WATERTOWN CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2026

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BOWERS

BOWERS & COMPANY CPAS, PLLC

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF EDUCATION
WATERTOWN CITY SCHOOL DISTRICT

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5-29), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 99), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and related notes to the schedule (pages 100-103), Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 104), and Schedule of District's Contributions – NYSLRS Pension Plan (page 105) 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 Watertown City School District's basic financial statements. The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 106-114), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, The Schedule of Change From Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund - Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds, Net Investment in Capital Assets (pages 106-114) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2026 on our consideration of Watertown City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Watertown City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watertown City School District's internal control over financial reporting and compliance.

Bowers & Company CPAs, PLLC

Watertown, New York
October 14, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026

INTRODUCTION

The following is a discussion and analysis of Watertown City School District's financial performance for the fiscal year ended June 30, 2026. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. Responsibility for completeness and fairness of the information contained rests with the School District.

DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Watertown City School District (the "School District") is considered a Small City School District. The School District has land area of approximately 30 square miles and an estimated population of 30,000, centers around the City of Watertown, and includes all of the City and portions of the Towns of LeRay, Pamelia, Rutland, and Watertown. It is located in the center of Jefferson County, in the northern sector of New York State. The Jefferson County Seat is located in the City of Watertown.

The city government of Watertown is a separate political body and corporation. A mayor and council are elected independent of any School District relationships and administer the provision of traditional city services. Council acts as the taxing authority for these city services.

The School District operates under a locally-elected Board form of government consisting of seven members elected at-large for staggered five-year terms. The Board of Education is the policy-making body of the School District. The President and the Vice President are elected by the Board members. The President of the Board is the chief fiscal officer of the School District.

The duties of the administrative officers of the School District are to implement the policies of the Board of Education and supervise the operation of the school system.

The School District is staffed by approximately 850 full-time and part-time employees who provide services to 4,000 students and other community members. The School District currently operates five elementary schools (K-4), one intermediate school (5-6), one middle school (7-8), a high school (9-12), and a learning center.

Extra Classroom Activities Fund – These funds are considered a component unit of the School District. Financial Statements can be found in the School District's business office at 1351 Washington Street, Watertown, NY 13601.

DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY - Continued

Parent Teacher Organizations – The School District is not involved in the budgeting or management, is not responsible for any debt, and has minimal influence over these organizations.

The discussion and analysis of Watertown City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2026. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Among major funds, the General Fund reported revenues of $95,709,075 and expenditures of $94,861,759. After other financing uses of $507,455, its fund balance increased by $339,861 during the year ended June 30, 2026.

- The District continues to strategically evaluate the use of available fund balance and legally established reserves to support future capital projects, manage financial risks, and minimize the impact on taxpayers. As of June 30, 2026, the General Fund balance totaled $49,462,282. The District has established a multi-year plan to gradually reduce its unappropriated fund balance over the next three to four years through the funding of reserves for future capital needs and the use of fund balance to stabilize the tax levy. As part of this plan, the District appropriated an additional $5 million of fund balance in the 2026-27 adopted budget. Through these deliberate financial planning efforts, the District has reduced its unappropriated fund balance from approximately 22% to 17%, demonstrating continued progress toward responsible fund balance management while maintaining financial stability.

- District-wide revenues totaled $110,274,944 and total expenses were $101,677,025. Net position increased by $8,597,919, ending the year at a deficit of ($113,979,095).

- General revenues totaled $97,859,384, or approximately 88.7% of total revenues. Program revenues from charges for services and operating and capital grants totaled $12,415,560, or approximately 11.3% of total revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2026

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **District-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements concentrate on the School District's most significant funds with all other non-major funds listed in total in one column. The fund financial statements comprise the remaining statements.

    - **Governmental funds statements** tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

    - **Fiduciary fund statements** provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget and actual for the year.

Figure A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Table A-1	Major Features of the District-Wide and Fund Financial Statements		
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the School District that are not fiduciary, such as instruction, special education and building maintenance	Instances in which the School District acts as a trustee or an agent for resources that belong to others but does not have administrative control, such as property taxes collected on behalf of other governments or scholarships in a trust
Required Financial Statements	1. Statement of Net Position 2. Statement of Activities	3. Balance Sheet 4. Statement of Revenues, Expenditures, and Changes in Fund Balance	5. Statement of Fiduciary Net Position 6. Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset / Liability Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow / Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	Additions and deductions during the year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially from July 1, 2025 through June 30, 2026?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Some examples of non-financial factors include the School District's property tax base, current property tax laws in New York State restricting revenue growth, facility condition, unfunded required educational programs required by the New York State Education Department.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of school buildings, pupil transportation and extracurricular activities. The School District does not have any business-like activities.

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Aid Fund, Capital Projects Fund - District Wide 2025, and Capital Projects Fund – Emergency Project, Flood. All other funds are reported as non-major funds.

OVERVIEW OF FINANCIAL STATEMENTS - Continued

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. At June 30, 2026, the District reported a net position deficit of $113,979,095, compared with a deficit of $122,577,014 at June 30, 2025, an improvement of $8,597,919. The deficit is primarily attributable to long-term other postemployment benefit (OPEB) obligations. The reported OPEB liability decreased from $230,858,552 at June 30, 2025 to $214,526,841 at June 30, 2026. The District also reported net capital assets of $80,302,636. Changes in government-wide net position include accrual-basis pension and OPEB adjustments that do not directly reflect current-year spendable financial resources.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The following schedule summarizes the School District's Net Position. The complete Statement of Net Position can be found in the School District's basic financial statements.

Table 1: Condensed Statement of Net Position

	2025	2026	Percentage Change
Assets			
Current and Other Assets	$ 81,564,236	$ 97,012,366	18.94%
Capital Assets, Net	78,226,379	80,302,636	2.65%
Total Assets	$ 159,790,615	$ 177,315,002	10.97%
Deferred Outflows of Resources			
Other Postemployment Benefits	$ 19,335,271	$ 15,079,914	-22.01%
Pensions	13,117,039	14,087,944	7.40%
Deferred Charge on Refunding	10,735	5,652	-47.35%
Total Deferred Outflows of Resources	$ 32,463,045	$ 29,173,510	-10.13%
Liabilities			
Current Liabilities	$ 17,983,738	$ 25,060,473	39.35%
Long-Term Liabilities	256,804,939	235,745,070	-8.20%
Total Liabilities	$ 274,788,677	$ 260,805,543	-5.09%
Deferred Inflows of Resources			
Other Postemployment Benefits	$ 34,091,773	$ 48,696,043	42.84%
Pensions	5,950,224	10,966,021	84.30%
Total Deferred Inflows of Resources	$ 40,041,997	$ 59,662,064	49.00%
Net Position (Deficit)			
Net Investment in Capital Assets	$ 53,259,666	$ 49,703,565	-6.68%
Restricted	26,656,411	22,936,169	-13.96%
Unrestricted (Deficit)	(202,493,091)	(186,618,829)	-7.84%
Total Net Position (Deficit)	$ (122,577,014)	$ (113,979,095)	-7.01%

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The District's total net position improved by $8,597,919 during the 2025–2026 fiscal year, from a deficit of $122,577,014 at June 30, 2025, to a deficit of $113,979,095 at June 30, 2026.

Total assets increased by $17,524,387, reflecting changes in cash and other financial assets, continued investment in capital improvements, and an increase in the District's proportionate share of net pension assets.

Total liabilities decreased by $13,983,134, primarily reflecting a reduction in the District's other postemployment benefits (OPEB) liability, which declined from $230,858,552 to $214,526,841. Changes in deferred outflows and inflows of resources associated with pension and OPEB obligations also affected the District's overall financial position.

Although the District continues to report a government-wide net position deficit, the deficit is substantially attributable to long-term employee benefit obligations and does not represent a corresponding deficit in the District's available operating funds.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Table 2: Condensed Statement of Activities

	2025	2026	Percentage Change
Revenues			
General Revenues			
Property and Other Tax Items	$ 16,541,689	$ 16,996,417	2.75%
Other Tax Items	3,108,006	3,296,616	6.07%
State Aid Formula	67,239,310	73,788,115	9.74%
Other	5,319,818	3,778,236	-28.98%
Program Revenues			
Charges for Services	132,557	694,608	424.01%
Operating Grants	14,264,136	11,592,497	-18.73%
Capital Grants	1,318,383	128,455	-90.26%
Total Revenues	107,923,899	110,274,944	2.18%
Expenses			
General Support	13,710,326	13,420,917	-2.11%
Instruction	79,786,215	78,859,807	-1.16%
Pupil Transportation	3,801,587	5,002,630	31.59%
School Food Service	3,219,580	3,361,516	4.41%
Debt Service	946,423	1,032,155	9.06%
Total Expenses	101,464,131	101,677,025	0.21%
Special Item: Claims Expense	2,150,000	-	-100.00%
Change in Net Position	$ 4,309,768	$ 8,597,919	99.50%

Revenues

Total government-wide revenues increased from $107,923,899 in 2025 to $110,274,944 in 2026, an increase of $2,351,045 (approximately 2.18%).

General state-source revenues totaled $73,788,115 in 2026. State aid remains the District’s largest source of general revenues.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues – Continued

State Aid

State Aid increased during the 2025-2026 fiscal year, primarily due to increases in Foundation Aid, BOCES Aid, and Excess Cost Aid. The 2024-2025 school year represented the final year of the State's full funding phase-in of Foundation Aid, during which the District received an 8.77% increase. For the 2025-2026 fiscal year, New York State implemented significant revisions to the Foundation Aid formula intended to better reflect current student needs and school district fiscal capacity.

The revised formula replaced outdated 2000 Census poverty data with more recent Small Area Income and Poverty Estimates (SAIPE) and replaced free- and reduced-price lunch data with economically disadvantaged student counts. These revisions were intended to provide a more accurate measure of student poverty and direct additional resources toward districts serving economically disadvantaged populations. The State also increased the maximum State Sharing Ratio from 91% to 93%, adjusted the weighting for English Language Learners, and established a minimum Foundation Aid increase of 2% for all districts.

Under the revised formula, Watertown City School District received a 3.18% increase in Foundation Aid for 2025-2026, representing an additional $2,823,080. Although Foundation Aid continued to increase, the percentage increase was lower than the 8.77% received in the preceding fiscal year.

BOCES Aid also increased as the District's utilization of eligible BOCES services increased.

Excess Cost Aid increased as the District experienced continued growth in the number of students requiring special education services, along with rising costs associated with providing those services.

These changes contributed to the overall increase in State Aid and demonstrate the District's continued reliance on State funding to support educational programs, specialized student services, and ongoing operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues – Continued

Operating Grants

Operating grant revenues decreased by $2,671,639, or 18.73%, from $14,264,136 in 2024-2025 to $11,592,497 in 2025-2026. This decrease was primarily attributable to the expiration of federal COVID-19 relief funding provided through the American Rescue Plan Act (ARPA).

These temporary federal resources had provided additional financial support for educational programs, staffing, and student services in prior fiscal years. With the conclusion of ARPA funding, the District experienced a reduction in federal grant revenues during 2025-2026.

The expiration of this funding represents the conclusion of a temporary federal funding source rather than a reduction in the District's recurring State Aid. The District continues to evaluate its programs and available funding sources to ensure that ongoing expenditures remain sustainable within its operating budget.

Capital Grants

Capital grant revenues decreased by $1,189,928, or 90.26%, from $1,318,383 in 2024-2025 to $128,455 in 2025-2026.

A significant portion of this decrease was attributable to $770,733 in anticipated Federal Emergency Management Agency (FEMA) funding associated with emergency expenditures incurred following Tropical Storm Debby in August 2024. These funds represented FEMA's anticipated share of the District's eligible emergency response and recovery costs.

The District recognized the anticipated FEMA funding in its 2024-2025 financial reporting while awaiting reimbursement. As a result, the prior fiscal year's capital grant revenues included funding associated with the storm recovery efforts, contributing to the significant year-over-year decrease reported in 2025-2026.

The decrease primarily reflects the timing of disaster-related funding recognition rather than a comparable reduction in the District's ongoing capital improvement activities.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues – Continued

Other General Revenues

Other General Revenues decreased by $1,541,582, or 28.98%, from $5,319,818 in 2024-2025 to $3,778,236 in 2025-2026. The decrease was primarily attributable to two factors. During the 2024-2025 fiscal year, the District recognized $1,050,000 in insurance recoveries associated with damages sustained during Tropical Storm Debby in August 2024. These nonrecurring revenues helped offset emergency response, cleanup, and restoration costs incurred as a result of the storm. The absence of comparable insurance recoveries in 2025-2026 contributed significantly to the year-over-year decrease.

Additionally, the District experienced an approximately $400,000 decrease in interest earnings during 2025-2026. This reduction was anticipated as prevailing interest rates declined throughout the fiscal year, resulting in lower investment income on District funds.

Together, these two factors accounted for approximately $1.45 million of the $1.54 million decrease in Other General Revenues. The remaining variance was attributable to changes in other miscellaneous revenue sources.

Charges for Services

Charges for Services increased by $562,051, or 424.01%, from $132,557 in 2024-2025 to $694,608 in 2025-2026. The increase was primarily attributable to $515,709 in funding associated with the District's Preschool Special Education (Section 4410) program for the 2025-2026 school year. As of June 30, 2026, the District was awaiting receipt of these funds and was working collaboratively with Jefferson County to complete the required student evaluations and supporting documentation necessary to satisfy the applicable funding requirements.

