

**NIAGARA FALLS CITY
SCHOOL DISTRICT, NEW YORK**

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

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
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INDEPENDENT AUDITORS' REPORT

The Board of Education
Niagara Falls City School District, New York:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Drescher & Malecki LLP

October 28, 2026

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2026

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

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

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

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available

at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The basic governmental fund financial statements can be found on pages 13-16 of this report.

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

The fiduciary fund financial statements can be found on pages 17 and 18 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-45 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's net pension liability/(asset), changes in the District's total other postemployment benefits ("OPEB") obligation, and the District's budgetary comparison for the General Fund. Required Supplementary Information and the related notes to the required supplementary information can be found on pages 46-54 of this report.

Supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 55-57 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$40,056,886 at June 30, 2026, as compared to \$55,336,915, at the close of the fiscal year ended June 30, 2025.

Table 1, shown below, presents a condensed statement of net position of the District at June 30, 2026 and June 30, 2025.

Table 1—District’s Net Position

	June 30,	
	2026	2025
Current and other assets	\$ 98,605,325	\$ 94,278,791
Capital assets	177,814,497	184,873,612
Total assets	276,419,822	279,152,403
Deferred outflows of resources	57,003,574	44,340,042
Current liabilities	20,010,171	49,123,860
Long term liabilities outstanding	314,063,807	289,495,467
Total liabilities	334,073,978	338,619,327
Deferred inflows of resources	39,406,304	40,210,033
Net position:		
Net investment in capital assets	72,569,698	66,697,767
Restricted	42,094,445	44,803,430
Unrestricted	(154,721,029)	(166,838,112)
Total net position	\$ (40,056,886)	\$ (55,336,915)

The largest positive portion of the Districts’ net position, \$72,569,698, reflects its investments in capital assets (e.g. land, buildings, improvements, equipment, and right-to-use leased assets), net of accumulated depreciation/amortization and less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District’s net position, \$42,094,445, represents resources that are subject to external restrictions on how they may be used. Any remaining portion of the District’s net position would represent resources that are unrestricted and may be used to meet the District’s ongoing obligations to citizens and creditors.

The remaining balance of the District’s net position, \$(154,721,029), is considered to be an unrestricted deficit. This deficit does not mean that the District does not have resources available to meet its obligations in the ensuing year. Rather, it reflects liabilities not related to the District’s capital assets and are not expected to be repaid from current resources. These long-term liabilities, including compensated absences and other postemployment benefits (“OPEB”) obligations, are funded annually within the funds.

Governmental activities—Current and other assets increased in governmental activities by \$4,326,534 from the prior year. During the current year, the District has increased in the net pension asset of \$10,390,954, offset by a decrease of \$8,211,895 in restricted cash and cash equivalents.

Current liabilities in governmental activities decreased \$29,113,689 from the prior year. During the prior year the District had a \$29,342,500 bond anticipation notes payable at June 30, 2025, compared to \$0 at June 30, 2026.

Long-term liabilities, which consist of serial bonds, premium on serial bonds, leases, certificates of participation, compensated absences, workers’ compensation, other postemployment benefit obligations,

and net pension liability, increased by \$24,568,340 from the previous year. This increase was largely due to the serial bond issuance and an increase in other post employment benefits obligation.

The District's overall net position increased \$15,280,029 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections.

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

Table 2—District's Change in Net Position

	Year Ended June 30,	
	2026	2025
Revenues:		
Program revenues:		
Charges for services	\$ 571,337	\$ 624,832
Operating grants and contributions	28,013,841	31,061,524
Capital grants and contributions	787,028	-
General revenues:		
Real property taxes and other tax items	28,060,587	28,050,051
Non-property tax items	2,791,228	2,430,564
Use of money and property	1,717,452	2,249,705
Sale of property and compensation for loss	-	2,454
Miscellaneous	2,800,223	2,664,997
State sources—unrestricted	162,901,103	155,433,791
Total revenues	<u>227,642,799</u>	<u>222,517,918</u>
Expenses:		
General support	26,078,811	27,899,205
Instruction	162,930,503	155,474,501
Pupil transportation	14,866,698	14,624,481
School food service	6,400,791	6,107,490
Student activities	275,534	332,598
Interest and other fiscal charges	1,810,433	2,414,573
Total expenses	<u>212,362,770</u>	<u>206,852,848</u>
Change in net position	15,280,029	15,665,070
Net position—beginning	<u>(55,336,915)</u>	<u>(71,001,985)</u>
Net position—ending	<u>\$ (40,056,886)</u>	<u>\$ (55,336,915)</u>

Governmental activities—During the current fiscal year, net position for governmental activities increased \$15,280,029 from the prior fiscal year for an ending balance of (40,056,886). The increase in the overall net position of governmental activities is primarily due to an increase in state aid and a decrease in general support expenditures.

Revenues increased by \$5,124,881 from the prior year. This is largely due to an increase in State Aid. Specifically general aid that is provided directly from the State which is dependent upon the State budget and allocations. This increase was somewhat offset by a decrease in operating grants and contributions.

Expenses increased by \$5,509,922 from the prior year. The most significant increase was \$7,456,002 in instruction due to increased salary costs and employee benefits.

Detailed Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At June 30, 2026, the District’s governmental funds reported combined ending fund balances of \$54,818,487, an increase of \$22,289,763 from the prior year fund balance of \$32,528,724. The increase was largely as a result of the serial bond issuance in the Capital Projects Fund. Of the total fund balance, \$7,935,054, constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is: (1) not in spendable form, \$2,545,400, (2) restricted for particular purposes, \$42,094,445, or (3) assigned for particular purposes, \$2,243,588.

General Fund—The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,935,054, while the total fund balance decreased to \$54,074,335. As a measure of the General Fund’s liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents approximately 3.9 percent of total General Fund expenditures and transfers out, while total fund balance represents approximately 26.7 percent of that same amount.

The total fund balance of the District’s General Fund decreased by \$2,836,015 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$1,965,046 of fund balance, which was a re-appropriation of prior year’s encumbrances, \$200,805, in addition to the planned use of \$1,764,241 of restricted fund balance for spending in the District’s 2025-2026 fiscal year. The District’s fund balance ended \$870,969 less than anticipated due to not using appropriated reserves.

Special Aid Fund—The Special Aid Fund maintains funds that are received by the State and Federal governments. Total revenues were \$22,274,408 and comprised of state, federal and local sources. Expenditures totaled \$22,703,698 and were used toward the instruction and transportation of students. The difference between revenues and expenditures was subsidized by a transfer in from the General Fund.

School Lunch Fund—The School Lunch Fund fund balance is \$572,043 as of June 30, 2026, of which \$96,459 represents inventory and is considered nonspendable. The District may use the remaining portion, \$475,584, for ongoing school lunch operations and to continue to update the school lunch facilities and equipment.

Student Activities Fund—The Student Activities Fund reports a fund balance of \$172,109 at June 30, 2026, an increase of \$33,462 from the prior year. This total fund balance amount is classified as restricted fund balance for the future payment of extraclassroom and other activities on behalf of the students.

Capital Projects Fund—The fund balance within the Capital Projects Fund increased by \$25,589,024 during the year ended June 30, 2026, to an ending fund balance of \$0. Capital outlay is supported primarily by a transfer in from the General Fund and serial bond proceeds.

Significant Capital Assets and Long-Term Financing Activity

Capital assets—The District’s investment in capital assets for its governmental activities as of June 30, 2026, amounted to \$177,814,497 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and right-to-use leased assets. All depreciable capital assets were depreciated/amortized from acquisition date to the end of the current year, as outlined in the District’s capital asset policy.

Capital assets, net of depreciation/amortization for the governmental activities at June 30, 2026 and June 30, 2027 are presented below in Table 6.

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

	June 30,	
	2026	2025
Land	\$ 1,607,204	\$ 1,607,204
Construction in progress	579,740	25,442,877
Land improvements	758,782	819,083
Buildings and improvements	168,150,898	148,744,840
Equipment and vehicles	1,262,269	1,462,662
Intangible assets		
Right-to-use leased equipment	5,455,604	6,796,946
Total	<u>\$ 177,814,497</u>	<u>\$ 184,873,612</u>

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

- Completion of capital projects totaling \$27,893,150
- Various capital projects increasing construction in progress by \$3,030,013
- Purchase of various trucks for \$192,564
- Depreciation/amortization expense totaling \$11,908,294

Leases are intangible, right to use assets. The District does not own these assets, but rather has the right to use them in operations, as specified in their respective contracts.

Additional information on the District’s capital assets can be found in Note 4 to the financial statements.

Long-term financing liabilities—At June 30, 2026, the District had long-term financing liabilities outstanding of \$104,366,303, as compared to \$92,129,457 in the prior year. During the year ended June 30, 2026 the District made scheduled bond principal payments of \$9,440,000 and issued a new serial bond for \$26,765,000.

A summary of the District’s long-term liabilities at June 30, 2026 and June 30, 2025 is presented in Table 4 on the following page.

Table 4—Summary of Long-Term Financings

	June 30,	
	2026	2025
Serial bonds	\$ 89,620,000	\$ 72,295,000
Premium on serial bonds	5,922,519	6,951,446
Certificates of participation	7,680,000	11,520,000
Lease Liabilities	1,143,784	1,363,011
Total	<u>\$ 104,366,303</u>	<u>\$ 92,129,457</u>

Additional information on the District’s long-term debt can be found in Note 11 to the financial statements.

