net change in fund balance	(65,688)	(65,688)	-	(1,552,297)	(1,486,609)
Budgetary fund balance - beginning of period	5,550,577	5,550,577	-	5,550,577	-
Budgetary fund balance - end of period	$ 5,484,889	$ 5,484,889	$ -	$ 3,998,280	$ (1,486,609)
RECONCILIATION TO GAAP BASIS					
End of period encumbrances				176,356	
Total fund balance GAAP basis				$ 4,174,636	

Note To Required Supplementary Information

Budget Basis of Accounting

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

See paragraph on required supplementary information included in the auditor's report.

Budgetary Revenues

The District's revenues were under budget by $2,160,256. The primary factors of this are the following:

- The 2025-26 budget authorized the use of $1,506,282 of assigned appropriated fund balance. Of this approved amount, $1,375,941 was utilized, however this does not show as revenue on the general fund statements. This is shown as a release of assigned fund balance to unassigned fund balance.
- The remaining variance of $784,315 is primarily from State Sources coming in below budget by $475,874. This amount can be difficult to estimate due to potential program cuts and delays in the New York State's budget approval.

Budgetary Expenditures

The District's expenditures were favorable to budget by $673,647. The primary factors for this are the following:

- Employee benefits were favorable by $341,853. The cost of providing benefits has increased year over year and significant estimates and judgments are made in determining the cost on an annual basis. The District believed benefits would be greater in the current year based on information from their benefit provides, as such, the favorable variance to budget.
- The transfer to other funds was below budget by $198,192 due to the $200,000 capital outlay transfer not taking place in 2025-2026.

MARCELLUS CENTRAL SCHOOL DISTRICT
Schedule of District Contributions
For the Ten Fiscal Years Ended June 30,

Teachers' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 1,816,091	$ 1,714,355	$ 1,712,287	$ 1,533,662	$ 1,381,829	$ 1,290,277	$ 1,531,616	$ 1,374,019	$ 1,586,561	$ 1,698,898
Contributions in relation to the contractually required contribution	$ 1,816,091	$ 1,714,355	$ 1,712,287	$ 1,533,662	$ 1,381,829	$ 1,290,277	$ 1,531,616	$ 1,374,019	$ 1,586,561	1,698,898
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 15,457,082	$ 16,185,292	$ 15,088,212	$ 15,302,886	$ 14,483,571	$ 13,488,258	$ 13,623,002	$ 13,696,855	$ 13,281,490	$ 12,992,995
Contributions as a percentage of covered payroll	9.59%	10.11%	9.76%	10.29%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%

Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 616,415	$ 553,696	$ 477,608	$ 410,484	$ 478,011	$ 536,306	$ 510,350	$ 498,441	$ 477,584	$ 458,908
Contributions in relation to the contractually required contribution	616,415	553,696	477,608	410,484	478,011	536,306	510,350	498,441	477,584	458,908
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 4,281,574	$ 4,085,808	$ 3,970,687	$ 3,793,836	$ 3,441,302	$ 3,361,564	$ 3,641,272	$ 3,577,016	$ 3,490,515	$ 3,729,010
Contributions as a percentage of covered payroll	14.40%	13.55%	12.03%	10.82%	13.89%	15.95%	14.02%	13.93%	13.68%	12.31%

See paragraph on required supplementary information included in auditor's report.

MARCELLUS CENTRAL SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Asset (Liability)
For the Ten Fiscal Years Ended June 30,

Teachers' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net pension asset (liability)	0.082431%	0.083314%	0.082857%	0.081758%	0.079468%	0.080262%	0.082058%	0.081537%	0.081992%	0.080049%
District's proportionate share of the net pension asset (liability)	$ 4,880,774	$ 2,485,758	$ (947,535)	$ (1,568,839)	$ 13,771,033	$ (2,217,857)	$ 2,131,879	$ 1,474,407	$ 623,219	$ (857,360)
District's covered payroll	$ 15,457,082	$ 16,185,292	$ 15,088,212	$ 15,302,886	$ 14,483,571	$ 13,488,258	$ 13,623,002	$ 13,696,855	$ 13,281,490	$ 12,992,995
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	32%	15%	-6%	-10%	95%	-16%	16%	11%	5%	-7%
Plan fiduciary net position as a percentage of the total pension asset (liability)	104.00%	102.10%	99.20%	98.60%	113.20%	97.80%	102.20%	101.53%	100.66%	99.01%

Employees' Retirement System

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the net pension asset (liability)	0.0111575%	0.011376%	0.0125381%	0.0115977%	0.0111872%	0.0119960%	0.0125367%	0.0117067%	0.0111478%	0.0112375%
District's proportionate share of the net pension asset (liability)	$ (629,478)	$ (1,950,516)	$ (1,846,108)	$ (2,487,005)	$ 914,505	$ (11,945)	$ (3,319,781)	$ (829,455)	$ (359,790)	$ (1,055,900)
District's covered payroll	$ 4,281,574	$ 4,085,808	$ 3,970,687	$ 3,793,836	$ 3,441,302	$ 3,361,564	$ 3,641,272	$ 3,577,016	$ 3,490,515	$ 3,729,010
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	-15%	-48%	-46%	-66%	27%	0%	-91%	-23%	-10%	-28%
Plan fiduciary net position as a percentage of the total pension asset (liability)	97.78%	93.08%	93.88%	90.78%	99.95%	99.95%	86.39%	96.27%	98.24%	94.70%

See paragraph on required supplementary information included in auditor's report.