This funding accounted for approximately 92% of the increase in Charges for Services. The remaining increase was attributable to other service-related revenues.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

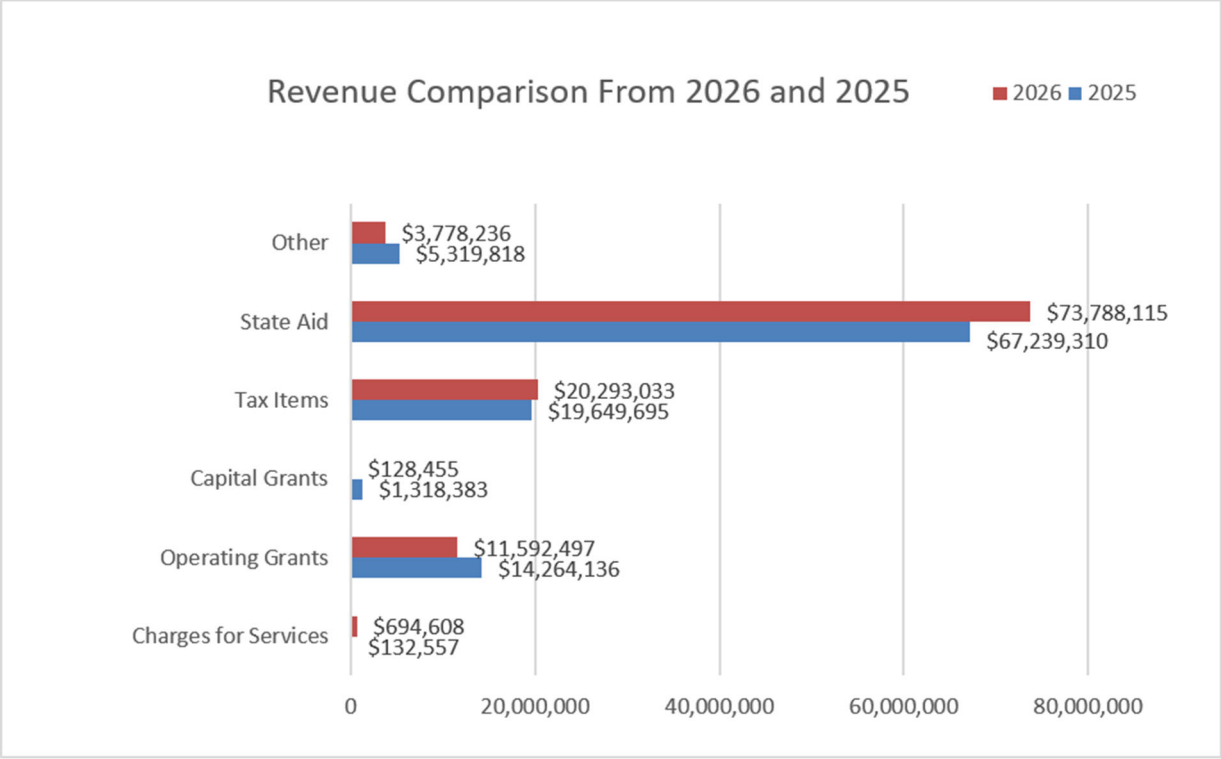
Revenues – Continued

Property Taxes and Other Tax Items

Property tax revenues increased by $454,728, or 2.75%, from $16,541,689 in 2024-2025 to $16,996,417 in 2025-2026. This increase was primarily attributable to the District's adopted 2.44% tax levy increase for the 2025-2026 fiscal year.

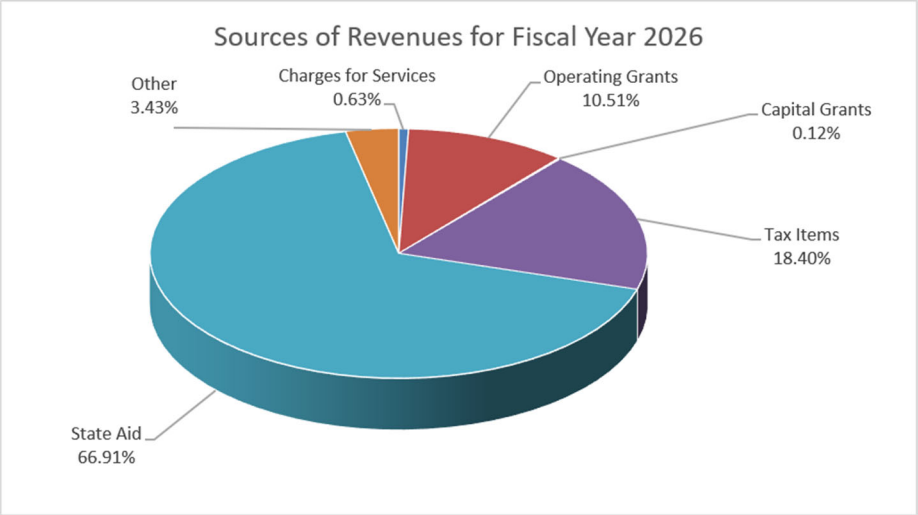
Other Tax Items increased by $188,610, or 6.07%, from $3,108,006 in 2024-2025 to $3,296,616 in 2025-2026. This revenue category includes utility tax revenues collected through National Grid utility bills and remitted to the District on a quarterly basis. Utility rates have continued to increase over the past several years, resulting in higher utility-related tax collections received by the District.

These increases contributed to the District's overall growth in local revenues during the 2025-2026 fiscal year.



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Revenues - Continued



Expenses

Total government-wide expenses increased from $101,464,131 in 2025 to $101,677,025 in 2026, an increase of $212,894 (approximately 0.21%).

Pupil Transportation

Pupil Transportation expenses increased by $1,201,043, or 31.59%, from $3,801,587 in 2024-2025 to $5,002,630 in 2025-2026. The increase was primarily attributable to the implementation of a new transportation contract with First Student for the 2025-2026 school year, replacing the District's previous contract, which had been in place for more than five years. The new agreement included an updated fleet of school buses equipped with air conditioning, an increase in the number of buses available to serve the District, and an expansion of transportation routes and services.

Additional transportation services included routes supporting Cyclone Academy and tardy bus transportation, along with other routes designed to accommodate the District's evolving student transportation needs.

These enhancements increased the overall cost of contracted transportation services while expanding transportation availability, improving student access to educational programs, and providing updated transportation equipment for the District's students.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenses – Continued

Instruction

Instruction expenses decreased by $926,408, or 1.16%, from $79,786,215 in 2024-2025 to $78,859,807 in 2025-2026. The decrease was primarily attributable to the expiration of federal COVID-19 relief funding, including American Rescue Plan Act (ARPA) resources. Grant-funded expenditures decreased by approximately $2.7 million during the 2025-2026 fiscal year as these temporary federal funding sources came to an end.

The reduction in grant-funded expenditures was partially offset by increases in the District's ongoing instructional costs, including salaries, employee benefits, and special education services. The District continues to experience increasing costs associated with providing educational services to students with disabilities, reflecting both the growing number of students requiring specialized instruction and the costs associated with meeting their individual educational needs.

Overall, the decrease in Instruction expenses reflects the conclusion of temporary federally funded activities, partially offset by rising costs associated with maintaining the District's regular educational programs and meeting the needs of its student population.

School Food Service Program

The School Food Service Program reported expenses of $3,361,516 and program revenues of $3,524,249 in 2026, resulting in net program revenue of $162,733. The District continues to operate under the Community Eligibility Provision, which allows eligible students to receive breakfast and lunch at no charge.

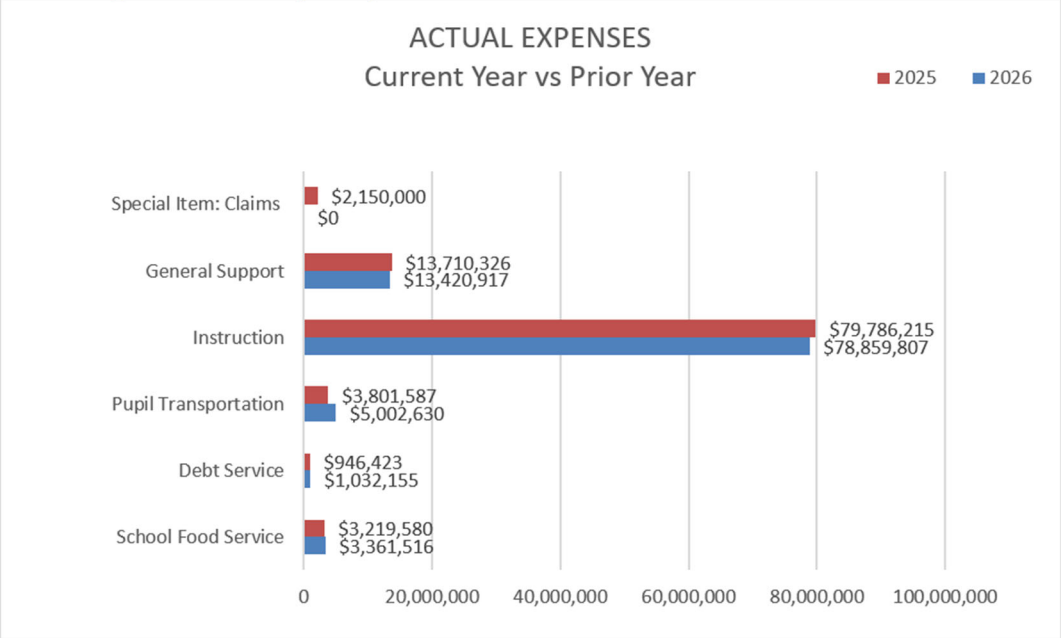
Debt Service

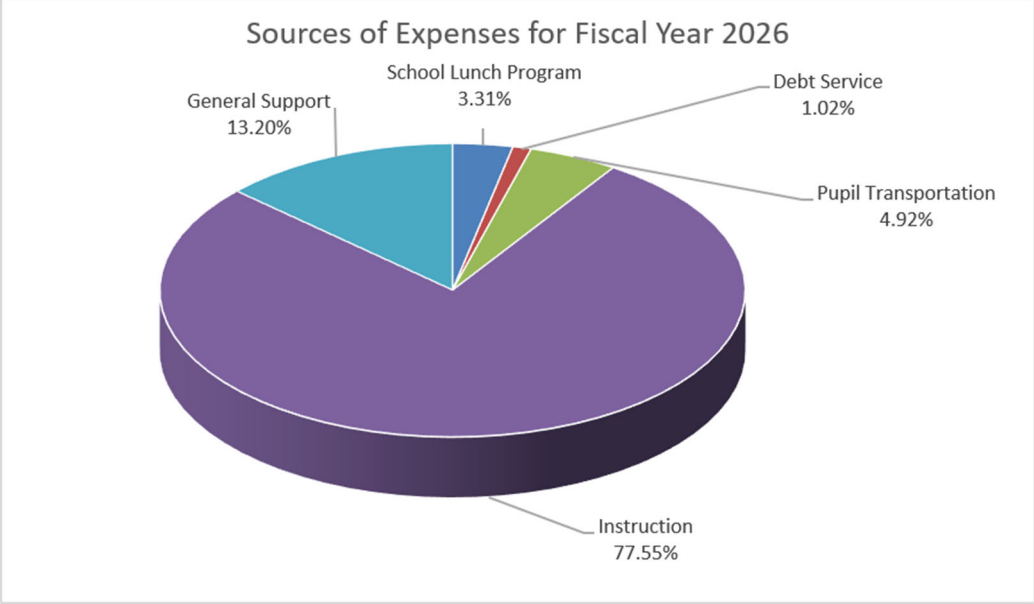
Government-wide debt service interest expense was $1,032,155 in 2026. Governmental fund debt service expenditures include principal repayments and interest paid; these differ from government-wide interest expense because of the different bases of accounting.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

Expenses – Continued

The following chart shows the expenses in district-wide statements for the current year ended June 30, 2026 in comparison to the prior year:





ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Governmental fund revenues totaled $108,871,549 and expenditures totaled $110,993,495 for the year ended June 30, 2026, a deficiency of revenues under expenditures of $2,121,946. Net other financing sources were $96,642, resulting in an overall decrease in governmental fund balances of $2,025,304, from $64,281,206 to $62,255,902.

Table 4: Summary of Governmental Funds Expenditures

The cost of the District's activities for 2025 and 2026 were as follows:

	2025	2026	Percentage Change
General Support	$ 9,444,959	$ 13,002,671	37.67%
Instruction	54,852,209	58,237,460	6.17%
Pupil Transportation	3,707,147	4,934,450	33.11%
Employee Benefits	22,364,807	24,151,068	7.99%
Debt Service	5,218,980	4,786,999	-8.28%
Capital Expenditures	6,743,469	3,847,353	-42.95%
Other Expenditures	223,968	226,060	0.93%
Cost of Sales - School Food Service	1,851,193	1,807,434	-2.36%
Total Expenditures	$ 104,406,732	$ 110,993,495	6.31%

General Fund

The General Fund is the District's primary operating fund and accounts for the financial resources used to support its educational programs and general operations.

During the 2025–2026 fiscal year, General Fund revenues totaled $95,709,075, while expenditures totaled $94,861,759. Revenues exceeded expenditures by $847,316. After other financing uses of $507,455, the General Fund reported an increase in fund balance of $339,861.

The General Fund ended June 30, 2026, with a fund balance of $49,462,282, compared with $49,122,421 at June 30, 2025. The ending fund balance consisted of $12,466,612 in restricted funds, $18,113,380 in assigned funds, and $18,882,290 in unassigned funds.

The District continues to monitor its General Fund financial position and has established a multi-year strategy to gradually reduce its unassigned fund balance. As part of this strategy, the District appropriated an additional $5 million of fund balance in its adopted 2026–2027 budget. This planned use of available resources is intended to support budgetary needs while maintaining stability in the local tax levy.

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Capital Projects Fund – District Wide 2025

The District Wide 2025 Capital Projects Fund reported capital outlay expenditures of $3,169,207 during the 2025–2026 fiscal year. The fund balance decreased by $3,075,535, resulting in an ending fund balance of $6,531,654 as of June 30, 2026. The decrease primarily reflects expenditures associated with the implementation of the District's voter-approved $110 million capital improvement project, utilizing financial resources previously designated for these improvements.

The District continues to move forward with its capital improvement program, which includes significant investments in school facilities, infrastructure, and building modernization throughout the District.

Phase 1A, which includes improvements at Starbuck and Ohio Elementary Schools, began construction during the summer of 2026. Phase 1B is scheduled for submission to the New York State Education Department (NYSED) in October 2026, with bidding anticipated during the winter of 2026–2027 and construction expected to begin in spring 2027.

The District will continue to coordinate project design, construction schedules, and financial oversight to ensure that capital resources are utilized effectively and in accordance with the approved project scope and financing plan.

Capital Projects Fund – Flood

On August 9, 2024, Tropical Storm Debby caused significant damage to District facilities, resulting in the need for extensive repairs and mitigation improvements. During the 2024–2025 fiscal year, the District received insurance recovery funds associated with the storm damage. During the 2025–2026 fiscal year, the District received funding through the Federal Emergency Management Agency (FEMA) to support recovery efforts.

The Flood Capital Projects Fund reported revenues of $899,188 and expenditures of $380,098 during the 2025–2026 fiscal year. Revenues exceeded expenditures by $519,090. After other financing sources of $2,970, the fund balance deficit decreased by $522,060, from $1,067,052 at June 30, 2025, to $544,992 at June 30, 2026. The improvement primarily reflects the recognition of disaster recovery funding in excess of current-year project expenditures. The fund continued to report a deficit at year-end as the District worked through the timing of eligible expenditures and related funding.

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Capital Projects Fund – Flood - Continued

The total estimated cost of the District's storm-related repairs and mitigation projects is $14,257,894. Under the approved funding arrangement, FEMA will provide 75% of eligible project costs, the New York State Division of Homeland Security and Emergency Services (NYSDHSES) will provide 12.5%, and the District will be responsible for the remaining 12.5% local share.

Subsequent to the close of the fiscal year, on September 29, 2026, the District received notification that funding for the proposed repairs and mitigation projects had been approved. Project plans are scheduled for submission to the New York State Education Department (NYSED) in October 2026, with bidding anticipated during the winter of 2026–2027 and construction expected to begin in spring 2027.