The District maintained an “A” rating from S&P Global Ratings, and “A1” rating from Moody’s Investors Service for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of the average full valuation of taxable property within the jurisdiction. The current debt limitation for the District is \$264 million, which is significantly more than the District’s outstanding general obligation debt.

Additional information on the District’s long-term liabilities can be found in Note 11 to the financial statements.

Currently Known Facts, Decisions, or Conditions

The unemployment rate, not seasonally adjusted, for the region at June 30, 2026 was 5.6 percent. This compares to New York State’s average unemployment rate of 4.0 percent. These factors, as well as others, are considered in preparing the District’s budget.

During the current fiscal year, the District appropriated the use of \$7,365,000 of restricted fund balance for spending in the District’s 2026-2027 fiscal year budget. The 2026-2027 adopted budget appropriations total of \$211,260,990 is an approximate increase of 4.2 percent as compared to \$202,840,136 in 2025-2026. The District’s total budgeted tax levy in 2026-2027 is \$25,942,361 and represents a percent increase from prior years.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed Stanley Wojton, Superintendent, Niagara Falls City School District, 630 66th Street, Niagara Falls, New York 14304.

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BASIC FINANCIAL STATEMENTS

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NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2026

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 11,849,759
Restricted cash and cash equivalents	42,453,900
Taxes receivable	3,239,615
Receivables (net of allowances)	287,833
Intergovernmental receivables	17,386,801
Inventories	96,459
Prepaid items	2,448,941
Noncurrent net pension asset	20,842,017
Capital assets not being depreciated/amortized	2,186,944
Capital assets, net of accumulated depreciation/amortization	<u>175,627,553</u>
Total assets	<u>276,419,822</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pensions	29,602,742
Deferred outflows—relating to OPEB	26,950,903
Deferred charge on refunding	<u>449,929</u>
Total deferred outflows of resources	<u>57,003,574</u>
LIABILITIES	
Accounts payable	6,184,977
Accrued liabilities	4,247,376
Intergovernmental payables	242,658
Due to retirement systems	8,975,705
Unearned revenue	359,455
Noncurrent liabilities:	
Due within one year	17,702,210
Due within more than one year	<u>296,361,597</u>
Total liabilities	<u>334,073,978</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pensions	21,552,037
Deferred inflows—relating to OPEB	<u>17,854,267</u>
Total deferred inflows of resources	<u>39,406,304</u>
NET POSITION	
Net investment in capital assets	72,569,698
Restricted for:	
Workers' compensation	7,342,826
Retirement contributions	18,355,975
Employee benefits	13,864,937
Debt service	2,358,598
Student activities	172,109
Unrestricted	<u>(154,721,029)</u>
Total net position	<u>\$ (40,056,886)</u>

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

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Governmental activities:					
General support	\$ 26,078,811	\$ -	\$ -	\$ 787,028	\$ (25,291,783)
Instruction	162,930,503	35,643	22,763,593	-	(140,131,267)
Pupil transportation	14,866,698	-	-	-	(14,866,698)
School food service	6,400,791	226,698	5,250,248	-	(923,845)
Student activities	275,534	308,996	-	-	33,462
Interest and other fiscal charges	1,810,433	-	-	-	(1,810,433)
Total primary government	<u>\$ 212,362,770</u>	<u>\$ 571,337</u>	<u>\$ 28,013,841</u>	<u>\$ 787,028</u>	<u>(182,990,564)</u>
General revenues:					
					28,060,587
					2,791,228
					1,717,452
					2,800,223
					162,901,103
					<u>198,270,593</u>
					15,280,029
					<u>(55,336,915)</u>
					<u>\$ (40,056,886)</u>

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

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2026

		Special Revenue				Total
	General	Special Aid	School Lunch	Student Activities	Capital Projects	Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 11,693,012	\$ -	\$ 156,747	\$ -	\$ -	\$ 11,849,759
Restricted cash and cash equivalents	42,281,791	-	-	172,109	-	42,453,900
Taxes receivable	3,239,615	-	-	-	-	3,239,615
Receivables (net of allowances)	254,670	32,000	1,163	-	-	287,833
Intergovernmental receivables	9,716,913	5,732,941	538,243	-	1,398,704	17,386,801
Due from other funds	5,523,952	-	-	-	-	5,523,952
Inventories	-	-	96,459	-	-	96,459
Prepaid items	2,448,941	-	-	-	-	2,448,941
Total assets	<u>\$ 75,158,894</u>	<u>\$ 5,764,941</u>	<u>\$ 792,612</u>	<u>\$ 172,109</u>	<u>\$ 1,398,704</u>	<u>\$ 83,287,260</u>
LIABILITIES						
Accounts payable	\$ 4,802,117	\$ 31,842	\$ 22,593	\$ -	\$ 1,328,425	\$ 6,184,977
Accrued liabilities	3,715,794	112,103	114,514	-	-	3,942,411
Due to other funds	-	5,453,673	-	-	70,279	5,523,952
Intergovernmental payables	74,784	167,323	551	-	-	242,658
Due to retirement systems	8,892,794	-	82,911	-	-	8,975,705
Unearned revenue	359,455	-	-	-	-	359,455
Total liabilities	<u>17,844,944</u>	<u>5,764,941</u>	<u>220,569</u>	<u>-</u>	<u>1,398,704</u>	<u>25,229,158</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues—property taxes	3,239,615	-	-	-	-	3,239,615
Total deferred inflows of resources	<u>3,239,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,239,615</u>
FUND BALANCES						
Nonspendable	2,448,941	-	96,459	-	-	2,545,400
Restricted	41,922,336	-	-	172,109	-	42,094,445
Assigned	1,768,004	-	475,584	-	-	2,243,588
Unassigned	7,935,054	-	-	-	-	7,935,054
Total fund balances	<u>54,074,335</u>	<u>-</u>	<u>572,043</u>	<u>172,109</u>	<u>-</u>	<u>54,818,487</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 75,158,894</u>	<u>\$ 5,764,941</u>	<u>\$ 792,612</u>	<u>\$ 172,109</u>	<u>\$ 1,398,704</u>	<u>\$ 83,287,260</u>

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

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

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

Total fund balances—governmental funds (page 14)		\$ 54,818,487
The pension asset is not a current financial resources and, therefore, are not reported in the fund statements.		20,842,017
Property taxes are not available to pay for current period expenditures and, therefore, is reported as deferred inflows of resources in the fund statements.		3,239,615
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$326,645,878 and the accumulated depreciation/amortization is \$148,831,381.		177,814,497
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows relating to employer contributions	\$ 7,845,708	
Deferred outflows relating to experience, change of assumptions and investment earnings	21,757,034	
Deferred inflows of resources relating to pension plans	<u>(21,552,037)</u>	8,050,705
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements.		
Deferred outflows relating to employer contributions	\$ 1,894,890	
Deferred outflows related to changes of assumptions	25,056,013	
Deferred inflows related to experience	<u>(17,854,267)</u>	9,096,636
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the refunded debt should be reported as a deferred charge and recognized as a component of interest expense over either the lesser of the life of the debt issuance or the bonds refunded for the government-wide statements.		449,929
Net accrued interest expense for serial bonds and certificates of participation are not reported in the fund statements.		(304,965)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (89,620,000)	
Premiums on serial bonds	(5,922,519)	
Certificates of participation	(7,680,000)	
Lease liabilities	(1,143,784)	
Compensated absences	(10,128,971)	
Workers' compensation	(5,580,000)	
OPEB obligation	(191,732,911)	
Net pension liability	<u>(2,255,622)</u>	(314,063,807)
Net position of governmental activities		<u>\$ (40,056,886)</u>

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

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

	Special Revenue					Total
	General	Special Aid	School Lunch	Student Activities	Capital Projects	Governmental Funds
REVENUES						
Real property taxes and other tax items	\$ 28,313,199	\$ -	\$ -	\$ -	\$ -	\$ 28,313,199
Non-property tax items	2,791,228	-	-	-	-	2,791,228
Charges for services	35,643	-	-	-	-	35,643
Use of money and property	1,696,397	-	-	-	21,055	1,717,452
Miscellaneous	2,777,981	21,242	1,000	-	-	2,800,223
State sources	162,901,103	8,075,726	294,095	-	787,028	172,057,952
Federal sources	510,427	14,177,440	4,956,153	-	-	19,644,020
Sales - food service	-	-	226,698	-	-	226,698
Student activity collections	-	-	-	308,996	-	308,996
Total revenues	<u>199,025,978</u>	<u>22,274,408</u>	<u>5,477,946</u>	<u>308,996</u>	<u>808,083</u>	<u>227,895,411</u>
EXPENDITURES						
Current:						
General support	21,666,341	86,138	-	-	-	21,752,479
Instruction	104,235,554	21,146,861	-	-	-	125,382,415
Pupil transportation	11,893,004	580,939	-	-	-	12,473,943
Employee benefits	45,606,841	889,760	818,340	-	-	47,314,941
Debt service:						
Principal	14,026,383	-	-	-	-	14,026,383
Interest and other fiscal charges	4,045,562	-	-	-	-	4,045,562
Cost of sales (school lunch)	-	-	5,156,314	-	-	5,156,314
Student activities	-	-	-	275,534	-	275,534
Capital outlay	-	-	-	-	3,817,042	3,817,042
Total expenditures	<u>201,473,685</u>	<u>22,703,698</u>	<u>5,974,654</u>	<u>275,534</u>	<u>3,817,042</u>	<u>234,244,613</u>
Excess (deficiency) of revenues over expenditures	<u>(2,447,707)</u>	<u>(429,290)</u>	<u>(496,708)</u>	<u>33,462</u>	<u>(3,008,959)</u>	<u>(6,349,202)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	93,566	429,290	-	-	579,740	1,102,596
Transfers out	(1,009,030)	-	-	-	(93,566)	(1,102,596)
Issuance of lease	527,156	-	-	-	-	527,156
Serial bonds issued	-	-	-	-	26,765,000	26,765,000
Premium on serial bond	-	-	-	-	1,346,809	1,346,809
Total other financing sources (uses)	<u>(388,308)</u>	<u>429,290</u>	<u>-</u>	<u>-</u>	<u>28,597,983</u>	<u>28,638,965</u>
Net change in fund balances	(2,836,015)	-	(496,708)	33,462	25,589,024	22,289,763
Fund balances (deficit)—beginning	<u>56,910,350</u>	<u>-</u>	<u>1,068,751</u>	<u>138,647</u>	<u>(25,589,024)</u>	<u>32,528,724</u>
Fund balances—ending	<u>\$ 54,074,335</u>	<u>\$ -</u>	<u>\$ 572,043</u>	<u>\$ 172,109</u>	<u>\$ -</u>	<u>\$ 54,818,487</u>