MARCELLUS CENTRAL SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit
June 30, 2026

CHANGE FROM ADOPTED TO REVISED BUDGET

Adopted budget		$ 42,338,563
Add prior year's encumbrances		65,688
Original budget		42,404,251
Budget revision:		-
Revised budget		$ 42,404,251

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2026-27 voter-approved expenditure budget maximum allowed (4% of 2026-27 budget)		$ 43,330,431
General Fund fund balance subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	1,682,638	
Unassigned fund balance	876,779	
Total unrestricted fund balance	2,559,417	
Less:		
Appropriated fund balance	1,506,282	
Encumbrances included in committed and assigned fund balance	176,356	
Total adjustments	1,682,638	
General Fund fund balance subject to Section 1318 of Real Property Tax Law		$ 876,779
Actual percentage		2.02%

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

MARCELLUS CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures - Capital Projects Fund
For the Year Ended June 30, 2026

			Expenditures					Methods of Financing				Fund
	Original Budget	Revised Budget	Prior Years	Current Year	Transfers	Total	Unexpended Balance	Proceeds of Obligations	State Sources	Local Sources	Total	Balance 6/30/26
PROJECT TITLE												
Bus Purchase 2018	$ 262,074	$ 262,074	$ 261,601	$ -	$ -	$ 261,601	$ 473	$ -	$ -	$ 262,075	$ 262,075	$ 474
Bus Purchase 2020	425,395	425,395	414,511	-	-	414,511	10,884	-	-	425,395	425,395	10,884
Bus Purchase 2021	113,063	113,063	105,881	-	-	105,881	7,182	-	-	90,450	90,450	(15,431)
Bus Purchase 2022	382,909	382,909	376,761	-	-	376,761	6,148	-	-	229,745	229,745	(147,016)
Bus Purchase 2023	388,665	388,665	382,185	-	-	382,185	6,480	-	-	155,466	155,466	(226,719)
Bus Purchase 2024	483,800	483,800	524,418	-	-	524,418	(40,618)	-	-	7,000	7,000	(517,418)
Bus Purchase 2025	516,605	516,605	471,605	-	-	471,605	45,000	-	-	193,082	193,082	(278,523)
Bus Purchase 2026	755,000	755,000	-	753,640	-	753,640	1,360	-	-	-	-	(753,640)
Renovation Project	14,274,858	17,533,482	17,974,843	-	-	17,974,843	(441,361)	17,182,850	-	510,202	17,693,052	(281,791)
2020 Capital Improvement Project	9,995,000	9,995,000	10,254,243	-	-	10,254,243	(259,243)	10,173,295	-	-	10,173,295	(80,948)
2021 Capital Improvement Project	17,500,000	17,500,000	16,814,157	-	-	16,814,157	685,843	16,552,282	-	2,100,000	18,652,282	1,838,125
2020 Capital Outlay	200,000	200,000	-	-	-	-	200,000	-	-	200,000	200,000	200,000
2021 Capital Outlay	558,000	558,000	3,051,099	922,139	-	3,973,238	(3,415,238)	-	-	3,058,000	3,058,000	(915,238)
Smart Schools Bond Act	139,339	139,339	579,540	-	-	579,540	(440,201)	-	440,620	-	440,620	(138,920)
Bus Garage Renovations	200,000	200,000	101,791	195	-	101,986	98,014	-	-	200,000	200,000	98,014
SHS Gymnasium Bleachers/ Middle School Sitework	400,000	400,000	460,220	-	-	460,220	(60,220)	-	-	400,000	400,000	(60,220)
Total projects	$ 46,594,708	$ 49,853,332	$ 51,772,855	$ 1,675,974	$ -	$ 53,448,829	$ (3,595,497)	$ 43,908,427	$ 440,620	$ 7,831,415	$ 52,180,462	$ (1,268,367)

See paragraph on supplementary information included in auditor's report.

MARCELLUS CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
For the Year Ended June 30, 2026

Capital assets, net		$ 71,138,708
Deduct:		
Bond anticipation notes payable	(1,779,009)	
Short-term portion of bonds payable	(3,126,917)	
Long-term portion of bonds payable	(33,963,717)	
		(38,869,643)
Net investment in capital assets		$ 32,269,065

See paragraph on supplementary information included in the auditor's report.

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CERTIFIED PUBLIC ACCOUNTANTS PLLC

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 AUDITOR'S REPORT

Board of Education
Marcellus Central School District
Marcellus, 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 Marcellus Central School District as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 19, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Grossman St Amour CPAs

Syracuse, New York
October 19, 2026