The District intends to coordinate the FEMA-funded repairs and mitigation improvements with its voter-approved $110 million capital improvement project. Completing these projects concurrently is expected to allow the District to coordinate construction activities, minimize disruptions to school operations, and maximize efficiencies in project implementation.

Special Aid Fund

Federal and State grants provide funding for specific purposes, including academic intervention, special education, universal prekindergarten, and other instructional programs. During the 2025–2026 fiscal year, the Special Aid Fund reported revenues of $8,164,719 and expenditures of $8,572,491. Expenditures exceeded revenues by $407,772, and an operating transfer of $407,772 was recorded to fund the difference. As a result, the Special Aid Fund ended the fiscal year with no fund balance.

The accompanying grant expenditure schedule provides additional detail regarding the District's use of federal and State grant resources.

ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS - Continued

Special Aid Fund - Continued

	Purpose	2025-2026
Title I	Improving Academic Achievement	$ 1,957,022
Title II	Supporting Effective Instruction State Grants	99,207
Title III	Limited English Proficiency	7,822
Title IV	English Language	116,402
DODEA IV	Department of Defense Grant	570,937
IDEA	School Age Special Ed	1,261,857
IDEA	Preschool Special Ed	35,435
UPK	Universal Pre-K	2,676,431
ARPA	American Rescue Plan	129,870
Section 4408	Summer School Handicapped	131,179
Other	Various	1,586,329
		$ 8,572,491

The expiration of temporary federal COVID-19 relief funding, including American Rescue Plan Act (ARPA) resources, continued to affect the District's grant-funded activities during the 2025–2026 fiscal year. As these funding sources concluded, the District adjusted its grant-funded expenditures and continued to evaluate the sustainability of programs and services previously supported by temporary federal assistance.

The District continues to utilize available federal and State grants to support instructional programs, academic intervention services, special education, universal prekindergarten, and other student needs. The District remains committed to maximizing available grant resources while ensuring compliance with applicable funding requirements and maintaining appropriate financial oversight.

CAPITAL ASSETS & DEBT ADMINISTRATION

At the end of the fiscal year 2026, the School District had $80,302,636 invested in land, buildings, furniture, equipment, vehicles, and right to use lease assets.

Table 3: Capital Assets (Net of Accumulated Depreciation and Amortization)

This table compares fiscal 2025 balances to 2026.

	2025	2026	Total Percentage Change
Land	$ 654,977	$ 654,977	0.00%
Construction in Progress	2,516,097	6,065,402	141.06%
Buildings and Improvements	72,572,985	70,421,137	-2.97%
Furniture and Equipment	2,260,282	3,020,272	33.62%
Intangible Lease Assets	222,038	140,848	-36.57%
Total	$ 78,226,379	$ 80,302,636	2.65%

The District's net capital assets increased by $2,076,257 during the 2025–2026 fiscal year, from $78,226,379 at June 30, 2025, to $80,302,636 at June 30, 2026. This increase reflects continued investment in District facilities, equipment, safety and security improvements, and instructional technology.

Capital asset additions totaled $5,267,378, consisting of $3,967,353 in construction in progress and $1,300,025 in furniture and equipment. Significant equipment acquisitions included new District vehicles, maintenance trucks, tractors, groundskeeping equipment, OpenGate weapons detection systems, instructional technology, and other equipment necessary to support District operations.

During the fiscal year, $418,048 was reclassified from construction in progress to buildings and improvements as projects were completed. The District also retired equipment with an original cost of $198,757 and related accumulated depreciation of $194,336, resulting in a net reduction in capital assets of $4,421. Depreciation and amortization expense totaled $3,186,700. Land is not depreciated.

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

Capital Improvement Projects

On May 18, 2021, District voters approved a $13,000,000 capital improvement project to enhance student safety and security, renovate and improve existing infrastructure, and modernize educational facilities. Phases I and II were completed and closed during the 2024–2025 fiscal year. These phases were initially financed through bond anticipation notes (BANs), which were subsequently converted to long-term bonds upon completion. Phase III continued during the 2025–2026 fiscal year, with associated expenditures recorded as construction in progress. The project is nearing completion.

On May 16, 2023, District voters approved a $1,400,000 capital improvement project for improvements at Watertown High School and the District's turf field. This project was completed during the 2024–2025 fiscal year. Similar to the earlier capital improvement project, the work was initially financed through a BAN, which was subsequently converted to long-term bonds in conjunction with the financing of Phases I and II of the $13 million project.

In March 2025, District voters approved a $110,000,000 capital improvement project representing a significant investment in school facilities, infrastructure, and long-term building improvements. During the 2024–2025 fiscal year, the District transferred $10,000,000 from its Capital Reserve Fund to the Capital Projects Fund to support the project.

The $110 million project is being implemented in multiple phases. Phase 1A, which includes improvements at Starbuck and Ohio Elementary Schools, began construction during the summer of 2026. Phase 1B is scheduled for submission to the New York State Education Department (NYSED) in October 2026, with bidding anticipated during the winter of 2026–2027 and construction expected to begin in spring 2027.

The District is also advancing repairs and mitigation improvements associated with damage sustained during Tropical Storm Debby on August 9, 2024. These improvements will be coordinated with the $110 million capital improvement project to promote construction efficiencies and minimize disruptions to District operations.

Overall, the District continues to make significant investments in its facilities, equipment, and infrastructure to maintain safe, functional, and modern learning environments while supporting the long-term needs of students and staff.

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

Short-Term Debt

At June 30, 2026, the District had outstanding short-term debt consisting of a $9,645,000 Bond Anticipation Note (BAN) and a $3,000,000 Revenue Anticipation Note (RAN).

The BAN was issued in connection with the District's voter-approved $110 million capital improvement project. This short-term financing provides cash flow to support project expenditures as construction progresses and prior to the issuance of permanent financing.

The RAN was issued in connection with the District's FEMA-funded flood recovery and mitigation project resulting from Tropical Storm Debby in August 2024. This obligation provides temporary cash flow to support eligible project expenditures while the District awaits reimbursement from federal and State funding sources.

Both obligations are intended to assist the District in managing cash flow associated with its ongoing capital projects. The District will continue to monitor project expenditures, reimbursement schedules, and financing needs to ensure that sufficient resources are available as work progresses.

Long-Term Debt

The long-term debt is broken down by current (within one year) and long-term (after one year). The School District had the following breakdown of debt June 30, 2026 and 2025:

	2024-2025	2025-2026
Due and Payable in One Year, Net	$ 3,638,979	$ 1,804,099
Due and Payable After One Year, Net	20,070,270	18,266,171
Total Long-Term Bonds Payable, Net of Unamortized Premium	$ 23,709,249	$ 20,070,270

At June 30, 2026, the District reported outstanding bonds payable, including unamortized bond premiums, totaling $20,070,270, compared with $23,709,249 at June 30, 2025. This represents a decrease of $3,638,979, or approximately 15.3%.

The decrease reflects scheduled principal repayments and the amortization of bond premiums during the fiscal year. The District did not issue any new long-term bonds during 2025–2026.

CAPITAL ASSETS & DEBT ADMINISTRATION - Continued

Long-Term Debt – Continued

Of the total outstanding bonds payable at June 30, 2026, $1,804,099 was classified as due within one year, with the remaining $18,266,171 classified as long-term.

The District continues to manage its outstanding debt obligations in accordance with established repayment schedules while monitoring the financing requirements associated with its ongoing capital improvement projects.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Watertown City School District continues to focus on maintaining long-term financial stability while addressing the educational, operational, and infrastructure needs of its students and community. The District remains committed to responsible financial management, strategic planning, and the preservation of educational programs and services.

The District remains heavily dependent on New York State Aid, particularly Foundation Aid, to support its educational programs and operations. Changes to State Aid formulas, future State budgets, and the availability of federal funding will continue to influence the District's financial planning and budget development. While the District experienced an increase in State Aid during the 2025–2026 fiscal year, uncertainty surrounding future funding levels requires continued careful monitoring of revenues and expenditures.

Health insurance costs continue to represent a significant financial challenge for the District. During the 2025–2026 fiscal year, the District experienced a 20% increase in health insurance premiums, placing additional pressure on its operating budget. Further double-digit premium increases are anticipated for the 2026–2027 fiscal year. These rising costs, combined with other contractual and operational obligations, present ongoing challenges to maintaining financial stability. The District will continue to closely monitor employee benefit expenditures and incorporate anticipated increases into its long-term financial planning and annual budget development.

As part of its long-term financial strategy, the District is implementing a planned reduction of its unassigned fund balance over the next several fiscal years. This approach is intended to bring fund balance levels into closer alignment with the District's financial objectives while supporting annual budget needs and maintaining stability in the local tax levy. The District will continue to monitor expenditures, revenues, and fund balance levels to ensure that this reduction occurs in a responsible and sustainable manner.

FACTORS BEARING ON THE DISTRICT'S FUTURE - Continued

The District is also undertaking significant infrastructure improvements through its voter-approved $110 million capital improvement project and the FEMA-supported repairs and mitigation projects associated with Tropical Storm Debby. These projects will require continued financial oversight, coordination of construction activities, and monitoring of State and federal reimbursement schedules. The District will carefully evaluate the timing of debt issuance, anticipated State Building Aid, and its local financial obligations as these projects progress. Coordinating the FEMA-funded work with the larger capital improvement project is expected to provide opportunities for construction efficiencies and minimize disruptions to District operations.

Additionally, the District continues to experience financial pressures associated with employee salaries, transportation, utilities, facility maintenance, and other operating expenses. The expiration of temporary federal COVID-19 relief funding has also required the District to evaluate how programs and services previously supported through those resources will be sustained within available funding sources.

The District will continue to evaluate its financial position, monitor economic conditions and funding trends, and make informed budgetary decisions to support its long-term financial sustainability. Through careful fiscal oversight and strategic resource allocation, the District remains committed to providing a safe, supportive, and high-quality educational environment while balancing the financial responsibilities of its taxpayers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Brianne Durham, Assistant Superintendent for Operations and Finance
Watertown City School District
1351 Washington Street
PO Box 586
Watertown, New York 13601
email: bdurham@watertowncsd.org

STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

June 30, 2026

ASSETS		
Cash and Cash Equivalents		
Unrestricted	$	54,126,061
Restricted		17,925,905
Investments		1,037,698
Receivables		
Taxes		1,706,370
State and Federal Aid		7,245,920
Due from Other Governments		5,169,862
Other		120,146
Inventories		75,361
Net Pension Asset - Proportionate Share		9,605,043
Capital Assets, Net		80,302,636
TOTAL ASSETS	$	177,315,002
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	$	14,087,944
Other Postemployment Benefits		15,079,914
Deferred Charge on Refunding		5,652
Total Deferred Outflows of Resources	$	29,173,510
LIABILITIES		
Payables		
Accounts Payable	$	3,802,641
Accrued Liabilities		2,111,321
Accrued Interest on RAN, BAN, and Bonds Payable		116,627
Due to Other Governments		101
Due to Teachers' Retirement System		3,853,870
Due to Employees' Retirement System		528,174
Compensated Absences Payable - Current		83,112
Revenue Anticipation Note		3,000,000
Bond Anticipation Note		9,645,000
Unearned Credits		
Unearned Revenues - Other		45,295
Long-Term Liabilities		
Due and Payable Within One Year		
Bonds Payable, Net of Unamortized Premium		1,804,099
Lease Liability		70,233
Due and Payable After One Year		
Bonds Payable, Net of Unamortized Premium		18,266,171
Lease Liability		56,584
Compensated Absences Payable		1,418,155
Net Pension Liability - Proportionate Share		1,477,319
Other Postemployment Benefits Payable		214,526,841
TOTAL LIABILITIES	$	260,805,543
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	$	48,696,043
Pensions		10,966,021
TOTAL DEFERRED INFLOWS OF RESOURCES	$	59,662,064
NET POSITION		
Net Investment in Capital Assets	$	49,703,565
Restricted		
Debt Service		3,746,322
Other Legal Restrictions		19,189,847
Unrestricted (Deficit)		(186,618,829)
TOTAL NET POSITION	$	(113,979,095)

See notes to audited basic financial statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION – GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2026

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS					
General Support	$ 13,420,917	$ -	$ -	$ -	$ (13,420,917)
Instruction	78,859,807	598,137	8,164,719	128,455	(69,968,496)
Pupil Transportation	5,002,630	-	-	-	(5,002,630)
Debt Service - Interest	1,032,155	-	-	-	(1,032,155)
School Food Service Program	3,361,516	96,471	3,427,778	-	162,733
Total Functions and Programs	$ 101,677,025	$ 694,608	$ 11,592,497	$ 128,455	(89,261,465)
GENERAL REVENUES					
Real Property Taxes					16,996,417
Other Tax Items					3,296,616
Use of Money and Property					2,209,368
Sale of Property and Compensation for Loss					46,326
Gain on Disposal of Capital Assets					36,879
State Sources					73,788,115
Medicaid Reimbursements					119,349
Federal Sources					271,860
Miscellaneous					1,094,454
Total General Revenues					97,859,384
Change in Net Position					8,597,919
Net Position - Beginning of Year					(122,577,014)
Net Position - End of Year					$ (113,979,095)

See notes to audited basic financial statements.