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

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

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

Net change in fund balances—total governmental funds (page 16)		\$ 22,289,763
Governmental funds recognize real property taxes only if collected within 60 days after the end of the fiscal year; however, the government-wide statements recognize revenue on a full accrual basis.		(252,612)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense and loss on disposals in the current period.		
Capital asset additions	\$ 3,863,769	
Loss on disposal of assets	985,410	
Depreciation/amortization expense	<u>(11,908,294)</u>	(7,059,115)
Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:		
District pension contributions	\$ 9,651,679	
Employee contributions net of benefits earned	<u>(1,255,104)</u>	8,396,575
Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization.		20,042,745
For refunding bonds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred charge on the government-wide statements and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.		(122,716)
In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.		(17,891)
Governmental funds report retained percentages expenditures on construction contracts when such retained percentage is paid. However, in the statement of activities, retained percentages on construction contracts is reported as an expense as it accrues.		1,030,009
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:		
Serial bonds issued	\$ (26,765,000)	
Premium on serial bonds issued	(1,346,809)	
Repayment of serial bonds	9,440,000	
Repayment of certificates of participation	3,840,000	
Amortization of premium on serial bonds	2,375,736	
Issuance of leases	(527,156)	
Repayment of lease liabilities	746,383	
Change in compensated absences	658,443	
Change in workers' compensation	1,090,000	
Change in OPEB obligation	<u>(18,538,326)</u>	<u>(29,026,729)</u>
Change in net position of governmental activities		<u>\$ 15,280,029</u>

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

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Statement of Fiduciary Net Position—Private Purpose Trust Fund
June 30, 2026

	Private Purpose Trust
ASSETS	
Restricted cash and cash equivalents	\$ 123,728
Total assets	<u>123,728</u>
NET POSITION	
Restricted for scholarships	<u>\$ 123,728</u>

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

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Statement of Changes in Fiduciary Net Position—Private Purpose Trust Fund
Year Ended June 30, 2026

	Private Purpose Trust
ADDITIONS	
Interest income	\$ 388
Contributions	<u>20,131</u>
Total additions	<u>20,519</u>
DEDUCTIONS	
Scholarships awarded	<u>29,558</u>
Total deductions	<u>29,558</u>
Change in fiduciary net position	(9,039)
Net position—beginning	<u>132,767</u>
Net position—ending	<u><u>\$ 123,728</u></u>

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

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NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2026

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Government-wide Financial Statements

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

Reporting Entity

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

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

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

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

Joint Venture—The District is one of 13 participating school districts in the Orleans-Niagara Board of Cooperative Education Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES.

All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law. The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

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

During the fiscal year ended June 30, 2026, the District was billed \$14,302,647 for BOCES administrative and program costs and recognized \$4,797,684 of BOCES aid from New York State and \$807,675 in revenue as a refund from prior years’ expenditures paid to BOCES. Audited financial statements are available from the Orleans-Niagara BOCES administrative offices.

Basis of Presentation – Government-wide Financial Statements

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

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

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District’s funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All of the District’s funds are considered major funds.

The District reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal sources of revenue for the General Fund are real property taxes and state sources.
- *Special Aid Fund*—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.

- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District’s food service operations.
- *Student Activities Fund*—The Student Activities Fund is used to account for extraclassroom transactions, which represents funds of the student clubs and activities of the District. The District exercises administrative involvement with these funds.
- *Capital Projects Fund*—The Capital Project Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Additionally, the District reports the following fund type:

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

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

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

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as

under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, and pensions are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

Cash, Cash Equivalents and Investments—The District's cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2026; however, when the District does have investments they are recorded at fair value in accordance with GASB.

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

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. At June 30, 2026, the District recorded allowances of \$63,661 within the General Fund.

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

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

Capital Assets—Capital assets are tangible and intangible assets, which include land, construction in progress, building and site improvements, furniture and equipment and vehicles, and intangible leased equipment and vehicles, are reported in the government-wide financial statements. Capital and intangible lease assets are defined by the District as assets with an initial individual cost of more than an established threshold of \$5,000 for the type of asset and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are completed. Intangible lease equipment are initially

measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and are amortized on a straight line basis over their useful lives.

Land and construction in progress are not depreciated. The other buildings and equipment are depreciated/amortized using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Useful Life (Years)
Land improvements	\$ 5,000	20
Buildings and improvements	5,000	20-50
Furniture and equipment	5,000	5-20
Vehicles	5,000	5
Right-to-use lease assets	5,000	3-5

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

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial statement purposes. At June 30, 2026, the District reported unearned revenues of \$322,787 that are received under a capital projects agreement with the New York Power Authority Greenway Commission. These funds will be recognized as revenues when they are expended according to the agreement. Additionally, the District reported \$36,668 of 2026-2027 funding that was received prior to June 30, 2026, which comprised JUUL Settlement distributed by Orleans Niagara BOCES.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2026, the District has three items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the District's proportion of the collective net pension liability/(asset), and the difference during the measurement period between the District's contributions and its proportionate share of the total contribution to the pension systems not included in the pension expense, and any contributions to the pension systems made subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the District's proportion of the collective total OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability. The third item is a deferred charge on refunding which the District reports within its governmental activities. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2026, the District reports three items that qualify for reporting in this category. The first item represents the effect of the net change in the District's proportion of the collective net pension liability/(asset) and the difference during the measurement periods between the District's contributions, and its proportionate share of total contributions to the pension systems not included in pension expense. The second item represents the effects of the change in the District's proportion of the collective total OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability. Additionally, the District reported unavailable revenue on the balance sheet for governmental funds in the amount of \$3,239,615, which represents taxes that the District does not expect to receive within 60 days of year-end.

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

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

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

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education assigns fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

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

Property Taxes—Real property taxes are levied annually by the Board of Education no later than September 1st, and become a lien as of July 1st. The city and county in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City of Niagara Falls, New York to the District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable.

Miscellaneous Revenues—Amounts reported as miscellaneous revenues within the General Fund include various refunds from prior year expenditures, New York Power Authority host community funds, and New York Power Authority Greenway Commission capital project reimbursements.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Pension Plans—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees as disclosed in Note 7.

Other

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

Adoption of New Accounting Pronouncements—During the year ended June 30, 2026, the District implemented GASB Statement No. 103, *Financial Reporting Model Improvements*; and GASB Statement No. 104, *Disclosure of Certain Capital Assets*. GASB Statement No. 103 improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. GASB Statement No. 104 improves financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability.

Additionally, the disclosure requirements will improve consistency and comparability between governments. The implementation of GASB Statements No. 103 and 104 did not have a material impact on the District's financial position or results from operations.

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

	Governmental Funds	Fiduciary Fund	Total
Deposits	54,303,659	123,728	54,427,387
Total	<u>\$ 54,303,659</u>	<u>\$ 123,728</u>	<u>\$ 54,427,387</u>

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

	Bank Balance	Carrying Balance
FDIC insured	\$ 1,500,000	\$ 1,368,382
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>58,354,388</u>	<u>53,059,005</u>
Total	<u>\$59,854,388</u>	<u>\$54,427,387</u>

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

Restricted Cash and Cash Equivalents—The District reports unspent proceeds of debt, amounts to support restricted fund balances, unearned revenues, and amounts held on behalf of others as restricted cash and cash equivalents. At June 30, 2026, the District reported \$42,453,900 and \$123,728 of restricted cash within its governmental and fiduciary funds, respectively.

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

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

3. RECEIVABLES

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

Receivables—Primarily represents amounts due from various sources for payment in lieu of taxes (“PILOT”) agreements, retiree health insurance, out-of-district health services, and other services provided. The District reported \$318,331 of receivables in the General Fund, net of allowances for uncollectible accounts of \$63,661, \$32,000 in the Special Aid Fund, and \$1,163 in the School Lunch Fund. In addition, taxes receivable represents amounts due from District taxpayers that remain unpaid. At June 30, 2026, that amount was \$3,239,615.

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

General Fund:

New York State—Excess cost aid	\$ 4,848,824	
New York State—BOCES aid	2,233,985	
General Aid	2,456,660	
Niagara County—Utility tax	<u>177,444</u>	\$ 9,716,913

Special Aid Fund:

Federal—Title I	909,425	
Federal—Title IIA	67,140	
Federal—21st Century Grant	137,746	
Federal—Section 611 & 619 IDEA	447,232	
Federal—Head start	202,409	
Federal—Extended Day School Violence	66,870	
Federal—STOP School Violence	31,342	
Federal—P Tech	432,770	
Federal—Title IV	50,169	
Federal—SBMHPP	9,925	
Federal—School Improvement	222,060	
Federal—Other	34,130	
New York State—UPK	1,894,042	
New York State—4408 Programming	889,028	
New York State—Mental Health	207,718	
New York State—Other	<u>130,935</u>	5,732,941

School Lunch Fund:

New York State—Child nutrition	97,538	
Federal—Child nutrition	<u>440,705</u>	538,243

Capital Projects Fund:

New York State—General Aid- Emergency generator	507,575	
New York State—Smart Schools Bond Act	<u>891,129</u>	<u>1,398,704</u>

Total governmental funds		<u>\$ 17,386,801</u>
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4. CAPITAL ASSETS

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

	Balance 7/1/2025	Increases	Decreases	Balance 6/30/2026
Capital assets, not being depreciated/amortized:				
Land	\$ 1,607,204	\$ -	\$ -	\$ 1,607,204
Construction in progress	25,442,877	3,030,013	27,893,150	579,740
Total capital assets, not being depreciated/amortized	<u>27,050,081</u>	<u>3,030,013</u>	<u>27,893,150</u>	<u>2,186,944</u>
Capital assets, being depreciated/amortized:				
Land improvements	4,516,689	-	-	4,516,689
Buildings and improvements	270,886,692	27,893,150	-	298,779,842
Furniture and equipment	6,681,730	114,036	-	6,795,766
Vehicles	942,373	192,564	-	1,134,937
Intangible assets				
Right-to-use leased equipment	14,132,152	527,156	1,427,608	13,231,700
Total capital assets, being depreciated/amortized	<u>297,159,636</u>	<u>28,726,906</u>	<u>1,427,608</u>	<u>324,458,934</u>
Less accumulated depreciation/amortization for:				
Land improvements	3,697,606	60,301	-	3,757,907
Buildings and improvements	122,141,852	8,487,092	-	130,628,944
Furniture and equipment	5,359,092	414,613	-	5,773,705
Vehicles	802,349	92,380	-	894,729
Intangible assets				
Right-to-use leased equipment	7,335,206	2,853,908	2,413,018	7,776,096
Total accumulated depreciation/amortization	<u>139,336,105</u>	<u>11,908,294</u>	<u>2,413,018</u>	<u>148,831,381</u>
Total capital assets, being depreciated/amortized, net	<u>157,823,531</u>	<u>16,818,612</u>	<u>(985,410)</u>	<u>175,627,553</u>
Governmental activities capital assets, net	<u>\$ 184,873,612</u>	<u>\$ 19,848,625</u>	<u>\$ 26,907,740</u>	<u>\$ 177,814,497</u>

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

General support	\$ 286,793
Instruction	8,701,103
Pupil transportation	<u>2,920,398</u>
Total	<u>\$ 11,908,294</u>

5. ACCRUED LIABILITIES

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

	General Fund	Special Aid Fund	School Lunch Fund	Total Governmental Funds
Salaries and employee benefits	<u>\$ 3,715,794</u>	<u>\$ 112,103</u>	<u>\$ 114,514</u>	<u>\$ 3,942,411</u>

6. PENSION PLANS

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

Plan Descriptions and Benefits Provided

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

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3.0%) to three and one half percent (3.5%) percent of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2026, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability was measured as of June 30, 2025 for TRS and March 31, 2026 for ERS. The total pension

liability used to calculate the net pension liability/(asset) was determined by actuarial valuations as of June 30, 2024 and April 1, 2025, respectively, with update procedures used to rollforward the total pension liability/(asset) to the measurement dates. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2025	March 31, 2026
Net pension liability/(asset)	\$ (20,842,017)	\$ 2,255,622
District's portion of the Plan's total net pension liability	0.351998%	0.039981%

For the year ended June 30, 2026, the District recognized pension expense of \$1,461,297 and \$2,794,140 for the TRS and ERS, respectively. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ 10,925,864	\$ 1,290,800	\$ -	\$ -
Changes of assumptions	8,250,706	387,191	224,711	-
Net difference between projected and actual earnings on pension plan investments	-	-	16,277,563	4,044,455
Changes in proportion and differences between the District's contributions and proportionate share of contributions	20,360	882,113	1,005,308	-
District contributions subsequent to the measurement date	7,040,943	804,765	-	-
Total	<u>\$ 26,237,873</u>	<u>\$ 3,364,869</u>	<u>\$ 17,507,582</u>	<u>\$ 4,044,455</u>

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

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2027	\$10,257,866	\$1,203,233
2028	(4,691,564)	(1,202,259)
2029	(4,905,640)	(665,594)
2030	(1,089,566)	(819,732)
2031	1,733,686	-
Thereafter	384,564	-

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

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

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

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

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

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

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

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

	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
TRS			
Employer's proportionate share of the net pension liability/(asset)	\$ 40,048,200	\$ (20,842,017)	\$ (72,077,967)
	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
ERS			
Employer's proportionate share of the net pension liability/(asset)	\$ 15,405,281	\$ 2,255,622	\$ (8,738,075)

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

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

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2026 are paid to the System in September, October, and November 2026 through a state aid intercept. Accrued retirement contributions as of June 30, 2026 represent employee and employer contributions for the fiscal year ended June 30, 2026 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2026 amounted to \$8,170,940.

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, 2025 through June 30, 2026 based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to \$804,765.

7. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description and Benefits Provided—The District participates in a single-employer other post-employment benefits (“OPEB”) obligation plan which requires the District to pay a portion of eligible retirees’ health insurance, depending on the type of health plan provided. Separate financial statements are not issued or available for the OPEB plan. Eligibility for post-employment benefits depends upon union group as follows: (1) *Niagara Falls Teachers* – employee must be 55 years of age and eligible to retire under NYSTRS, (2) *Niagara Falls School Systems Unit 7696, Local 872 of the Civil Service Employees Association, Inc. Local 1000, AFSCME, AFL-CIO* – employee must be 55 and have 20 years of service, (3) *Administrative and Supervisory Council of the Public Schools, Niagara Falls, New York* – employee must have 20 years of service with the District or 10 years of service as an administrator with the District, or (4) *Classified Administrators and Supervisors* – employee must be eligible to retire under either NYSTRS or NYSERS and have 20 years of service with the District.

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

Inactive employees or beneficiaries currently receiving benefit payments	1,049
Active employees	<u>790</u>
Total	<u><u>1,839</u></u>

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

Total OPEB Liability

The District’s total OPEB liability of \$191,732,912 was measured as of June 30, 2026, and was determined by an actuarial valuation as of May 19, 2026.

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

In the May 19, 2026 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 4.39% to 4.41% effective June 30, 2026. The salary scale remained unchanged from the prior year at a rate of 3.30%. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 6.10%, while the ultimate healthcare cost trend rate is 3.70%. Mortality rates consisted of Pub-2016 Public Retirement Plans Mortality Tables, headcount-weighted, distinct for teachers, general, and safety, without separate contingent survivor mortality, fully generational using scale MP-2021.

The actuarial assumptions used in the May 19, 2026 valuation were based on the results of an actuarial experience study for the period July 1, 2025 through June 30, 2026.

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

	Total OPEB Liability
Balance at June 30, 2025	<u>\$ 173,194,585</u>
Changes for the year:	
Service cost	2,848,382
Interest	7,395,544
Differences between expected and actual experience	18,509,241
Changes in assumptions or other inputs	(2,635,282)
Benefit payments	<u>(7,579,559)</u>
Net changes	<u>18,538,326</u>
Balance at June 30, 2026	<u><u>\$ 191,732,911</u></u>

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

	1% Decrease (3.41%)	Current Discount Rate (4.41%)	1% Increase (5.41%)
Total OPEB liability	\$ 215,630,078	\$ 191,732,911	\$ 171,896,780

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

	1% Decrease (5.10%/2.70%)	Healthcare Cost Trend Rates (6.10%/3.70%)	1% Increase (7.10%/4.70%)
Total OPEB liability	\$ 169,847,146	\$ 191,732,911	\$ 218,356,250

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts as specified above, which were ratified by the District's Board of Education. Upon retirement, the District generally pays 100% of the cost of the medical plan in effect at the time of retirement until an employee reaches the age of 65. At 65, the District pays 100% of supplemental health coverage for life. An exception to the general benefit levels is those employees hired after July 1, 2006 under the *Niagara Falls School Systems Unit 7696, Local 872 of the Civil Service Employees Association, Inc. Local 1000, AFSCME, AFL-CIO* contract, who receive 80% of such benefit. District governmental activities contributed \$7,579,559 for the fiscal year ended June 30, 2026. The District's contributions to the OPEB plan are based on negotiated contracts with six bargaining units, as discussed in Note 13. Any amendments to the employer's contributions are subject to the collective bargaining agreements.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,056,013	\$ 3,980,178
Changes of assumptions	-	13,874,089
Contributions subsequent to the measurement date	1,894,890	-
Total	<u>\$ 26,950,903</u>	<u>\$ 17,854,267</u>

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

	Year Ending June 30,
2027	\$ (4,036,033)
2028	3,479,291
2029	3,836,955
2030	3,194,483
2031	727,052

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District purchases commercial insurance to cover such potential risks. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years.