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2026

	General Fund	Capital Projects Fund - District Wide 2025	Capital Projects Fund - Flood
ASSETS			
Cash and Cash Equivalents			
Unrestricted	$ 51,521,751	$ -	$ -
Restricted	12,466,612	104,975	2,332,739
Investments	-	-	-
Receivables			
Taxes	1,706,370	-	-
State and Federal Aid	4,504,747	-	-
Due from Other Funds	3,079,819	18,269,339	217,644
Due from Other Governments	5,159,536	-	-
Other	120,146	-	-
Inventories	-	-	-
TOTAL ASSETS	$ 78,558,981	$ 18,374,314	$ 2,550,383
LIABILITIES			
Payables			
Accounts Payable	$ 2,044,330	$ 1,251,857	$ 95,375
Accrued Liabilities	2,043,259	-	-
Due to Other Funds	18,486,983	945,803	-
Due to Other Governments	-	-	-
Due to Teachers' Retirement System	3,853,870	-	-
Due to Employees' Retirement System	486,544	-	-
Compensated Absences Payable	83,112	-	-
Revenue Anticipation Note Payable	-	-	3,000,000
Bond Anticipation Note Payable	-	9,645,000	-
Unearned Credits			
Unearned Revenues - Other	16,694	-	-
Total Liabilities	27,014,792	11,842,660	3,095,375
DEFERRED INFLOWS OF RESOURCES			
Deferred Taxes	1,566,198	-	-
Deferred State Aid	515,709	-	-
Total Deferred Inflows of Resources	2,081,907	-	-
FUND BALANCES (DEFICITS)			
Nonspendable	-	-	-
Restricted	12,466,612	6,531,654	-
Assigned	18,113,380	-	-
Unassigned (Deficit)	18,882,290	-	(544,992)
Total Fund Balances (Deficits)	49,462,282	6,531,654	(544,992)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	$ 78,558,981	$ 18,374,314	$ 2,550,383

Special Aid Fund	Non-Major Funds	Total Governmental Funds
$ 1,328,946	$ 1,275,364	$ 54,126,061
-	3,021,579	17,925,905
-	1,037,698	1,037,698
-	-	1,706,370
2,057,884	683,289	7,245,920
112,244	945,802	22,624,848
7,591	2,735	5,169,862
-	-	120,146
-	75,361	75,361
$ 3,506,665	$ 7,041,828	$ 110,032,171
$ 359,502	$ 51,577	$ 3,802,641
28,873	39,189	2,111,321
3,095,127	96,935	22,624,848
-	101	101
-	-	3,853,870
-	41,630	528,174
-	-	83,112
-	-	3,000,000
-	-	9,645,000
23,163	5,438	45,295
3,506,665	234,870	45,694,362
-	-	1,566,198
-	-	515,709
-	-	2,081,907
-	75,361	75,361
-	3,937,903	22,936,169
-	2,793,694	20,907,074
-	-	18,337,298
-	6,806,958	62,255,902
$ 3,506,665	$ 7,041,828	$ 110,032,171

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2026

Total Fund Balance - Governmental Funds		$ 62,255,902
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Proportionate share of long-term assets (liabilities) associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.		
Net Pension Asset - Proportionate Share - TRS	$ 9,605,043	
Net Pension Liability - Proportionate Share - ERS	(1,477,319)	8,127,724
Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements consist of:		
Other Postemployment Benefits	$ 48,696,043	
Pensions	10,966,021	(59,662,064)
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds statements consist of:		
Other Postemployment Benefits	$ 15,079,914	
Pensions	14,087,944	
Deferred Charge on Refunding	5,652	29,173,510
Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences related to real property taxes are reported as revenue in the Statement of Activities and as Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental funds.		1,566,198
Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences related to State Aid are reported as revenue in the Statement of Activities and as Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental funds.		515,709

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - CONTINUED
June 30, 2026

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of Capital Assets	$ 122,137,587	
Accumulated Depreciation and Amortization	(41,834,951)	80,302,636

Long-term liabilities, including bonds payable and compensated absences, are not due in the current period and, therefore, are not reported as liabilities in the fund statements.
Long-term liabilities, at year end, consist of:

Bonds Payable	$ 18,550,000	
Accrued Interest on RAN, BAN, and Bonds Payable	116,627	
Lease Liability	126,817	
Compensated Absences Payable	1,418,155	
Other Postemployment Benefits Payable	214,526,841	
Premium on Bond Issue	1,520,270	(236,258,710)

Total Net Position - Governmental Activities	$ (113,979,095)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2026

	General Fund	Capital Projects Fund - District Wide 2025	Capital Projects Fund - Flood
REVENUES			
Real Property Taxes	$ 15,430,219	$ -	$ -
Other Tax Items	3,296,616	-	-
Charges for Services	82,428	-	-
Sale of Property and Compensation for Loss	87,626	-	-
Use of Money and Property	1,796,619	-	-
Miscellaneous	836,243	-	-
State Sources	73,788,115	-	128,455
Medicaid Reimbursements	119,349	-	-
Federal Sources	271,860	-	770,733
Surplus Food	-	-	-
Sales - School Food Service	-	-	-
Total Revenues	95,709,075	-	899,188
EXPENDITURES			
General Support	11,738,167	-	-
Instruction	50,446,703	-	-
Pupil Transportation	4,909,010	-	-
Employee Benefits	23,121,875	-	-
Debt Service:			
Principal	3,259,241	-	-
Interest	1,386,763	-	120,000
Cost of Sales - School Food Service	-	-	-
Other Expenditures	-	-	-
Capital Outlay	-	3,169,207	260,098
Total Expenditures	94,861,759	3,169,207	380,098
Excess (Deficiency) of Revenues Over Expenditures	847,316	(3,169,207)	519,090
OTHER FINANCING SOURCES AND (USES)			
Operating Transfers In	-	-	-
Operating Transfers (Out)	(507,455)	-	-
Premium on Obligations	-	93,672	2,970
Total Other Financing Sources (Uses)	(507,455)	93,672	2,970
Net Change in Fund Balances	339,861	(3,075,535)	522,060
Fund Balances (Deficits) - Beginning of Year	49,122,421	9,607,189	(1,067,052)
Fund Balances (Deficits) - End of Year	$ 49,462,282	$ 6,531,654	$ (544,992)

Special Aid Fund	Non-Major Funds	Total Governmental Funds
$ -	$ -	$ 15,430,219
-	-	3,296,616
-	-	82,428
-	-	87,626
-	316,107	2,112,726
-	258,211	1,094,454
3,818,320	142,699	77,877,589
-	-	119,349
4,346,399	3,079,577	8,468,569
-	205,502	205,502
-	96,471	96,471
8,164,719	4,098,567	108,871,549
-	1,264,504	13,002,671
7,790,757	-	58,237,460
25,440	-	4,934,450
756,294	272,899	24,151,068
-	20,089	3,279,330
-	906	1,507,669
-	1,807,434	1,807,434
-	226,060	226,060
-	418,048	3,847,353
8,572,491	4,009,940	110,993,495
(407,772)	88,627	(2,121,946)
407,772	418,048	825,820
-	(318,365)	(825,820)
-	-	96,642
407,772	99,683	96,642
-	188,310	(2,025,304)
-	6,618,648	64,281,206
$ -	$ 6,806,958	$ 62,255,902

See notes to audited basic financial statements.

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2026

Net Change in Fund Balances - Total Governmental Funds		$ (2,025,304)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, assets with an initial individual cost of more than $5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays and gain on disposal exceeded depreciation and amortization expense and proceeds from sale of equipment in the current period.		
Capital Outlays	$ 5,267,378	
Proceeds from Sale of Equipment	(41,300)	
Gain on Disposal	36,879	
Depreciation and Amortization Expense	(3,186,700)	2,076,257
Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period for bonds and lease liabilities.		3,279,330
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The following items resulted in a net decrease in interest expense being reported in the Statement of Activities:		
Change in Accrued Interest Payable	$ 46,618	
Amortization of Current Year Bond Premium and Deferred Charge on Refunding	428,896	475,514
In the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay) and special termination benefits (early retirement)--are measured by the amount 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).		117,708

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – CONTINUED

Year Ended June 30, 2026

Payment of judgment and claims liabilities were reported on the Statement of Activities based on projected claims payable when probable and reasonably estimated in the prior year, whereas, on the governmental funds the expenditure was recorded when the claims became due with a signed settlement agreement in the current year.	2,150,000
Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. In the prior year Federal Emergency Management Agency Funding was recognized as revenue in the Statement of Activities and presented as Deferred Inflow in the governmental funds. In the current year the District received the funds and were reported as revenue in the governmental funds.	(770,733)
Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences related to real property taxes are reported as revenue in the Statement of Activities and Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental funds.	1,566,198
Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences related to State Aid specific to the Pre K program are reported as revenue in the Statement of Activities and Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental funds.	515,709
In the Statement of Activities, the actual and projected long-term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, in the governmental funds only the actual expenditures are recorded for postemployment benefits.	(2,527,916)
(Increases) decreases in proportionate share of net pension asset/liability and related deferred outflows/inflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.	
Teachers' Retirement System	$ 3,944,143
Employees' Retirement System	(202,987)
	3,741,156
Change in Net Position of Governmental Activities	$ 8,597,919

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2026

	Custodial
ASSETS	
Cash and Cash Equivalents	
Restricted	$ -
Total Assets	$ -
NET POSITION	
Restricted	$ -

See notes to audited basic financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2026

	Custodial
ADDITIONS	
Taxes Collected for Other Governments (Library Levy)	$ 75,000
DEDUCTIONS	
Payments of Tax to Other Governments (Library Levy)	75,000
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	$ -

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS
June 30, 2026

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Extra Classroom Activities Fund

The Extra Classroom Activities Fund of the District represents the funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activities fund is independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extra Classroom Activities fund can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in a miscellaneous special revenue fund.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Joint Venture

The District is one of 18 component districts in the Jefferson-Lewis-Hamilton-Herkimer-Oneida Counties Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

During the year, the District was billed $9,861,665 for BOCES administrative, capital, and program costs.

The District's share of BOCES aid amounted to $6,329,360. This represents state aid distributions of $5,964,150 and 2025 fund balance returned to schools of $365,210.

Financial statements for the BOCES are available from the BOCES administrative office.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation

District-Wide Statements

The *Statement of Net Position* and the *Statement of Activities* present financial information about the District's governmental activities, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal transactions. Governmental activities are generally financed through taxes, State aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

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

Fund Statements

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

Special Revenue Funds: These funds account for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes, child nutrition, extra classroom activities fund which the District has administrative involvement or other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for specific educational programs.

School Food Service Fund: Used to account for child nutrition activities whose funds are restricted as to use.

Extra Classroom Activities Fund: Used to account for funds operated by and for the students of the District. The Board exercises general oversight of these funds. The Extra Classroom Activities Fund is independent of the District with respect to its financial transactions and the designation of student management.

Scholarships and Awards Fund: Used to account for proceeds received from various individuals and organizations that are restricted for specific scholarship and award programs not under specific trust arrangements.

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

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation - Continued

The District reports the following fiduciary funds:

Fiduciary Funds: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements because their resources do not belong to the District and are not available to be used. There is one class of fiduciary funds:

> Custodial Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. These funds are used to account for real property taxes collected on behalf of other governments and disbursed to those governments.

Measurement Focus and Basis of Accounting

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting - Continued

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after the end of the fiscal year as it matches the liquidation of related obligations, except property taxes, which must have a sixty day availability period.

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

Real Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1 and became a lien on September 3, 2025. Taxes are collected during the period October 7, 2025 to December 5, 2025.

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 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.

Restricted Resources

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Transactions

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

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

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, pension costs, OPEB, workers' compensation liabilities, potential contingent liabilities, useful lives of capital assets, intangible lease assets, and intangible subscription assets.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

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

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

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

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

Receivables

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

Inventories and Prepaid Items

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

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

A portion of the fund balance in the amount of these non-liquid assets (inventories) have been identified as not available for other subsequent expenditures.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Assets

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

Capital Assets and Intangible Lease Assets

Capital assets are reported at actual cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. Land and construction in progress are not depreciated.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings & Improvements	$ 10,000	SL	7-50 yrs
Furniture and Equipment	5,000	SL	3-20 yrs

Intangible lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. A capitalization threshold of $5,000 is used for lease acquisitions that are prepaid and have no corresponding lease liability. Intangible lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

The District does not possess any infrastructure.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category. First is the deferred charge on refunding reported in the district-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience and the changes on assumptions and other inputs. The fourth item is the District's contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting and is reported as deferred inflow of resources for deferred tax payments which have not yet been received within 60 days of year-end. They represent a deferred inflow only on the Balance Sheet in the governmental funds and revenue on the District-Wide Statement of Activities. The second item arises only under a modified accrual basis of accounting and is reported as deferred inflow of resources for deferred state aid payments which have not yet been received within 90 days of year-end. They represent a deferred inflow only on the Balance Sheet in the governmental funds and revenue on the District-Wide Statement of Activities. The third item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (TRS and ERS) and 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 fourth item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Unearned Revenue

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

Employee Benefits – Compensated Absences

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

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

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Certain employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination, or death if their contract allows.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's section 403(b) plan.

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Benefits

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

The District provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

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

Short-Term Debt

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Accrued Liabilities and Long-Term Obligations

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

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

Equity Classifications

District-Wide Statements

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

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

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Fund Statements

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

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund of $75,361.

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

Debt Service

According to General Municipal Law §6-1, 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 School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Scholarships and Awards Fund

According to constraints placed on the use of resources established by various scholarship and award programs, must be used for the specific purpose outlined in the program. This reserve is accounted for in the Scholarships and Awards Fund.

Extra Classroom Activities Fund

According to the regulations of the Commissioner of Education (8 NYCRR Part 172), the Board of Education of the District is required to make the rules and regulations for the establishment, conduct, operation, and maintenance of extra classroom activities and for the safeguarding, accounting and audit of all moneys received. According to the regulations of the Board of Education, the monies represent the funds of the students of the District and must be used by the student organizations of the District. This reserve is accounted for in the Extra Classroom Activities Fund.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Capital Projects Fund

According to constraints placed on the use or resources established by approved capital projects, these funds must be used for the specific purpose outlined in the approved proposition. These monies are accounted for in the Capital Projects Fund.

Unemployment Insurance

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

Insurance

According to General Municipal Law §6-n, all expenditures made from the insurance reserve fund must be used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action and funded by budgetary appropriations or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve; however, the annual contribution to this reserve may not exceed the greater of $33,000 or 5% of the budget. Settled or compromised claims up to $25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, expenditures made from the employee benefit accrued liability reserve fund 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. This reserve is accounted for in the General Fund.

Liability Claims and Property Loss

According to Education Law §1709(8)(c), all expenditures made from the liability claims and property loss reserve must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or $15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population under 125,000. These reserves are accounted for in the General Fund.

Repair Reserve

According to General Municipal Law §6-d, expenditures made from the repair reserve fund must be used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

Tax Certiorari

According to Education Law §3651.1-a, funds must be used to establish a reserve fund for tax certiorari judgments and claims and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve that are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

Capital Reserve

According to Education Law §3651, all expenditures made from the capital reserve fund must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the General Fund.

Retirement Contributions

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

Workers' Compensation Reserve

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Restricted fund balance includes the following at June 30, 2026:

General Fund	
Capital Reserve	$ 2,406,774
Capital Reserve - Information Technology	1,700,093
Capital Reserve - Building and Grounds Equipment	1,086,145
Employee Benefit Accrued Liability	1,111,523
Insurance	119,183
Property Loss	119,186
Repairs Reserve	34,468
Retirement Contributions - NYSERS	1,622,286
Retirement Contributions - NYSTRS	2,375,502
Tax Certiorari	1,023,878
Unemployment Insurance	659,780
Workers' Compensation	207,794
Debt Service Fund	3,746,322
Extra Classroom Activities Fund	174,941
Scholarships and Awards Fund	16,640
Capital Projects Fund - District Wide 2025	6,531,654
Total Restricted Funds	$ 22,936,169

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

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to $835,685 (General Support $360,396 and Instruction $475,289). Any remaining fund balance in other funds is considered assigned.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications - Continued

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

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

Order of Use of Fund Balance

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

Implementation of New Accounting Standards

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

GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the year ended June 30, 2026. The statement’s objective is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assisting a government’s accountability. Additionally, the statement also address certain application issues.