Workers’ Compensation Self-Insurance—The District has chosen to establish a self-insured plan for risks associated with employee workers’ compensation claims. The program administrator is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The District accounts for this activity in the General Fund.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (“IBNR”). Claim liabilities are calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. The District has a stop-loss insurance policy for claims exceeding \$750,000 per occurrence to reduce its exposure to larger claims.

Claims activity for the current year and the prior year are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Beginning</u> <u>Balance</u>	<u>Claims</u> <u>Incurred and</u> <u>Adjustments</u>	<u>Claims Paid</u> <u>and</u> <u>Adjustments</u>	<u>Ending</u> <u>Balance</u>
June 30, 2026	\$ 6,670,000	\$ 693,814	\$ 1,783,814	\$ 5,580,000
June 30, 2025	6,670,000	848,927	848,927	6,670,000

At June 30, 2026, the General Fund maintains restricted fund balance in the amount of \$7,342,826 for the purpose of funding the District's future claim liabilities.

9. LEASES

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

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

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

During the year ended June 30, 2026, the District entered into long-term lease agreements as the lessee for the acquisition and use of equipment. As of June 30, 2026, the total value of outstanding lease liabilities was \$1,143,784. The District is required to make monthly principal and interest payments on the equipment ranging from \$1,036 to \$27,802. The leases have interest rates ranging from 3.50% to 6.75%. The value of the right-to-use lease assets as of the end of the current fiscal year was \$13,231,700 and had accumulated amortization of \$7,776,096. A portion of the right-to-use asset is prefunded and is not recorded as a lease liability at year-end.

The future principal and interest payments as of June 30, 2026, were as follows:

Year Ended June 30,	Principal	Interest	Total
2027	\$ 583,283	\$44,150	\$ 627,433
2028	346,550	20,964	367,514
2029	128,370	10,010	138,380
2030	85,581	2,129	87,710
Totals	<u>\$ 1,143,784</u>	<u>\$ 77,253</u>	<u>\$ 1,221,037</u>

10. SHORT-TERM LIABILITIES

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

Description	Interest Rate	Maturity Date	Balance 7/1/2025	Issued	Redeemed	Balance 6/30/2026
Capital Projects Fund:						
Various capital projects	3.60%	7/10/2025	\$ 29,342,500	\$ -	29,342,500	\$ -
Total			<u>\$ 29,342,500</u>	<u>\$ -</u>	<u>\$ 29,342,500</u>	<u>\$ -</u>

The purpose of all the short-term borrowings was to provide resources for various capital construction and buildings improvements. The amounts issued for governmental activities are accounted for in the Capital Projects Fund.

11. LONG-TERM LIABILITIES

Long-term debt and other long-term obligations are reported as noncurrent liabilities in the government-wide financial statements.

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

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

A summary of changes in the District's long-term liabilities for the year ended June 30, 2026 is presented below:

	Balance 7/1/2025	Additions	Reductions	Balance 6/30/2026	Due Within One Year
Serial bonds	\$ 72,295,000	\$ 26,765,000	\$ 9,440,000	\$ 89,620,000	\$ 9,745,000
Premiums on serial bonds	6,951,446	1,346,809	2,375,736	5,922,519	1,028,927
Bonds payable	79,246,446	28,111,809	11,815,736	95,542,519	10,773,927
Certificates of participation	11,520,000	-	3,840,000	7,680,000	3,840,000
Lease liabilities	1,363,011	527,156	746,383	1,143,784	583,283
Compensated absences	10,787,414	-	658,443	10,128,971	1,665,000
Workers' compensation	6,670,000	693,814	1,783,814	5,580,000	840,000
OPEB obligation	173,194,585	28,753,167	10,214,841	191,732,911	-
Net pension liability*	6,714,011	-	4,458,389	2,255,622	-
Total	\$ 289,495,467	\$ 58,085,946	\$ 33,517,606	\$ 314,063,807	\$ 17,702,210

(*Reductions to the net pension liability are shown net of additions.)

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with original maturities that range from 8 to 20 years.

On July 9, 2025, the District issued \$26,276,000 in of serial bonds. The bonds were issued at a premium of \$1,346,809. The bonds mature on June 15, 2040, and carry an interest rate of 4.0-5.0 percent.

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

Description	Original Issue	Interest Rate (%)	Year of Issue/ Maturity	Balance 7/1/2025	Additions	Payments	Balance 6/30/2026
Serial bonds 2016	55,505,000	2.0 - 5.0	2016 / 2030	\$ 21,190,000	\$ -	\$ 4,275,000	\$ 16,915,000
Serial bonds 2021	23,645,000	2.0 - 5.0	2021 / 2035	17,345,000	-	1,440,000	15,905,000
Serial bonds 2022	24,330,000	2.0 - 5.0	2022 / 2036	19,320,000	-	1,395,000	17,925,000
Refunding bonds 2024	14,480,000	4.0 - 5.0	2025 / 2035	14,440,000	-	1,005,000	13,435,000
Serial bonds 2025	26,765,000	4.0 - 5.0	2025 / 2040	-	26,765,000	1,325,000	25,440,000
Total				\$ 72,295,000	\$ 26,765,000	\$ 9,440,000	\$ 89,620,000

Premiums on Serial Bonds—The District previously issued serial bonds and refunding serial bonds which received bond premiums. The premiums are being amortized on a straight-line basis over the life of the bonds. Total unamortized bond premiums at June 30, 2026 are \$5,922,519.

Certificates of Participation—In November 1997, the Board of Education consolidated its existing two high school facilities into one state of the art facility (the "Project"). To further this goal, in March 1998, the District leased a site for the Project from the City of Niagara Falls for a period of 99 years. This lease contemplates that the site will be used for the purpose of operating and conducting a school and such other uses as may from time to time be approved by the City of Niagara Falls.

In accordance with Chapter 562 of the laws of New York for 1996, as amended by Chapter 671 of the Laws of New York for 1997, the District has agreed to make lease payments under the Lease Purchase

Agreement in connection with the Project. The District is responsible for maintenance and repair of the Project, for taxes, assessments and charges (if any), and for maintaining insurance respecting the Project. The obligation for the District to make payments under the lease purchase agreement is subject to, and dependent upon, the making of annual appropriations therefore by the District. The lease purchase agreement is subject to termination during any fiscal year of the District if the District does not appropriate funds sufficient for its continuation.

The District has agreed in the Lease Purchase Agreement to make semi-annual lease payments (the “lease payments” or “lease payment requirement”) which have been assigned to a trustee pursuant to an assignment agreement. The lease payments have been calculated to aggregate in the six-month period preceding each payment date to an amount equal to the interest and in the twelve-month period preceding each payment date to an amount equal to the principal due on certificates of participation on such payment date. Such certificates of participation were used to finance the project. Under the Lease Purchase Agreement, the District is required to make lease payments on June 15 and December 15 of each year. The District made its first lease payment on December 15, 1998 and will continue to make lease payments through June 15, 2028 in the amount and at the times due under the Lease Purchase Agreement. All lease payments are required to be made without any right of defense, offset, or counterclaim.

The District has been advised by the New York State Education Department that lease payments made in connection with the Project are eligible for State Building Aid at 83.1% of eligible lease payments. Under the terms of the lease, the District has instructed the New York State Comptroller’s office to forward all state aid payments to the designated depository, Chase Manhattan Bank, in accordance with the Depository Agreement dated July 23, 1998. These deposits of state aid will continue until such time as the required lease payments for the applicable fiscal year are satisfied.

During 2005, Refunding Certificates of Participation were issued to refund and defease all of the District’s \$63,985,000 outstanding principal amount of the \$70,870,000 School District Certificates of Participation – Series 1998 and \$5,285,000 outstanding principal amount of the \$5,700,000 School District Certificates of Participation – Series 2000, pursuant to the District’s refunding plan.

During the fiscal year ended June 30, 2015, the District issued \$50,775,000 in Refunding Certificates of Participation, to refund \$52,680,000 of outstanding principal of the previously issued 2005 Refunding Certificates of Participation. The District used the net proceeds of the Refunded Certificates of Participation (the “Certificates”) to purchase non-callable securities which are guaranteed by the United States of America. The proceeds of the Certificates, after payment of certain costs of issuance and other costs related to the issuance of the Certificates, are deposited with the Trustee in the Redemption Account and invested in U.S. Government Securities which will be in amounts sufficient and timely to make payments when due of principal of, interest on, and redemption premiums payable with respect to, the prior Certificates. As a result, \$45,690,000 of principal of the 2005 Refunded Certificates of Participation is considered defeased, and the District has removed the liability associated with that principal from its accounts. The outstanding principal of the defeased bonds is \$22,595,000 at June 30, 2026. Total Certificates of Participation at June 30, 2026 are \$7,680,000.

Lease Liabilities—The District has entered into long-term leases for machinery and equipment. The outstanding balance at June 30, 2026 was \$1,143,784. Refer to Note 9 for additional information related to the District’s leases.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2026, are presented below:

Year Ending June 30,	Lease Liabilities
2027	\$ 627,433
2028	367,514
2029	138,380
2030	87,710
Total minimum lease payments	1,221,037
Less: amounts representing imputed interest costs	77,253
Present value of minimum lease payments	<u>\$ 1,143,784</u>

Compensated Absences—The District records the value of compensated absences in the government-wide financial statements. The liability for compensated absences consists of unpaid accumulated annual sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments are included. The annual budgets of the operating funds provide for these benefits as they become due. The liability for compensated absences at June 30, 2026 amounts to \$10,128,971, of which \$1,665,000 has been included within the current portion of long-term debt.

Workers' Compensation—As explained in Note 8, the District is self-insured for risks associated with employee workers' compensation claims. The District's liability, as calculated by an independent third party administrator, is estimated to be \$5,580,000 as of June 30, 2026.

OPEB Obligation—As explained in Note 7, the District provides health insurance coverage for certain retirees. The District's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions of the employer, an amount actuarially determined in accordance with the parameters of GASB. The estimated long-term OPEB liability is \$191,732,911 at June 30, 2026.

Net Pension Liability— The District reported a liability, \$2,255,622, for its proportionate share of the net pension liability for the Employees' Retirement System, respectively. Refer to Note 6 for additional information related to the District's net pension liability.

A maturity schedule of the District's indebtedness is presented as follows:

Year Ending June 30,	Serial Bonds	Premiums on Serial Bonds	Certificates of Participation	Lease Liabilities	Compensated Absences	Workers' Compensation Liability	OPEB Obligation	Net Pension Liability	Total
2027	\$ 9,745,000	\$ 1,028,927	\$ 3,840,000	\$ 583,283	\$ 1,665,000	\$ 840,000	\$ -	\$ -	\$ 17,702,210
2028	10,150,000	1,028,927	3,840,000	346,550	-	-	-	-	15,365,477
2029	10,565,000	740,286	-	128,370	-	-	-	-	11,433,656
2030	9,515,000	726,984	-	85,581	-	-	-	-	10,327,565
2031	6,475,000	420,897	-	-	-	-	-	-	6,895,897
2032-2036	34,200,000	1,976,498	-	-	-	-	-	-	36,176,498
2037-2040	8,970,000	-	-	-	-	-	-	-	8,970,000
Thereafter	-	-	-	-	8,463,971	4,740,000	191,732,911	2,255,622	207,192,504
Total	<u>\$89,620,000</u>	<u>\$ 5,922,519</u>	<u>\$ 7,680,000</u>	<u>\$ 1,143,784</u>	<u>\$ 10,128,971</u>	<u>\$ 5,580,000</u>	<u>\$ 191,732,911</u>	<u>\$ 2,255,622</u>	<u>\$314,063,807</u>

Interest requirements on serial bonds payable, certificates of participation and lease liabilities are as follows:

Year Ending June 30,	Serial Bonds Payable	Certificates of Participation	Lease Liabilities
2027	\$ 3,310,456	\$ 235,200	\$ 44,150
2028	2,948,064	120,000	20,964
2029	2,563,625	-	10,010
2030	2,172,901	-	2,129
2031	1,796,250	-	-
2032-2036	5,217,900	-	-
2037-2040	914,400	-	-
Total	<u>\$ 18,923,596</u>	<u>\$ 355,200</u>	<u>\$ 77,253</u>

12. NET POSITION AND FUND BALANCE

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

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

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

- ***Prepaid Items***—Representing the portion of fund balance, \$2,448,941, composed of prepaid items. This balance is nonspendable as the balance does not represent an available resource.
- ***Inventories***—Representing the portion of fund balance, \$96,459, composed of inventory. This balance is nonspendable within the School Lunch Fund as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. Restricted fund balance maintained by the District at June 30, 2026 includes:

	General	Student Activities	Total
Workers' compensation	\$ 7,342,826	\$ -	\$ 7,342,826
Retirement contributions	18,355,975	-	18,355,975
Employee benefits	13,864,937	-	13,864,937
Debt service	2,358,598	-	2,358,598
Student activities	-	172,109	172,109
Total	<u>\$41,922,336</u>	<u>\$ 172,109</u>	<u>\$42,094,445</u>

- **Workers' Compensation**—According to General Municipal Law Section 6-j, this restriction must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of the 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.
- **Retirement Contributions**—According to General Municipal Law Section 6-r, this restriction must be used to pay "retirement contributions," which are defined as all or any portion of the amount payable to the ERS (\$11,444,489), pursuant to Sections 17 or 317 of the NYSSRL, and to the TRS (\$6,911,486), pursuant to the newly amended Section 6-r. The restriction may be established by Board resolution; there are no referendum requirements to create or expend money from the funds. The Board may authorize the transfer of the moneys to a reserve fund established pursuant to Sections 6c-g of the GML or Section 3651 of Education Law.
- **Employee Benefits**—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- **Debt Service**—According to General Municipal Law Section 6-l, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property and unspent debt proceeds and premiums.
- **Student Activities**—Amounts generated by the Extraclassroom Activities at the District which are restricted for use only within the Student Activities Fund for specified student activities.

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

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

	General	School Lunch	Total
Subsequent year's expenditures	\$ 1,762,915	\$ -	\$ 1,762,915
Encumbrances	5,089	-	5,089
Specific use	-	475,584	475,584
Total	<u>\$ 1,768,004</u>	<u>\$ 475,584</u>	<u>\$ 2,243,588</u>

- ***Assigned to Subsequent Year's Expenditures***—Representing available fund balance being appropriated to meet expenditure requirements in the 2026-2027 fiscal year.
- ***Assigned to Encumbrances***—Represents amounts related to unperformed (executory) contracts for goods and services.
- ***Assigned to Specific Use***—Representing fund balance within the special revenue funds that is assigned for a specific purpose. The assignments' purpose relates to each fund's operations and represent remaining amounts within funds that are not restricted or committed.

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

13. INTERFUND BALANCES AND ACTIVITY

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

Fund	Interfund	
	Receivables	Payables
Governmental Funds:		
General Fund	\$ 5,523,952	\$ -
Special Aid Fund	-	5,453,673
Capital Projects Fund	-	70,279
Total	<u>\$ 5,523,952</u>	<u>\$ 5,523,952</u>

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

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

Fund	Transfers Out		Total
	General Fund	Capital Projects Fund	
Transfers in:			
General Fund	\$ -	\$ 93,566	\$ 93,566
Special Aid Fund	429,290	-	429,290
Capital Projects Fund	579,740	-	579,740
Total	<u>\$ 1,009,030</u>	<u>\$ 93,566</u>	<u>\$ 1,102,596</u>

Transfers are used primarily to finance certain special aid programs and capital projects. In the current year the District transferred funds from the General Fund to the Capital Projects Fund for the emergency generator, as well as from the General Fund to the Special Aid fund to support anticipated revenue.

14. LABOR CONTRACTS

District employees are represented by six bargaining units and Board of Education rules and regulations. Settled contracts are in place through June 30, 2027 for the Niagara Falls Teachers, the Substitute Teachers United, the Administrative and Supervisory Council, the Classified Administrators and Supervisors, the Teachers Associates Unit and the Civil Service Employees Association.

15. COMMITMENTS

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

The District considered encumbrances to be significant for amounts that are encumbered in excess of \$20,000. As of June 30, 2026 the District reported no significant encumbrances.

16. TAX ABATEMENTS

The District is subject to tax abatements granted by the City of Niagara Falls (the “City”) and the Niagara County Industrial Development Agency (“NCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the City and NCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the City and the NCIDA, the District collected \$1,291,683 during the fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$2,413,436 in property taxes.

Further, the District received a Federal PILOT in the amount of \$252,032. These payments are sometimes made to local governments that help offset losses in property taxes due to non-taxable Federal lands within their boundaries. The original law governing such revenues is Public Law 94-565, dated October 20, 1976. This law was rewritten and amended by Public Law 97-258 on September 13, 1982 and codified at Chapter 69, Title 31 of the United States Code. The law recognizes the financial impact of the inability of local governments to collect property taxes on Federally-owned land.

17. CONTINGENCIES

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

Separate from claims and lawsuits that arise in the ordinary course of business, legislation was put in place regarding historical claims that were previously time-barred. In 2019, the Governor of the State passed the Child Victims Act (CVA). Under the CVA, any individual who was a minor at the time they suffered any alleged sexual abuse could file a lawsuit through August 14, 2021. Additionally, the Act extended the look back window to file claims under the CVA regardless of when or how long ago the alleged abuse occurred.

This has resulted in the filing of thousands of lawsuits State-wide. Lawsuits have been initiated against the District by individuals who allege that abuse by employees of the District involving a period of over 51 years.

The District settled several cases through June 30, 2026, a substantial portion of which was covered by insurance, having no significant financial impact on the district. For the remaining cases the District is not able to assess the financial impact as the extent of an unfavorable outcome cannot be presently determined based on a range of factors including insurance indemnification.