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Future Changes in Accounting Standards

GASB has issued Statement No. 105, *Subsequent Events*, effective for the year ended June 30, 2027. The statement's objective is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.

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

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

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

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

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

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS- Continued

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

Differences between the funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into one of five broad categories. The amounts shown below represent:

1. Long-Term Revenue and Expense Differences:

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

2. Capital Related Differences:

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

3. Long-Term Debt Transaction Differences:

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

NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS- Continued

Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities – Continued

4. Pension Differences:

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

5. OPEB Differences:

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

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental fund for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year may be increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriations of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year: use of $2,000,000 from reserve funds and $150,000 of unassigned fund balance for judgment and claims payments.

Budgets are adopted annually on a basis consistent with GAAP.

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

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

Special Revenue Funds have not been included in comparison because they do not have a legally authorized (appropriated) budget.

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

Encumbrances

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

Other

The portion of the District's fund balance subject to the New York State Real Property Tax Law Section 1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include the funding of appropriate reserves and to continue to appropriate fund balance to provide tax relief to district taxpayers.

The Capital Projects Fund – Flood had a deficit fund balance of $544,992 at June 30, 2026. The project will be funded when the District obtains Federal and State sources or local funds to cover the related project costs.

The District's School Food Service fund balance was in excess of the allowable 6 months average expenditures under 7 CFR §210.14b by $774,195. However, the District has an approved plan with the New York State Education Department to reduce the excess fund balance to an amount within the allowable limits.

NOTE 4 - CASH AND CASH EQUIVALENTS- CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS

Cash

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

The District has an account at Community Bank, N.A. that has been placed in deposit accounts through IntraFi Cash Service which provide multi-million dollar Federal Depository Insurance Coverage by distributing monies through other member banks in amounts below the standard FDIC insurance maximum of $250,000.

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

Uncollateralized	$ -
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	$ 15,258,751

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $12,466,612 restricted for various fund balance reserves in the General Fund, $104,975 restricted for a voter approved capital project in the Capital Project - District Wide 2025 Fund, $2,332,739 restricted for an emergency capital project in the Capital Project – Flood Fund, $25,417 restricted for a voter approved capital project in the Capital Project - District Wide 2022 Fund, $4,061 restricted in the Capital Projects Fund – Capital Outlay Projects, $2,800,520 restricted for debt service in the Debt Service Fund, $174,941 restricted for extra classroom activities fund in the Extra Classroom Activities Fund, and $16,640 restricted for scholarships and awards within the Scholarships and Awards Fund within the governmental funds.

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2026, all deposits were fully insured and collateralized by the District's agent, but not in the District's name.

NOTE 4 – CASH AND CASH EQUIVALENTS - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, AND FOREIGN CURRENCY RISKS - Continued

Investment and Deposit Policy

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

Investment Pool – NYCLASS

The District participated in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article §5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2026, the District held $24,386,737 in the General Fund, $1,723,354 in the Capital Fund, $2,800,520 in the Debt Service Fund, $1,209,224 in the School Food Service Fund, and $14,767 in the Scholarships and Award Fund through the cooperative classified as unrestricted and restricted cash.

The above amounts represent the cost of the investment pool shares and are considered to approximate net asset value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of NYCLASS.

Pooled Accounts

The following funds participated in pooled money market accounts:

General Fund	$	291,636
School Food Service Fund		31,680
Total Pooled Book Balance	$	323,316

NOTE 5 - INVESTMENTS

The following is a description of the valuation methodologies used for investments measured at fair value:

Cash and Cash Equivalents: Valued at cost plus accrued interest, which approximates fair value.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

At year-end, the District held $1,037,698 in investments consisting of a certificate of deposit with a 12-month maturity, valued at cost plus accrued interest, which approximates fair value.

NOTE 6 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS

In accordance with the provisions of GASB Statement No 87, *Leases*, the District has recognized an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The District has entered into such lease agreements for various items and other equipment.

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

Governmental Activities	Beginning Balance	Additions	Retirements / Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	$ 654,977	$ -	$ -	$ 654,977
Construction in Progress	2,516,097	3,967,353	(418,048)	6,065,402
Total Nondepreciable Assets	3,171,074	3,967,353	(418,048)	6,720,379
Other Capital Assets:				
Buildings and Improvements	109,906,704	-	418,048	110,324,752
Furniture and Equipment	3,659,838	1,300,025	(198,757)	4,761,106
Intangible Lease Assets - Equipment	331,350	-	-	331,350
Total Other Capital Assets	113,897,892	1,300,025	219,291	115,417,208
Less Accumulated Depreciation:				
Buildings and Improvements	37,333,719	2,569,896	-	39,903,615
Furniture and Equipment	1,399,556	535,614	(194,336)	1,740,834
Less Accumulated Amortization:				
Intangible Lease Assets - Equipment	109,312	81,190	-	190,502
Total Accumulated Depreciation and Amortization	38,842,587	3,186,700	(194,336)	41,834,951
Total Other Capital Assets, Net	75,055,305	(1,886,675)	413,627	73,582,257
Capital Assets, Net	$ 78,226,379	$ 2,080,678	$ (4,421)	$ 80,302,636

Depreciation and amortization expense was charged to governmental functions as follows:

General Support	$ 3,057,918
Instruction	77,638
School Food Service	51,144
Total Depreciation and Amortization Expense	$ 3,186,700

NOTE 7 - SHORT-TERM DEBT

Short-term debt may be authorized and issued to fund the following:

Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuances of bond anticipation notes (BANs) and revenue anticipation notes (RANs).

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

	Maturity	Interest Rate (%)	Beginning Balance	Issued	Redeemed	Ending Balance
BAN	6/30/2026	3.50%	$ -	$ 5,000,000	$ 5,000,000	$ -
BAN	6/29/2027	4.00%	-	9,645,000	-	9,645,000
RAN	10/10/2025	4.00%	3,000,000	-	3,000,000	-
RAN	10/9/2026	3.25%	-	3,000,000	-	3,000,000
			$ 3,000,000	$ 17,645,000	$ 8,000,000	$ 12,645,000

Interest on short-term debt for the year was composed of:

Interest Paid	$ 274,583
Less: Accrued Interest in the Prior Year	(86,466)
Plus: Accrued Interest in the Current Year	66,781
Total Interest on Short-Term Debt	$ 254,898

The BANs were used as short-term financing for capital projects. The RANs were used as short-term financing for an emergency capital project due to flooding.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS

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

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.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued

Serial Bonds

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

Lease Liabilities

The District has entered into agreements to lease information technology equipment and a refrigerated truck. Leases with a lease term greater than twelve months are recorded at the present value of the future minimum lease payments as of the date of their inception.

Long-term liability balances are as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Bonds and Notes Payable					
General Obligation Debt					
Serial Bonds	$ 21,755,000	$ -	$ 3,205,000	$ 18,550,000	$ 1,655,000
Premium on Bonds	1,954,249	-	433,979	1,520,270	149,099
Total Bonds & Notes Payable	23,709,249	-	3,638,979	20,070,270	1,804,099
Other Liabilities					
Compensated Absences Payable	1,535,863	-	117,708	1,418,155	-
Judgment and Claims	2,150,000	-	2,150,000	-	-
Other Postemployment Benefits Liability	230,858,552	-	16,331,711	214,526,841	-
Net Pension Liability Proportionate Share	4,213,437	-	2,736,118	1,477,319	-
Lease Liability	201,147	-	74,330	126,817	70,233
Total Other Liabilities	238,958,999	-	21,409,867	217,549,132	70,233
Total Governmental Activities	$ 262,668,248	$ -	$ 25,048,846	$ 237,619,402	$ 1,874,332

The General Fund has typically been used to liquidate long-term liabilities.

Additions and reductions to compensated absences are shown net.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued

Existing serial and statutory bond obligations as of June 30, 2026 are as follows:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Refunded Serial Bond	10/4/2022	9/15/2030	4.0-5.0%	$ 1,165,000
Serial Bond	6/10/2014	6/15/2028	2.0-5.0%	510,000
Serial Bond	6/15/2022	6/15/2036	5.0%	5,720,000
Serial Bond	6/17/2025	6/15/2040	5.0%	11,155,000
				$18,550,000

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

	Principal	Interest	Total
2027	$ 1,655,000	$ 903,700	$ 2,558,700
2028	1,720,000	827,575	2,547,575
2029	1,565,000	748,250	2,313,250
2030	1,635,000	672,400	2,307,400
2031	1,570,000	595,375	2,165,375
2032-2036	6,740,000	1,851,000	8,591,000
2037-2040	3,665,000	430,500	4,095,500
Total	$ 18,550,000	$ 6,028,800	$ 24,578,800

Existing lease obligations as of June 30, 2026 are as follows:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
RIC Computer Equipment	12/1/2024	12/1/2027	3.974%	$ 115,029
Ryder Refrigerated Truck	9/1/2020	3/1/2027	4.000%	11,788
				$ 126,817

Principal and interest expense paid on the District's lease liability amounts to $74,330 and $5,692, respectively, for the fiscal year ended June 30, 2026.

NOTE 8 - LONG-TERM DEBT OBLIGATIONS – Continued

The following is a summary of debt service requirements for lease liabilities at year-end June 30:

	Principal	Interest	Total
2027	$ 70,233	$ 2,791	$ 73,024
2028	56,584	396	56,980
Total	$ 126,817	$ 3,187	$ 130,004

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

Interest Paid	$ 1,233,086
Less: Interest Accrued in the Prior Year	(76,779)
Plus: Interest Accrued in the Current Year	49,846
Less: Amortization of Bond Premium	(433,979)
Plus: Amortization of Deferred Charge on Refunding	5,083
Total Interest on Long-Term Debt	$ 777,257

Defeased Debt - Years Subsequent to Defeasance

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. Bonds outstanding in the amount of $1,210,000 are considered defeased.

NOTE 9 - PENSION PLANS

General Information

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

NOTE 9 - PENSION PLANS - Continued

Teachers' Retirement System (TRS) Plan Description

The TRS is administered by the New York State Teacher's Retirement Board. The TRS provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by the enactment of a State statute. Additional information regarding the System, 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 NYSSTR Annual Comprehensive Financial Report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS) Plan Description

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

NOTE 9 - PENSION PLANS - Continued

TRS Benefits Provided

Benefits

The benefits provided to members of the System are established by New York State law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

NOTE 9 - PENSION PLANS - Continued

TRS Benefits Provided – Continued

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credited service times final average salary.

Under Article 19 of the RSSL, eligible Tier 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of 2 additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at age 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service for the first 20 years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55-62 regardless of service credit.

Vested Benefits

Retirement benefits for Tiers 1-6 are now vested after 5 years of credited service. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service.

NOTE 9 - PENSION PLANS - Continued

TRS Benefits Provided - Continued

Death Benefits

Death benefits are paid to the beneficiary of active members who die in service and certain retirees. For active members, the benefit is based on final salary, age and the number of years of credited service. For retired members, it is also based on the number of years in retirement.

Prior and Military Service

After 2 years of membership, members of all tiers may claim and receive credit for prior New York State public or teaching service. Only Tier 1 and 2 members may, under certain conditions, claim out-of-state service. Certain members may also claim military service credit prior to or interrupting membership.

Tier Reinstatement

In accordance with Chapter 640 of the Laws of 1998, any active member who had a prior membership may elect to be reinstated to their original date and Tier of membership.

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of maximum annual benefit. The applicable percentage payable beginning September 2025 and 2024 is 1.2% and 1.8%, respectively. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

NOTE 9 - PENSION PLANS - Continued

ERS Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

Tier 3, 4, and 5

Eligibility: Tier 3, 4 and 5 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

NOTE 9 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 5 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members aged 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 5 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the 5 highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 4 years.

NOTE 9 - PENSION PLANS - Continued

ERS Benefits Provided – Continued

Vested Benefits

All members are vested when they reach 5 years of service credit.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first $50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regard less of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one- half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

NOTE 9 - PENSION PLANS - Continued

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 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 for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. The District chose to prepay the required contributions by December 15, 2025 and received an overall discount $9,290.

The District's share of the required contributions based on covered payroll paid for the current and two preceding years were:

	NYSTRS	NYSERS
2025-2026	$ 3,220,195	$ 1,290,343
2024-2025	2,845,074	1,067,978
2023-2024	2,852,109	832,176

NOTE 9 - PENSION PLANS - Continued

Pension Assets, Liabilities, Pension Expense (Credit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	ERS	TRS
Measurement Date	March 31, 2026	June 30, 2025
District's Proportionate Share of the Net Pension Asset (Liability)	$ (1,477,319)	$ 9,605,043
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0261855%	0.162218%
Change in Proportion Since the Prior Measurement Date	0.0016112%	0.009547%

For the year ended June 30, 2026, the District recognized pension expense (credit) of $202,987 for ERS and ($3,944,143) for TRS.

NOTE 9 - PENSION PLANS - Continued

Pension Assets, Liabilities, Pension Expense (Credit), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

At June 30, 2026, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	$ 845,408	$ 5,035,184	$ -	$ -
Changes of Assumptions	253,590	3,802,338	-	103,558
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-	2,648,914	7,501,515
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	229,956	95,793	246,913	465,121
District's Contributions Subsequent to the Measurement Date	528,174	3,297,501	-	-
Total	$ 1,857,128	$ 12,230,816	$ 2,895,827	$ 8,070,194

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

	ERS	TRS
2027	$ 567,999	$ 4,775,009
2028	(978,556)	(2,104,548)
2029	(566,418)	(2,218,831)
2030	(589,898)	(509,708)
2031	-	762,178
Thereafter	-	159,021

NOTE 9 - PENSION PLANS - Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2026	June 30, 2025
Actuarial Valuation Date	April 1, 2025	June 30, 2024
Interest Rate	5.9%	6.95%
Salary Scale	5.2%	1.4%
Decrement Tables	April 1, 2020 - March 31, 2025 System's Experience	July 1, 2019 - June 30, 2024 System's Experience
Inflation Rate	2.9%	2.5%

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, annuitant mortality rates are based on July 1, 2019 – June 30, 2024 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021.

For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2020 – March 31, 2025. For TRS, the assumptions were computed by the TRS' Office of the Actuary and adopted by the TRS' Retirement Board in October 2025. The actuarial assumptions are based upon recent TRS member experience. Detailed assumption information may be found in the TRS' annual Actuarial Valuation Report.

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

NOTE 9 - PENSION PLANS - Continued

Actuarial Assumptions – Continued

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

	ERS	TRS
Measurement Date	March 31, 2026	June 30, 2025
Asset Type		
Domestic Equity	3.29%	6.70%
International Equity	5.85%	7.40%
Private Equity	7.00%	9.80%
Global Equity		7.00%
Real Estate	5.20%	6.50%
Opportunistic / Absolute Return Strategies Portfolio	5.13%	
Credit	5.10%	
Real Assets	5.54%	
Fixed Income	1.75%	
Cash	0.25%	0.60%
Private Debt		6.10%
Real Estate Debt		3.80%
Domestic Fixed Income Securities		2.60%
Global Bonds		2.40%
High-Yield Bonds		4.70%

NOTE 9 - PENSION PLANS - Continued

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. 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 asset (liability).