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

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

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2026, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Year Ended June 30,									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Measurement date	June 30, 2026	June 30, 2025	June 30, 2024	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's proportion of the net pension liability/(asset)	0.351998%	0.350283%	0.332638%	0.331689%	0.316491%	0.318645%	0.315715%	0.310156%	0.306283%	0.308655%
District's proportionate share of the net pension liability/(asset)	<u>\$ (20,842,017)</u>	<u>\$ (10,451,063)</u>	<u>\$ 3,804,003</u>	<u>\$ 6,364,749</u>	<u>\$ (54,844,807)</u>	<u>\$ 8,805,027</u>	<u>\$ (8,202,307)</u>	<u>\$ (5,608,445)</u>	<u>\$ (2,328,056)</u>	<u>\$ 3,305,819</u>
District's covered payroll	71,533,122	69,119,978	64,827,340	\$ 57,425,108	\$ 57,883,416	\$ 56,759,576	\$ 54,932,036	\$ 52,387,024	\$ 50,444,602	\$ 49,209,251
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(29.1%)	(15.1%)	5.9%	11.1%	(96.6%)	15.5%	(14.9%)	(10.7%)	6.7%	6.7%
Plan fiduciary net position as a percentage of the total pension liability	104.0%	102.1%	99.2%	98.6%	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions—
Teachers' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 7,040,943	\$ 6,987,512	\$ 6,527,620	\$ 6,321,705	\$ 5,758,439	\$ 5,119,385	\$ 4,791,858	\$ 5,596,531	\$ 5,688,395	\$ 6,315,539
Contribution in relation to the contractually required contribution	<u>(7,040,943)</u>	<u>(6,987,512)</u>	<u>(6,527,620)</u>	<u>(6,321,705)</u>	<u>(5,758,439)</u>	<u>(5,119,385)</u>	<u>(4,791,858)</u>	<u>(5,596,531)</u>	<u>(5,688,395)</u>	<u>(6,315,539)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 75,758,598	\$ 71,533,122	\$ 69,119,978	\$ 64,827,340	\$ 57,425,108	\$ 57,883,416	\$ 56,759,576	\$ 54,932,036	\$ 52,387,024	\$ 50,444,602
Contributions as a percentage of covered payroll	9.3%	9.8%	9.4%	9.8%	10.0%	8.8%	8.4%	10.2%	10.9%	12.5%

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

	Year Ended June 30,									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Measurement date	March 31, 2026	March 31, 2025	March 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
District's proportion of the net pension liability/(asset)	0.0399809%	0.0391585%	0.0383290%	0.0359988%	0.0341542%	0.037001%	0.035023%	0.034876%	0.035167%	0.035799%
District's proportionate share of the net pension liability/(asset)	<u>\$ 2,255,622</u>	<u>\$ 6,714,011</u>	<u>\$ 5,643,585</u>	<u>\$ 7,719,597</u>	<u>\$ (2,791,968)</u>	<u>\$ 36,843</u>	<u>\$ 9,274,370</u>	<u>\$ 2,471,041</u>	<u>\$ 1,135,007</u>	<u>\$ 3,363,713</u>
District's covered payroll	\$ 23,596,745	\$ 9,545,988	\$ 20,748,417	\$ 18,550,022	\$ 12,541,818	\$ 12,298,311	\$ 11,656,821	\$ 12,006,710	\$ 11,965,697	\$ 11,671,112
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	9.6%	70.3%	27.2%	41.6%	(22.3%)	0.3%	79.6%	20.6%	9.5%	28.8%
Plan fiduciary net position as a percentage of the total pension liability	97.8%	93.1%	93.9%	90.8%	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions—
Employees' Retirement System
Last Ten Fiscal Years

	Year Ended June 30,									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 2,610,736	\$ 2,282,141	\$ 1,943,024	\$ 1,771,413	\$ 2,031,387	\$ 1,835,805	\$ 1,724,486	\$ 1,763,321	\$ 1,694,511	\$ 2,194,880
Contribution in relation to the contractually required contribution	<u>(2,610,736)</u>	<u>(2,282,141)</u>	<u>(1,943,024)</u>	<u>(1,771,413)</u>	<u>(2,031,387)</u>	<u>(1,835,805)</u>	<u>(1,724,486)</u>	<u>(1,763,321)</u>	<u>(1,694,511)</u>	<u>(2,194,880)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$24,024,737	\$22,846,065	\$21,478,952	\$ 19,810,493	\$12,500,620	\$12,257,913	\$11,812,676	\$ 12,088,835	\$11,911,547	\$11,794,168
Contributions as a percentage of covered payroll	10.9%	10.0%	9.0%	8.9%	16.3%	15.0%	14.6%	14.6%	14.2%	18.6%

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NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Nine Fiscal Years*

	Year Ended June 30,								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability									
Service cost	\$ 2,848,382	\$ 2,340,852	\$ 2,278,800	\$ 4,347,244	\$ 2,675,145	\$ 2,866,123	\$ 2,100,007	\$ 2,412,965	\$ 2,056,605
Interest	7,395,544	6,559,782	5,983,433	5,740,617	3,746,282	4,340,688	5,339,531	6,318,104	6,133,854
Differences between expected and actual experience	18,509,241	9,500,791	8,872,851	(18,453,558)	19,931,171	(14,115,343)	(4,006,045)	(12,689,188)	7,134,889
Changes in assumptions and other inputs	(2,635,282)	(7,684,640)	(3,621,818)	(27,662,475)	16,218,483	3,102,134	21,861,433	(9,764,120)	3,585,438
Benefit payments	(7,579,559)	(7,048,553)	(6,460,146)	(6,428,984)	(5,995,928)	(6,252,203)	(5,762,612)	(5,667,628)	(5,555,580)
Net changes in total OPEB liability	18,538,326	3,668,232	7,053,120	(42,457,156)	36,575,153	(10,058,601)	19,532,314	(19,389,867)	13,355,206
Total OPEB liability—beginning	173,194,585	169,526,353	162,473,233	204,930,389	168,355,236	178,413,837	158,881,523	178,271,390	164,916,184
Total OPEB liability—ending	<u>\$ 191,732,911</u>	<u>\$ 173,194,585</u>	<u>\$ 169,526,353</u>	<u>\$ 162,473,233</u>	<u>\$ 204,930,389</u>	<u>\$ 168,355,236</u>	<u>\$ 178,413,837</u>	<u>\$ 158,881,523</u>	<u>\$ 178,271,390</u>
Plan Fiduciary Net Position									
Contributions—employer	\$ 7,579,559	\$ 7,048,553	\$ 6,460,146	\$ 6,428,984	\$ 5,995,928	\$ 6,252,203	\$ 5,762,612	\$ 5,667,628	\$ 5,555,580
Benefit payments	(7,579,559)	(7,048,553)	(6,460,146)	(6,428,984)	(5,995,928)	(6,252,203)	(5,762,612)	(5,667,628)	(5,555,580)
Net change in plan fiduciary net position	-	-	-	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability—ending	<u>\$ 191,732,911</u>	<u>\$ 173,194,585</u>	<u>\$ 169,526,353</u>	<u>\$ 162,473,233</u>	<u>\$ 204,930,389</u>	<u>\$ 168,355,236</u>	<u>\$ 178,413,837</u>	<u>\$ 158,881,523</u>	<u>\$ 178,271,390</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	<u>\$ 66,236,572</u>	<u>\$ 64,224,978</u>	<u>\$ 62,101,120</u>	<u>\$ 59,257,619</u>	<u>\$ 57,286,948</u>	<u>\$ 55,474,395</u>	<u>\$ 54,316,908</u>	<u>\$ 54,127,724</u>	<u>\$ 54,127,724</u>
District's net OPEB liability as a percentage of covered-employee payroll	289.5%	269.7%	273.0%	274.2%	357.7%	303.5%	328.5%	293.5%	329.4%

*Information prior to the year ended June 30, 2018 is not available.

The notes to the required supplementary information are an integral part of this schedule.

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

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Over (Under) Original Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Over (Under) Actual</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Local sources:					
Real property taxes and other tax items	\$ 27,169,351	\$ 27,169,351	\$ -	\$ 28,313,199	\$ (1,143,848)
Non-property tax items	2,341,075	2,341,075	-	2,791,228	(450,153)
Charges for services	19,800	19,800	-	35,643	(15,843)
Use of money and property	1,529,481	1,529,481	-	1,696,397	(166,916)
Sale of property and compensation for loss	3,500	3,500	-	-	3,500
Miscellaneous	2,368,148	2,369,298	1,150	2,777,981	(408,683)
State sources:					
Basic formula	134,355,288	134,355,288	-	133,766,384	588,904
Lottery	23,715,864	23,715,864	-	23,280,905	434,959
BOCES	4,912,892	4,912,892	-	4,797,684	115,208
Textbooks	413,866	413,866	-	416,371	(2,505)
Computer software	234,165	234,165	-	235,235	(1,070)
Library loan program	41,113	41,113	-	41,300	(187)
Other State aid	395,797	395,797	-	363,224	32,573
Federal sources:					
Medicaid	510,000	510,000	-	510,427	(427)
Total revenues	<u>198,010,340</u>	<u>198,011,490</u>	<u>1,150</u>	<u>199,025,978</u>	<u>1,014,488</u>
OTHER FINANCING SOURCES					
Transfers in	-	-	-	93,566	(93,566)
Issuance of leases	-	-	-	527,156	(527,156)
Appropriated reserves	<u>3,065,555</u>	<u>3,065,555</u>	<u>-</u>	<u>-</u>	<u>3,065,555</u>
Total other financing sources	<u>3,065,555</u>	<u>3,065,555</u>	<u>-</u>	<u>93,566</u>	<u>(2,971,989)</u>
Total revenues and other financing sources	<u>\$ 201,075,895</u>	<u>\$ 201,077,045</u>	<u>\$ 1,150</u>	<u>\$ 199,646,700</u>	<u>\$ 3,459,321</u>