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

The following presents the District's proportionate share of the net pension asset (liability) calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (4.9% for ERS and 5.95% for TRS) or 1-percentage point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (10,089,681)	$ (1,477,319)	$ 5,722,998

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	$ (18,456,212)	$ 9,605,043	$ 33,217,130

NOTE 9 - PENSION PLANS - Continued

Pension Plan Fiduciary Net Position

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

	(In Thousands) ERS	TRS	Total
Measurement Date	March 31, 2026	June 30, 2025	
Employer's Total Pension Asset (Liability)	$ (253,773,040)	$ (148,272,069)	$ (402,045,109)
Plan Net Position	248,131,290	154,193,125	402,324,415
Employer's Net Pension Asset (Liability)	$ (5,641,750)	$ 5,921,056	$ 279,306
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	97.78%	103.99%	

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2026 represent the projected employer contribution for the period of April 1, 2026 through June 30, 2026 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to $528,174. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2026 are paid to the System in September, October, and November 2026 through a state aid intercept. Accrued retirement contributions as of June 30, 2026 represent employee and employer contributions for the fiscal year ended June 30, 2026 based on paid TRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2026 amounted to $3,853,870.

NOTE 10 - INTERFUND TRANSACTIONS - GOVERNMENTAL FUNDS

Interfund balances at June 30, 2026 are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditures
General	$ 3,079,819	$ 18,486,983	$ -	$ 507,455
Special Aid	112,244	3,095,127	407,772	-
School Food Service	-	92,874	-	-
Debt Service	945,802	-	-	318,365
Capital Project - District Wide 2025	18,269,339	945,803	-	-
Capital Project - Flood	217,644	-	-	-
Capital Project - District Wide 2022	-	-	318,365	-
Capital Project - Capital Outlay	-	4,061	99,683	-
Total	$ 22,624,848	$ 22,624,848	$ 825,820	$ 825,820

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The General Fund advanced funds to the Special Aid Fund to provide temporary cash until New York State has reimbursed the grant programs.

NOTE 11 - FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances (deficits) of the District at the year ended June 30, 2026:

Fund Balances (Deficits)	General	Capital Projects - District Wide 2025	Capital Projects - Flood	Non-Major Funds	Total Governmental Funds
Non-Spendable					
Inventory	$ -	$ -	$ -	$ 75,361	$ 75,361
Restricted					
Capital Reserve	2,406,774	-	-	-	2,406,774
Capital Reserve - Information Technology	1,700,093	-	-	-	1,700,093
Capital Reserve - Buildings and Grounds Equipment	1,086,145	-	-	-	1,086,145
Employee Benefit Accrued Liability	1,111,523	-	-	-	1,111,523
Insurance	119,183	-	-	-	119,183
Property Loss	119,186	-	-	-	119,186
Repairs Reserve	34,468	-	-	-	34,468
Retirement Contributions-NYSERS	1,622,286	-	-	-	1,622,286
Retirement Contributions-NYSTRS	2,375,502	-	-	-	2,375,502
Tax Certiorari	1,023,878	-	-	-	1,023,878
Unemployment Insurance	659,780	-	-	-	659,780
Workers' Compensation	207,794	-	-	-	207,794
Debt Service Fund	-	-	-	3,746,322	3,746,322
Extra Classroom Activities Fund	-	-	-	174,941	174,941
Scholarships and Awards Fund	-	-	-	16,640	16,640
Capital Projects - District Wide 2025	-	6,531,654	-	-	6,531,654
Assigned					
General Support	360,396	-	-	-	360,396
Instruction	475,289	-	-	-	475,289
Designated for Next Fiscal year	17,277,695	-	-	-	17,277,695
School Food Service Fund	-	-	-	2,793,694	2,793,694
Unassigned (Deficit)					
General Fund	18,882,290	-	-	-	18,882,290
Capital Projects - Flood	-	-	(544,992)	-	(544,992)
Total Governmental Fund Balances (Deficits)	$ 49,462,282	$ 6,531,654	$ (544,992)	$ 6,806,958	$ 62,255,902

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District's Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

Employees Covered by Benefit Terms – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	441
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	621
Total Covered Employees	1,062

The District participates in the Jefferson-Lewis et. al. Employees' Healthcare Plan (the "Plan"). The Plan allows eligible District employees and spouses to continue health coverage upon retirement. The Plan does issue a publicly available financial report.

Eligible participants are those who are at least age 55 with 5 years of service, with the exception of CSEA employees hired on or after July 1, 2016 who are required to be age 55 with 15 years of service. Employees must also be eligible to retire under the ERS or TRS.

Surviving spouses are permitted to continue coverage after the death of the retiree but are responsible for paying 100% of the plan premium.

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

General Information about the OPEB Plan - Continued

Retirees and dependents contribute to postemployment health care benefits based on the schedule as follows:

Union	Retiree Contribution
CSEA	Retirees: Hired Pre 7/1/16: Based on YOS - See table below Hired Post 7/1/16: < 15 YOS: ineligible 15-19 YOS: twice current active contribution % 20+ YOS: current active contribution Active Contribution: 15% for post 7/1/16 Hires
WEA (Watertown Education Association)	Retirees: Hired pre 7/1/06 with Post 7/1/2012 retirement with 10+YOS: 1/2 active contribution rate at time of retirement Hired Post 7/1/06 with 25+YOS: 1/2 active contribution rate at time of retirement Otherwise based on YOS - See table below Active Contribution: 13% effective 7/1/16 14% effective 7/1/17 15% effective 7/1/18 Buyout option available to actives only
COADMIN (Management Confidential Employees)	Retirees: Hired Pre 7/1/2012: 0% Contribution Hired Post 7/1/2012: Active contribution rate at time of retirement Active Contribution: 13%
WITAA (Watertown Instructional Teachers Assistant Association)	Retirees: Hired Pre 7/1/06: 0% Contribution Hired Post 7/1/06: Based on YOS - See table below
All Other	Based on YOS - See table below

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

General Information about the OPEB Plan - Continued

Years of Service	Retiree Contribution	Spousal Contribution
5 - 9	75% of Single Premium	75% of Family Premium Less Single Premium
10 - 19	50% of Single Premium	50% of Family Premium Less Single Premium
20 - 24	25% of Single Premium	25% of Family Premium Less Single Premium
25 +	0% of Single Premium	0% of Family Premium Less Single Premium

- Medicare Part B premiums are reimbursed at 100% for Medicare-eligible retirees only.
- Retiree medical and prescription drug benefits are provided through the Provider Choice POS Plan and the Traditional Plan.
    - The Traditional Plan is a self-insured indemnity plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.
    - The Provider Choice POS Plan is a self-insured POS plan offered through Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the fund financial statements as payments are made. For the year ended June 30, 2026, the District recognized $6,121,796 for its share of insurance premiums for currently enrolled retirees.

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2026 which indicates that the total liability for other postemployment benefits is $214,526,841, which is reflected in the Statement of Net Position. The OPEB liability was measured as of June 30, 2025 and was determined by actuarial valuation as of July 1, 2024.

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Total OPEB Liability - Continued

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions	
Measurement Date	6/30/2025
Rate of Compensation Increase	3.00%
Discount Rate	4.76%
Assumed Pre-65 Medical Trend Rates at June 30	
Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.50%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2036
Assumed Post-65 Medical Trend Rates at June 30	
Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.50%
Fiscal Year that the Rate reached the Ultimate Trend Rate	2036
Additional Information	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (In Years)	8.14
Method Used to Determine Actuarial Value of Assets	N/A

The discount rate was based on the average of two 20-year municipal bond indices as of June 30, 2025.

Mortality rates were based on Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021.

The actuarial assumptions used in the July 1, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2023 – June 30, 2024.

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Changes in the Total OPEB Liability

Balance at June 30, 2025	$ 230,858,552
Changes for the Year	
Service Cost	4,288,251
Interest	10,800,953
Changes of Assumptions or Other Inputs	(23,525,381)
Benefit Payments	(7,895,534)
Net Changes	(16,331,711)
Balance at June 30, 2026	$ 214,526,841

Changes of assumptions and other inputs reflect a change in the discount rate from 4.09 percent as of June 30, 2025, to 4.76 percent as of June 30, 2026.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.76 percent) or 1 percentage point higher (5.76 percent) than the current discount rate:

	1% Decrease 3.76%	Discount Rate 4.76%	1% Increase 5.76%
Total OPEB Liability	$ 250,374,906	$ 214,526,841	$ 186,202,753

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

Changes in the Total OPEB Liability – Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 3.5 percent) or 1 percentage point higher (trend decreasing to 5.5 percent) than the current healthcare cost trend rate:

	Healthcare Cost Trend Rates 1% Decrease (Trend Less 1% Decreasing to 3.5%)	Healthcare Cost Trend Rates (Trend Decreasing to 4.5%)	Healthcare Cost Trend Rates 1% Increase (Trend Plus 1% Decreasing to 5.5%)
Total OPEB Liability	$ 182,006,395	$ 214,526,841	$ 256,830,910

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the District recognized OPEB expense of $2,527,916. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	$ 6,785,093	$ 48,696,043
Benefit Payments Subsequent to the Measurement Date	8,294,821	-
	$ 15,079,914	$ 48,696,043

NOTE 12 - POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS - Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – Continued

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

Fiscal Year Ending June 30,	
2027	$ (5,411,389)
2028	(5,995,556)
2029	(7,908,604)
2030	(8,700,214)
2031	(5,816,827)
Thereafter	(8,078,360)
	$ (41,910,950)

NOTE 13 - RISK MANAGEMENT

General

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

Consortiums and Self-Insured Plans

The District participates in the Jefferson-Lewis Et. Al. School Employees' Healthcare Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 16 individual governmental units located within the pool's geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to $750,000 per insured event. The pool obtains independent coverage for insured events in excess of the $750,000 limit and the District has essentially transferred all related risk to the pool.

NOTE 13 - RISK MANAGEMENT – Continued

Consortiums and Self-Insured Plans – Continued

The District participates in the Black River Valley Schools Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law to finance liability and risks related to Workers' Compensation claims. The District's share of the liability for unbilled and open claims is $0.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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

During the year ended June 30, 2026 and prior years, the District was served with multiple Notice of Claims and has open claims from prior years or that have the right of appeal from the plaintiff. Due to the liability being probable and reasonably estimated at June 30, 2025, the liability was recognized on the Statement of Net Position as judgments and claims payable. During the year ended June 30, 2026, three settlement payments totaling $2,153,000 were issued and reported as expenditures within the governmental fund statements. The District funded the settlement claims from the Liability Claims Reserve and other appropriations.

NOTE 15 - TAX ABATEMENTS

The District receives revenue through a number of Payment in Lieu of Taxes (PILOT) agreements with various local businesses and housing developments. The PILOT agreements were granted by either the Jefferson County Industrial Development Agency or directly by the municipalities where the properties are located. The purpose of the PILOT agreements is to provide real property tax abatement for value added construction on renovations. For the fiscal year ended June 30, 2026, the District's portion of the Pilots was approximately $556,000 and the District abated taxes as seen on the following page.

NOTE 15 - TAX ABATEMENTS – Continued

Owner Name	Start Date	End Date	2025 % Abated	Assessed Value	(A) Abated Total	(B) Appr. Tax Rate	(A) * (B) Appr. Taxes Foregone
WICLDC	2025	2035	100%	$ 1,218,259	$ 1,218,259	11.360021	$ 13,839
Roth Industries	2006	n/a	100%	1,794,300	1,794,300	11.360021	20,383
Roth Industries Expansion	2018	2032	50%	928,100	464,050	11.360021	5,272
Woolworth Watertown LLC	2015	2029	100%	2,622,700	2,622,700	11.360021	29,794
New York Airbrake	2017	2032	100%	960,000	960,000	11.360021	10,906
Current Applications	2016	2030	100%	435,700	435,700	11.360021	4,950
Rail Spur	2006	n/a	100%	60,000	60,000	11.360021	682
Watertown Housing Authority	various	various	100%	19,873,900	19,873,900	11.360021	225,768
HKBBE Apartments	2017	2058	25%	11,258,300	2,814,575	11.360021	31,974
Morgan Watertown Townhomes LLC	2015	2030	100%	16,435,500	16,435,500	18.225992	299,553
Black River Solar	2020	2035	100%	1,768,500	1,768,500	8.292913	14,666
CWT Farms International, Inc. Project	2023	2038	100%	2,305,000	2,305,000	18.225992	42,011
Eagle Beverage	2019	2034	100%	313,000	313,000	18.225992	5,705
302 Globe LLC	2025	2040	25%	4,035,000	1,008,750	11.360021	11,459
Total Approximate Taxes Foregone							$ 716,962

NOTE 16 - SUBSEQUENT EVENTS

On September 29, 2026, subsequent to the fiscal year ended June 30, 2026, the District received notification of approval of funding for repairs and mitigation improvements associated with damage sustained during Tropical Storm Debby in August 2024. The estimated total project cost is $14,257,894, with 75% of eligible costs funded through the Federal Emergency Management Agency (FEMA), 12.5% through New York State, and the remaining 12.5% funded by the District. The District anticipates coordinating these improvements with its ongoing capital improvement project.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST NINE FISCAL YEARS
Ended June 30, 2026

Total OPEB Liability	2026	2025	2024	2023	2022	2021	2020	2019	2018
Service Cost	$ 4,288,251	$ 5,176,466	$ 5,232,882	$ 5,479,833	$ 10,148,867	$ 8,710,067	$ 5,467,354	$ 4,957,062	$ 5,842,834
Interest	10,800,953	9,533,220	9,407,065	9,490,812	4,700,567	5,102,782	5,825,852	6,137,603	5,421,746
Difference between Expected and Actual Experience	-	-	-	-	-	-	-	17,071,252	-
Changes in Assumptions or Other Inputs	(23,525,381)	(13,097,205)	(9,361,549)	(24,461,709)	17,737,336	6,359,889	17,124,157	(5,291,302)	(19,497,211)
Benefit Payments	(7,895,534)	(7,679,986)	(7,057,926)	(7,098,064)	(4,399,133)	(4,392,147)	(5,255,137)	(4,315,731)	(3,990,766)
Net Change in Total OPEB Liability	(16,331,711)	(6,067,505)	(1,779,528)	(16,589,128)	28,187,637	15,780,591	23,162,226	18,558,884	(12,223,397)
Total OPEB Liability - Beginning	230,858,552	236,926,057	238,705,585	255,294,713	227,107,076	211,326,485	188,164,259	169,605,375	181,828,772
Total OPEB Liability - Ending	$ 214,526,841	$ 230,858,552	$ 236,926,057	$ 238,705,585	$ 255,294,713	$ 227,107,076	$ 211,326,485	$ 188,164,259	$ 169,605,375
Covered Payroll	$ 33,024,000	$ 33,024,000	$ 38,564,000	$ 38,564,000	$ 28,612,455	$ 28,612,455	$ 31,212,890	$ 31,212,890	$ 29,928,969
Total OPEB Liability as a Percentage of Covered Payroll	649.61%	699.06%	614.37%	618.99%	892.25%	793.74%	677.05%	602.84%	566.69%

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

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year Ended June 30, 2026

	Original Budget	Final Budget	Final Budget Variance to Original Budget	Actual	Actual Variance to Final Budget
REVENUES					
Local Sources					
Real Property Taxes	$ 17,929,518	$ 16,996,297	$ (933,221)	$ 15,430,219	$ (1,566,078)
Other Tax Items	1,564,409	2,497,630	933,221	3,296,616	798,986
Charges for Services	138,500	138,500	-	82,428	(56,072)
Use of Money and Property	1,010,500	1,010,500	-	1,796,619	786,119
Sale of Property and Compensation for Loss	15,000	15,000	-	87,626	72,626
Miscellaneous	348,489	348,489	-	836,243	487,754
Total Local Sources	21,006,416	21,006,416	-	21,529,751	523,335
State Sources	70,768,453	70,768,453	-	73,788,115	3,019,662
Medicaid Reimbursements	-	-	-	119,349	119,349
Federal Sources	375,000	375,000	-	271,860	(103,140)
Total Revenues	92,149,869	92,149,869	-	95,709,075	3,559,206
APPROPRIATED FUND BALANCE					
Prior Years' Surplus	11,759,286	11,909,286	150,000		
Prior Years' Encumbrances	1,148,584	1,148,584	-		
Appropriated Reserves	-	2,000,000	2,000,000		
Total Appropriated Fund Balance	12,907,870	15,057,870	$ 2,150,000		
Total Revenues and Appropriated Fund Balance	$ 105,057,739	$ 107,207,739			

See paragraph on supplementary schedule included in independent auditor’s report and notes to required supplementary information.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND – CONTINUED

Year Ended June 30, 2026

	Original Budget	Final Budget	Final Budget Variance to Original Budget	Actual	Year-End Encumbrances	Final Budget Variance to Actual and Year-End Encumbrances
EXPENDITURES						
General Support						
Board of Education	$ 47,731	$ 48,431	$ 700	$ 26,503	$ -	$ 21,928
Central Administration	356,050	355,550	(500)	347,246	657	7,647
Finance	769,853	820,017	50,164	730,614	39	89,364
Staff	747,793	730,932	(16,861)	694,107	-	36,825
Central Services	7,891,602	7,899,829	8,227	6,362,723	359,700	1,177,406
Special Items	1,464,613	3,616,003	2,151,390	3,576,974	-	39,029
Total General Support	11,277,642	13,470,762	2,193,120	11,738,167	360,396	1,372,199
Instruction						
Instruction, Administration and Improvement	3,359,993	3,528,090	168,097	3,180,450	161	347,479
Teaching-Regular School	31,846,121	30,688,989	(1,157,132)	24,768,817	333,286	5,586,886
Programs for Children with Handicapping Conditions	9,691,370	10,762,665	1,071,295	10,239,167	-	523,498
Teaching - Special School	398,000	501,300	103,300	302,801	-	198,499
Occupational Education	2,157,176	2,157,176	-	2,154,966	-	2,210
Instructional Media	6,382,233	5,964,408	(417,825)	5,555,760	137,229	271,419
Pupil Services	4,781,615	4,783,677	2,062	4,244,742	4,613	534,322
Total Instruction	58,616,508	58,386,305	(230,203)	50,446,703	475,289	7,464,313
Pupil Transportation	5,876,068	5,798,989	(77,079)	4,909,010	-	889,979
Employee Benefits	24,105,021	23,992,356	(112,665)	23,121,875	-	870,481
Debt Service	4,992,500	5,051,527	59,027	4,646,004	-	405,523
Total Expenditures	104,867,739	106,699,939	1,832,200	94,861,759	835,685	11,002,495
OTHER FINANCING USES						
Transfers to Other Funds	190,000	507,800	317,800	507,455	-	345
Total Expenditures and Other Financing Uses	$ 105,057,739	$ 107,207,739	$ 2,150,000	95,369,214	$ 835,685	$ 11,002,840
			Net Change in Fund Balance	339,861		
			Fund Balance - Beginning of Year	49,122,421		
			Fund Balance - End of Year	$ 49,462,282		

See paragraph on supplementary schedule included in independent auditor's report and notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

June 30, 2026

NOTE A - BUDGET BASIS OF ACCOUNTING

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

NOTE B - ACTUAL BUDGET RESULTS

VARIANCE ORIGINAL BUDGET TO FINAL BUDGET	General Fund Increase (Decrease)
Revenues: Appropriated Reserves The increase of $2,000,000 from the original budget to the final amended budget was attributable to the District's settlement of a Child Victims Act (CVA) case. During the 2025–2026 fiscal year, the District closed its $2,000,000 liability reserve and appropriated those funds to finance the settlement. This resulted in an increase in appropriated reserves in the final amended budget.	$ 2,000,000
Expenditures: Special Items The increase of $2,151,390 from the original budget to the final amended budget was attributable to the settlement of a Child Victims Act (CVA) case during the 2025–2026 fiscal year. The District amended its budget to account for the settlement expenditure, utilizing $2,000,000 from the closure of its liability reserve to partially fund the settlement.	$ 2,151,390
Expenditures: Teaching - Regular School	$ (1,157,132)
Expenditures: Programs for Children with Handicapping Conditions	$ 1,071,295

The variances between the original and final amended budgets for teaching -regular school and programs for children with handicapping conditions were primarily attributable to the reclassification of special education expenditures that had previously been included within the regular education budget. These expenditures were separated to more accurately distinguish between general education and special education programs and to align with the reporting and expenditure requirements associated with IDEA Section 611 and Section 619 grants.

Additionally, special education costs continue to increase and remain challenging to project accurately during the annual budget development process due to changing student needs and required services. As a result, budget appropriations were transferred from regular education to special education to support these program needs and ensure appropriate funding for mandated services.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

June 30, 2026

NOTE B - ACTUAL BUDGET RESULTS - Continued

	General Fund Over (Under)
BUDGETARY REVENUES	
Differences - Final Budget to Actual	
Real Property Taxes The $1,566,078 unfavorable variance between the final amended budget and actual real property tax revenues is attributable to long-term property tax receivables from the City and County that remained outstanding at June 30, 2026. As these funds had not yet been received and did not meet the availability criteria for revenue recognition under modified accrual accounting, they were reported as deferred inflows of resources rather than current-year General Fund revenue. This accounting treatment resulted in actual recognized property tax revenues being lower than the final amended budget.	$ (1,566,078)
State Sources Actual State Aid revenues exceeded the final amended budget by $3,019,662 during the 2025–2026 fiscal year. The favorable variance reflects higher State Aid revenues, including Foundation Aid, BOCES Aid, and Excess Cost Aid. The District experienced increased utilization of eligible BOCES services, as well as continued growth in special education needs and related costs, which contributed to higher expense-based aid revenues. These factors contributed to State Aid revenues exceeding the amounts anticipated in the District's final amended budget.	$ 3,019,662

	General Fund (Over) Under
BUDGETARY EXPENSES	
Differences - Final Budget to Actual	
Central Services - The favorable variance of $1,177,406 between the final amended budget and actual expenditures, including outstanding encumbrances, reflects the District's conservative budgeting practices and ongoing fiscal management. Budget appropriations were established based on anticipated operational needs, recognizing that actual costs and service requirements may fluctuate throughout the fiscal year. Through careful expenditure monitoring and responsible management of available resources, the District was able to meet its operational obligations while maintaining expenditures below budgeted levels, contributing to the preservation of its General Fund balance.	$ 1,177,406
Teaching-Regular School The favorable variance of $5,586,886 between the final amended budget and actual expenditures, including outstanding encumbrances, reflects the District's conservative budgeting practices and ongoing fiscal management. Budget appropriations were established to ensure sufficient resources were available to meet instructional needs and accommodate potential changes in expenditures throughout the fiscal year. Through careful monitoring of expenditures and responsible management of available resources, the District was able to maintain instructional programs while limiting expenditures and preserving its General Fund balance.	$ 5,586,886

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN
LAST TEN FISCAL YEARS
Ended June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Teachers' Retirement System (TRS)										
District's Proportion of the Net Pension Asset (Liability)	0.162218%	0.152671%	0.150074%	0.152948%	0.153308%	0.151634%	0.149353%	0.146539%	0.146169%	0.142023%
District's Proportionate Share of the Net Pension Asset (Liability)	$ 9,605,043	$ 4,555,113	$ 1,716,219	$ (2,394,906)	$ 26,566,854	$ (4,190,049)	$ 3,880,214	$ 2,649,805	$ 1,111,029	$ (1,521,131)
District's Covered Payroll	$ 32,921,730	$ 30,052,568	$ 28,860,743	$ 27,546,049	$ 26,182,642	$ 26,119,503	$ 25,570,611	$ 23,869,500	$ 23,162,957	$ 21,915,656
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	29.18%	15.16%	5.95%	8.69%	101.47%	16.04%	15.17%	11.10%	4.80%	6.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	103.99%	102.09%	99.17%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%
Employees' Retirement System (ERS)										
District's Proportion of the Net Pension Asset (Liability)	0.0261855%	0.0245743%	0.0246308%	0.0230776%	0.0204443%	0.0212646%	0.0206539%	0.0204048%	0.0194381%	0.0178569%
District's Proportionate Share of the Net Pension Asset (Liability)	$ (1,477,319)	$ (4,213,437)	$ (3,626,647)	$ (4,948,777)	$ 1,671,240	$ (21,174)	$ (5,469,264)	$ (1,445,742)	$ (627,352)	$ (1,677,873)
District's Covered Payroll	$ 8,718,401	$ 7,781,971	$ 7,059,265	$ 6,701,337	$ 6,261,456	$ 6,375,526	$ 5,975,565	$ 5,870,077	$ 5,647,489	$ 5,197,849
District's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	16.94%	54.14%	51.37%	73.85%	26.69%	0.33%	91.53%	24.63%	11.11%	32.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	97.78%	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%

See paragraph on supplementary schedule included in independent auditor's report.

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN
LAST TEN FISCAL YEARS
Ended June 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Teachers' Retirement System (TRS)										
Contractually Required Contribution	$ 3,220,195	$ 2,845,074	$ 2,852,109	$ 2,655,325	$ 2,479,833	$ 2,280,302	$ 2,647,516	$ 2,339,211	$ 2,714,669	$ 2,906,016
Contributions in Relation to the Contractually Required Contribution	3,220,195	2,845,074	2,852,109	2,655,325	2,479,833	2,280,302	2,647,516	2,339,211	2,714,669	2,906,016
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 32,921,730	$ 30,052,568	$ 28,860,743	$ 27,546,049	$ 26,182,642	$ 26,119,503	$ 25,570,611	$ 23,869,500	$ 23,162,957	$ 21,915,656
Contributions as a Percentage of Covered Payroll	9.78%	9.47%	9.88%	9.64%	9.47%	8.73%	10.35%	9.80%	11.72%	13.26%
Employees' Retirement System (ERS)										
Contractually Required Contribution	$ 1,290,343	$ 1,067,978	$ 832,176	$ 710,296	$ 929,320	$ 854,267	$ 814,342	$ 829,712	$ 826,463	$ 783,160
Contributions in Relation to the Contractually Required Contribution	1,290,343	1,067,978	832,176	710,296	929,320	854,267	814,342	829,712	826,463	783,160
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 8,718,401	$ 7,781,971	$ 7,059,265	$ 6,701,337	$ 6,261,456	$ 6,375,526	$ 5,975,565	$ 5,870,077	$ 5,647,489	$ 5,197,849
Contributions as a Percentage of Covered Payroll	14.80%	13.72%	11.79%	10.60%	14.84%	13.40%	13.63%	14.13%	14.63%	15.07%

See paragraph on supplementary schedule included in independent auditor's report.

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT – GENERAL FUND

Year Ended June 30, 2026

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	$ 103,909,155
Add: Prior Year's Encumbrances	1,148,584
Original Budget	105,057,739
Budget Revision	2,150,000
Final Budget	$ 107,207,739

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2026-27 Voter Approved Expenditure Budget	$ 112,121,818
Maximum Allowed 4% of 2026 - 2027 Budget	$ 4,484,873

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

Unrestricted Fund Balance:		
Assigned Fund Balance	$ 18,113,380	
Unassigned Fund Balance	18,882,290	
Total Unrestricted Fund Balance	36,995,670	
Less:		
Appropriated Fund Balance	17,277,695	
Encumbrances Included in Assigned Fund Balance	835,685	
Total Adjustments	18,113,380	
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 18,882,290
Actual Percentage		16.84%

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SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES
Year Ended June 30, 2026

PROJECT TITLE	Original Appropriation	Revised Appropriation	Expenditures: Prior Years	Expenditures: Current Year	Expenditures: Total	Unexpended Balance
District Wide - 2022	$ 13,000,000	$ 13,000,000	$ 12,385,791	$ 318,365	$ 12,704,156	$ 295,844
Capital Outlay 25-26	100,000	100,000	-	99,683	99,683	317
District Wide - 2025	110,000,000	110,000,000	392,811	3,169,207	3,562,018	106,437,982
Emergency Project - Flood	3,000,000	3,000,000	2,123,286	380,098	2,503,384	496,616
Total	$ 126,100,000	$ 126,100,000	$ 14,901,888	$ 3,967,353	$ 18,869,241	$ 107,230,759

See paragraph on supplementary schedule included in independent auditor's report.

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES - CONTINUED

Year Ended June 30, 2026

	Methods of Financing						
PROJECT TITLE	BANS Redeemed From Appropriations	Proceeds Of Obligations	State and Federal Aid	Local Sources	Total	Transfers to Other Funds	Fund Balance (Deficit) 6/30/2026
District Wide - 2022	$ 1,130,000	$ 11,375,000	$ 547,650	$ 210,000	$ 13,262,650	$ (558,494)	$ -
Capital Outlay 25-26	-	-	-	99,683	99,683	-	-
District Wide - 2025	-	93,672	-	10,000,000	10,093,672	-	6,531,654
Emergency Project - Flood	-	9,204	899,188	1,050,000	1,958,392	-	(544,992)
Total	$ 1,130,000	$ 11,477,876	$ 1,446,838	$ 11,359,683	$ 25,414,397	$ (558,494)	$ 5,986,662

See paragraph on supplementary schedule included in independent auditor's report.