(continued)

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

(concluded)

	Budgeted Amounts		Variance with Final Budget Over (Under)	Actual		Variance with Final Budget Over (Under)
	Original	Final	Original Budget	Amounts	Encumbrances	Budgetary Actual
EXPENDITURES						
General support:						
Board of Education	\$ 285,917	\$ 243,402	(42,515)	\$ 243,402	\$ -	\$ -
Central administration	340,513	331,480	(9,033)	331,480	-	-
Finance	1,545,342	1,198,201	(347,141)	1,198,201	-	-
Staff	1,410,104	1,294,268	(115,836)	1,294,268	-	-
Central services	17,319,304	16,020,606	(1,298,698)	15,849,937	2,689	167,980
Special items	2,129,083	2,749,053	619,970	2,749,053	-	-
Instruction:						
Instruction, administration and improvement	8,852,935	9,113,531	260,596	9,113,531	-	-
Teaching—regular school	45,183,652	43,476,063	(1,707,589)	43,476,063	-	-
Programs for pupils with handicapping conditions	34,503,458	37,330,665	2,827,207	37,330,665	-	-
Occupational education	2,492,900	2,219,246	(273,654)	2,219,246	-	-
Teaching—special schools	533,403	702,427	169,024	702,427	-	-
Instructional media	4,005,567	3,658,323	(347,244)	3,655,923	2,400	-
Pupil services	7,449,762	7,256,968	(192,794)	7,256,968	-	-
Community services	637,188	480,731	(156,457)	480,731	-	-
Pupil transportation	12,133,029	12,047,819	(85,210)	11,893,004	-	154,815
Employee benefits	45,121,678	45,759,847	638,169	45,606,841	-	153,006
Debt service:						
Principal	13,460,525	14,026,383	565,858	14,026,383	-	-
Interest and other fiscal charges	<u>5,171,581</u>	<u>4,045,562</u>	<u>(1,126,019)</u>	<u>4,045,562</u>	<u>-</u>	<u>-</u>
Total expenditures/encumbrances	202,575,941	201,954,575	(621,366)	201,473,685	5,089	475,801
OTHER FINANCING USES						
Transfers out	<u>465,000</u>	<u>1,087,516</u>	<u>622,516</u>	<u>1,009,030</u>	<u>-</u>	<u>78,486</u>
Total expenditures/encumbrances and other financing uses	<u>203,040,941</u>	<u>203,042,091</u>	<u>1,150</u>	<u>202,482,715</u>	<u>\$ 5,089</u>	<u>\$ 554,287</u>
Net change in fund balance*	(1,965,046)	(1,965,046)	2,300	(2,836,015)		
Fund balance—beginning	<u>56,910,350</u>	<u>56,910,350</u>	<u>-</u>	<u>56,910,350</u>		
Fund balance—ending	<u>\$ 54,945,304</u>	<u>\$ 54,945,304</u>	<u>\$ 2,300</u>	<u>\$ 54,074,335</u>		

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

The notes to the required supplementary information are an integral part of this schedule.

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NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2026

1. TEACHERS' RETIREMENT SYSTEM and EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

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

2. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which changed from 4.39% to 4.41% effective June 30, 2026. The salary scale remained at 3.30% effective June 30, 2026. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 6.10%, while the ultimate healthcare cost trend rate is 3.70%.

3. BUDGETARY INFORMATION

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

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

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

4. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended June 30, 2026, there were no expenditures that exceeded appropriations.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget—During the year ended June 30, 2026, the District made significant budget transfers to decrease expenditures budgeted for central services. Then increase the expenditures to cover additional costs for programs for pupils with handicapping conditions.

Final budget compared to actual results—The most significant difference between estimated revenues and actual revenues included miscellaneous revenue and real property tax items. Miscellaneous revenue was more than anticipated due to the District receiving a significant BOCES refund in the current year. Real property tax items were more than anticipated do to an increase in payments in lieu of taxes in the current year. These increases were offset by interfund revenues and state aid reported as significantly less than budgeted for. The district budgeted for an interfund revenue that is actually for a transfer in from the retirement reserve and then the state aid is budgeted for based off of the NYSED aid reports which the allocation was less than anticipated made by the State.

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

SUPPLEMENTARY INFORMATION

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

Change from Adopted Budget to Final Budget

Adopted budget, 2025-2026	\$ 202,840,136
Add: Prior year's encumbrances	<u>200,805</u>
Original budget, 2025-2026	203,040,941
Budget revisions: Gifts and donations	<u>1,150</u>
Final budget, 2025-2026	<u><u>\$ 203,042,091</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2026-2027 Voter-approved expenditure budget	<u>\$ 211,260,990</u>
Maximum allowed (4% of 2026-2027 budget)	<u><u>\$ 8,450,440</u></u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:

Assigned fund balance	\$ 1,768,004	
Unassigned fund balance	<u>7,935,054</u>	
Total unrestricted fund balance		\$ 9,703,058

Less:

Appropriated fund balance	\$ 1,762,915	
Encumbrances included in assigned fund balance	<u>5,089</u>	
Total adjustments		<u>1,768,004</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 7,935,054</u></u>
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Actual percentage	3.76%
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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.

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2026

Project title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended Balance
			Prior Year	Current Year	Total	
SSBA Equipment District-Wide	\$ 3,163,678	\$ 918,489	\$ 55,997	\$ 787,028	\$ 843,025	\$ 75,464
SSBA Equipment NFHS	1,207,010	913,000	48,104	-	48,104	864,896
ARP CIP - NFHS	3,699,527	4,844,652	4,831,569	-	4,831,569	13,083
ARP CIP - Kalfas Elementary School	3,000,000	1,707,889	1,701,850	-	1,701,850	6,039
ARP CIP - Bloneva Bond Primary School	480,000	523,093	521,692	-	521,692	1,401
ABOFA CIP - Admin	466,616	389,485	339,054	50,074	389,128	357
ABOFA CIP - Admin	-	295,922	256,459	37,831	294,290	1,632
ABOFA CIP - NFHS	591,616	104,968	104,865	-	104,865	103
ABOFA CIP - NFHS	-	1,665,518	1,190,704	334,718	1,525,422	140,096
ABOFA CIP - GPS	10,966,616	138,337	138,186	-	138,186	151
ABOFA CIP - GPS	-	9,869,385	9,270,859	537,250	9,808,109	61,276
ABOFA CIP - LPS	11,466,616	527,534	496,080	30,960	527,040	494
ABOFA CIP - LPS	-	8,774,134	8,172,240	522,102	8,694,342	79,792
ABOFA CIP - CEC	616,607	32,997	32,997	-	32,997	-
ABOFA CIP - CEC	-	515,297	445,986	68,277	514,263	1,034
ABOFA CIP - Abate	466,616	33,301	33,301	-	33,301	-
ABOFA CIP - Abate	-	635,964	558,446	76,179	634,625	1,339
ABOFA CIP - Cataract	466,616	213,614	213,614	-	213,614	-
ABOFA CIP - Cataract	-	699,244	616,477	81,365	697,842	1,402
ABOFA CIP - Hyde Park	466,616	33,002	33,002	-	33,002	-
ABOFA CIP - Hyde Park	-	556,627	437,088	118,322	555,410	1,217
ABOFA CIP - Kalfas	466,616	293,264	273,583	19,383	292,966	298
ABOFA CIP - Kalfas	-	260,999	232,279	27,288	259,567	1,432
ABOFA CIP - Maple	466,616	33,852	33,601	-	33,601	251
ABOFA CIP - Maple	-	539,518	377,669	160,693	538,362	1,156
ABOFA CIP - BBPS	466,616	46,661	45,498	-	45,498	1,163
ABOFA CIP - BBPS	-	2,099,730	1,861,940	229,533	2,091,473	8,257
ABOFA CIP - 79th	466,616	33,297	33,297	-	33,297	-
ABOFA CIP - 79th	-	461,072	419,552	40,498	460,050	1,022
ABOFA CIP - GJ Mann	466,616	33,302	33,302	-	33,302	-
ABOFA CIP - GJ Mann	-	575,020	458,013	115,800	573,813	1,207
ABOFA CIP - Dist-Wide	1,501,500	72,008	54,333	-	54,333	17,675
ABOFA CIP - Dist-Wide	-	557,141	-	-	-	557,141
Emergency Gen-LPS	591,000	591,000	-	579,741	579,741	11,259
Total	<u>\$ 40,892,714</u>	<u>\$ 38,398,316</u>	<u>\$ 33,321,637</u>	<u>\$ 3,817,042</u>	<u>\$ 36,558,938</u>	<u>\$ 1,850,637</u>

NIAGARA FALLS CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
June 30, 2026

Capital assets, net of accumulated depreciation/amortization		\$ 177,814,497
Add:		
Deferred charge on refunding	<u>449,929</u>	449,929
Deduct:		
Serial bonds	\$ (89,620,000)	
Premiums on serial bonds	(5,922,519)	
Certificates of participation	(7,680,000)	
Lease liabilities	(1,143,784)	
Capital Projects Fund accounts payable	<u>(1,328,425)</u>	<u>(105,694,728)</u>
Net investment in capital assets		<u>\$ 72,569,698</u>

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

The Board of Education
Niagara Falls City School District, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Niagara Falls City School District, New York (the "District") as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Drescher & Malecki LLP

October 28, 2026