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2026

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - District Wide 2022
ASSETS			
Cash and Cash Equivalents			
Unrestricted	$ 1,275,364	$ -	$ -
Restricted	-	2,800,520	25,417
Investments	1,037,698	-	-
Receivables			
State and Federal Aid	683,289	-	-
Due From Other Funds	-	945,802	-
Due From Other Governments	2,735	-	-
Inventories	75,361	-	-
TOTAL ASSETS	$ 3,074,447	$ 3,746,322	$ 25,417
LIABILITIES			
Payables			
Accounts Payable	$ 26,160	$ -	$ 25,417
Accrued Liabilities	39,189	-	-
Due to Other Funds	92,874	-	-
Due to Other Governments	101	-	-
Due to Employees' Retirement System	41,630	-	-
Unearned Credits			
Unearned Revenues - Other	5,438	-	-
Total Liabilities	205,392	-	25,417
FUND BALANCES			
Nonspendable	75,361	-	-
Restricted	-	3,746,322	-
Assigned	2,793,694	-	-
Total Fund Balances	2,869,055	3,746,322	-
TOTAL LIABILITIES AND FUND BALANCES	$ 3,074,447	$ 3,746,322	$ 25,417

Capital Projects Fund - Capital Outlay Projects	Extra Classroom Activities Fund	Scholarships and Awards Fund	Total Non-Major Funds
$ -	$ -	$ -	$ 1,275,364
4,061	174,941	16,640	3,021,579
-	-	-	1,037,698
-	-	-	683,289
-	-	-	945,802
-	-	-	2,735
-	-	-	75,361
$ 4,061	$ 174,941	$ 16,640	$ 7,041,828
$ -	$ -	$ -	$ 51,577
-	-	-	39,189
4,061	-	-	96,935
-	-	-	101
-	-	-	41,630
-	-	-	5,438
4,061	-	-	234,870
-	-	-	75,361
-	174,941	16,640	3,937,903
-	-	-	2,793,694
-	174,941	16,640	6,806,958
$ 4,061	$ 174,941	$ 16,640	$ 7,041,828

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2026

	School Food Service Fund	Debt Service Fund	Capital Projects Fund - District Wide 2022
REVENUES			
Use of Money and Property	$ 62,197	$ 253,360	$ -
Miscellaneous	2,704	-	-
State Sources	142,699	-	-
Federal Sources	3,079,577	-	-
Surplus Food	205,502	-	-
Sales - School Food Service	96,471	-	-
Total Revenues	3,589,150	253,360	-
EXPENDITURES			
General Support	1,264,504	-	-
Employee Benefits	272,899	-	-
Debt Service:			
Principal - Leases	20,089	-	-
Interest - Leases	906	-	-
Cost of Sales - School Food Service	1,807,434	-	-
Other Expenditures	-	-	-
Capital Outlay	-	-	318,365
Total Expenditures	3,365,832	-	318,365
Excess (Deficiency) of Revenues Over Expenditures	223,318	253,360	(318,365)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	-	318,365
Operating Transfers (Out)	-	(318,365)	-
Total Other Financing Sources (Uses)	-	(318,365)	318,365
Net Change in Fund Balances	223,318	(65,005)	-
Fund Balances - Beginning of Year	2,645,737	3,811,327	-
Fund Balances - End of Year	$ 2,869,055	$ 3,746,322	$ -

Capital Projects Fund - Capital Outlay Projects	Extra Classroom Activities Fund	Scholarships and Awards Fund	Total Non-Major Funds
$ -	$ -	$ 550	$ 316,107
-	255,507	-	258,211
-	-	-	142,699
-	-	-	3,079,577
-	-	-	205,502
-	-	-	96,471
-	255,507	550	4,098,567
-	-	-	1,264,504
-	-	-	272,899
-	-	-	20,089
-	-	-	906
-	-	-	1,807,434
-	225,910	150	226,060
99,683	-	-	418,048
99,683	225,910	150	4,009,940
(99,683)	29,597	400	88,627
99,683	-	-	418,048
-	-	-	(318,365)
99,683	-	-	99,683
-	29,597	400	188,310
-	145,344	16,240	6,618,648
$ -	$ 174,941	$ 16,640	$ 6,806,958

NET INVESTMENT IN CAPITAL ASSETS
Year Ended June 30, 2026

Capital Assets, Net		$ 80,302,636
Add:		
Deferred Charge on Refunding		5,652
Deduct:		
Revenue Anticipation Note Payable	3,000,000	
Less: Unspent RAN Proceeds	(2,237,364)	
Bond Anticipation Note Payable	9,645,000	
Premium on Bonds Payable	1,520,270	
Short-Term Portion of Lease Liability	70,233	
Short-Term Portion of Bonds Payable	1,655,000	
Long-Term Portion of Lease Liability	56,584	
Long-Term Portion of Bonds Payable	16,895,000	30,604,723
Net Investment in Capital Assets		$ 49,703,565

BOWERS

BOWERS & COMPANY CPAS, PLLC

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

TO THE BOARD OF EDUCATION
WATERTOWN CITY SCHOOL DISTRICT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City School District as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Watertown City School District's basic financial statements and have issued our report thereon dated October 14, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Watertown City School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2026-001.

Watertown City School District's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on Watertown City School District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Watertown City School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Bowers & Company CPAs, PLLC

Watertown, New York
October 14, 2026

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2026

NOTE A - FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Control Number: 2026-001

Instances of Noncompliance with Laws or Regulations

Surplus Unexpended Funds in Excess of 4% Limitation

Criteria

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserves for tax reduction and insurance recoveries, the District can retain to no more than 4% of the subsequent year's budgeted appropriations. Amounts appropriated for the subsequent year, encumbrances, nonspendable and restricted balances are also excluded for the 4% limitation.

Condition

The District exceeded the 4% limitation of unexpended surplus funds within the General Fund by $14,397,417 during the fiscal year.

Context

During our audit test of compliance - §1318 Real Property Tax, it was noted that the unassigned fund balances of $18,882,290 had exceeded the maximum allowed unexpended balance of $4,484,873 for the fiscal year ended.

Effect

As a result, the District was not in compliance with the unexpended surplus funds limitation requirements of the Real Property Tax Law §1318 for the fiscal year ended June 30, 2026.

Cause

The District understands the requirements relating to §1318 Real Property Tax law and due to the uncertainty of primary revenue sources maintains fund balance levels deemed appropriate in accordance with their long range fund balance plan.

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2026

NOTE A - FINDINGS - FINANCIAL STATEMENT AUDIT -
Continued

Finding Control Number: 2026-001 – Continued

Recommendation

We recognize the District has developed and implemented a long range written reserve plan. The District also monitors the fund balance on a regular basis. We recommend school officials continue to review fund balance throughout the year to address compliance with the Real Property Tax Law §1318.

Views of Responsible Officials and Planned Corrective Actions

The District acknowledges that its unassigned fund balance exceeded the 4% limitation established under New York State Real Property Tax Law §1318 as of June 30, 2026.

The District continues to exercise prudent fiscal management in response to increasing operational costs, uncertainty surrounding future State and Federal funding, and the financial demands associated with maintaining educational programs and facilities. Additionally, the expiration of temporary federal relief funding has increased the need to support certain ongoing programs through the General Fund.

The District recognizes the importance of compliance with the statutory fund balance limitation and has taken proactive steps to address the excess. As part of its ongoing fund balance management strategy, the District increased its appropriated fund balance by $5 million to support budgeted expenditures and reduce the amount of unassigned fund balance carried forward.

The District will continue to monitor fund balance levels, review its long-term reserve plan, and strategically utilize available resources through the annual budget development process. These efforts are intended to gradually reduce excess unassigned fund balance, maintain financial stability, and work toward compliance with the statutory 4% limitation.

EXTRA CLASSROOM ACTIVITIES FUND

BOWERS

BOWERS & COMPANY CPAS, PLLC

INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITIES FUND

TO THE BOARD OF EDUCATION
WATERTOWN CITY SCHOOL DISTRICT

Opinion

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activities Fund of Watertown City School District for the year ended June 30, 2026, and the related note to the financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the statement of cash receipts and disbursements of Extra Classroom Activities Fund of Watertown City School District for the year ended June 30, 2026, in accordance with the cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Watertown City School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. This financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible 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.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, 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 auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 Watertown City School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Watertown City School District's ability to continue as a going concern for a reasonable period of time.

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



Watertown, New York
October 14, 2026

EXTRA CLASSROOM ACTIVITIES FUND – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2026

Account Name	Cash Balance 7/1/2025	Cash Receipts	Cash Disbursements	Cash Balance 6/30/26
HIGH SCHOOL:				
Class of 2026	$ 21,024	$ 26,961	$ 47,985	$ -
Class of 2027	12,833	25,950	16,449	22,334
Class of 2028	6,328	6,698	405	12,621
Class of 2029	2,000	12,951	6,930	8,021
A/V Club	2,777	2,645	1,215	4,207
Art Club	470	-	-	470
Band	1,731	-	-	1,731
Book Club	122	-	-	122
Business Club	336	-	-	336
Chorus	14,568	56,822	51,379	20,011
Cyclone Coffee Express	441	1,353	1,553	241
Drama	432	-	-	432
Educators Rising	-	500	-	500
Environmental Club	361	422	306	477
Fashion Industry Club	-	787	-	787
Future Farmers of America	863	-	-	863
Gender & Sexuality Alliance	135	40	-	175
Marching Band	-	200	-	200
National Honor Society	1,036	4,846	5,083	799
Photography Club	597	-	-	597
Student Council	16,494	7,923	4,923	19,494
Student Council - Special	7,140	28,329	26,809	8,660
Technology & Engineering Club	-	6,010	163	5,847
Travel and Culture Club	4,777	700	963	4,514
Volunteering Club	801	-	801	-
Whiz Quiz	1,290	-	39	1,251
World Language Ambassadors	408	-	-	408
Yearbook	13,342	12,265	11,819	13,788
Subtotal This Page	$ 110,306	$ 195,402	$ 176,822	$ 128,886

EXTRA CLASSROOM ACTIVITIES FUND – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - CONTINUED

Year Ended June 30, 2026

Account Name	Cash Balance 7/1/2025	Cash Receipts	Cash Disbursements	Cash Balance 6/30/26
Subtotal Previous Page	$ 110,306	$ 195,402	$ 176,822	$ 128,886
CASE MIDDLE SCHOOL:				
7th Grade Constitution	410	8,136	410	8,136
8th Grade Constitution	4,611	32,617	29,831	7,397
Art Club	961	-	165	796
Bowling Club	18	230	245	3
Drama Club	559	312	454	417
Esports Club	109	178	13	274
Gender Sexuality Alliance	164	-	-	164
International Club	1,861	-	1,861	-
Musical	13,550	10,742	8,840	15,452
National Honor Society	1,053	1,900	1,200	1,753
SADD	3,487	2,172	5,659	-
Student Council	2,066	3,545	-	5,611
Yearbook	5,341	214	410	5,145
WILEY SCHOOL:				
Student Council	663	59	-	722
Koobraey (Yearbook)	185	-	-	185
	$ 145,344	$ 255,507	$ 225,910	$ 174,941

See note to financial statement.

EXTRA CLASSROOM ACTIVITIES FUND – NOTE TO FINANCIAL STATEMENT
June 30, 2026

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activities Fund of the Watertown City School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activities Fund is independent of the School District with respect to its financial transactions and the designation of student management.

The accounts of the Extra Classroom Activities Fund of the Watertown City School District are maintained on a cash basis and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets and accrued income and expenses, which would be recognized under generally accepted accounting principles and, which may be material in amount, are not recognized in the accompanying financial statements.

BOWERS

BOWERS & COMPANY CPAS, PLLC

October 14, 2026

To the Board of Education
Watertown City School District

In planning and performing our audit of the financial statements of Watertown City School District for the year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated October 14, 2026, on the financial statements of Watertown City School District.

Condition: Non-Compliance with Federal Regulations

The School District did not comply with federal regulation 7CFR Part 210.14(b) which requires School Food Service fund balance not to exceed six months' worth of expenses. The District has excess fund balance of $774,195 as of June 30, 2026.

Recommendation

We recommend that management review fund balance and devise a plan to reduce excess fund balance in the School Food Service Fund.

Management's Response

The District acknowledges the finding regarding noncompliance with federal regulation 7 CFR Part 210.14(b), concerning the allowable fund balance in the School Food Service Fund. As of June 30, 2026, the District's Food Service Fund balance exceeded the allowable threshold by $774,195.

The District's former Food Service Director retired in May 2025 and a new Director was appointed effective May 1, 2025. Under the new leadership, the District began a strategic transformation of its Food Service Program, focused on enhancing student nutrition, increasing meal participation, and providing more fresh, nutritious, and student-preferred meal options. Although the Director has since retired, the District remains committed to continuing the vision and initiatives established under such leadership.

Management's Response – Continued

The District is currently undertaking a $110 million Capital Improvement Project, which provides a significant opportunity to modernize and enhance food service operations throughout the District. In conjunction with this project, the District is developing a multi-year plan to utilize excess School Food Service Fund balances to purchase and install substantial kitchen equipment upgrades at each school building, with the long-term goal of establishing fully functioning kitchens throughout the District.

Planned investments include commercial ovens, refrigeration units, serving lines, food preparation equipment, and other necessary kitchen improvements. These upgrades will allow the District to expand its capacity to prepare fresh, scratch-cooked meals, improve operational efficiency, and offer students a greater variety of nutritious and appealing food choices.

The timing of these investments will be coordinated with the District's ongoing capital construction schedule to ensure that equipment purchases and installations align with building renovations, minimize disruptions to daily food service operations, and maximize the long-term benefit of these expenditures.

The Assistant Superintendent for Operations and Finance will oversee the implementation and monitoring of the fund balance reduction plan in collaboration with Food Service Department leadership. The District will review fund balances and planned expenditures on a quarterly basis, establish equipment purchasing priorities, and monitor progress toward reducing the excess balance.

The District remains committed to the responsible utilization of School Food Service funds, continued improvement of its meal program, and achieving compliance with applicable USDA regulations.

Condition: Coordination Between Departments Regarding Program Billing

During our audit, we noted that separate departments within the District were responsible for billing and monitoring certain program-related revenues. However, the departments did not coordinate with the business office to communicate billing activity, amounts due, and related collection information. As a result, the business office was not provided with timely and complete information necessary to ensure that the program receivables and revenues were properly recorded at fiscal year-end.

Recommendation

Management should establish formal communication and coordination procedures between departments responsible for programming and the business office. These procedures should include timely submission of billing records, amounts billed and other relevant financial information. Clear responsibility should be assigned for reconciling program billing records to the District's accounting records and ensuring that all program revenues and receivables are accurately and completely recorded.

Management's Response

The District acknowledges the audit finding regarding the need for improved communication and coordination between departments responsible for program-related billing and the Business Office. The District recognizes the importance of ensuring that all revenues and receivables are accurately recorded, monitored, and reconciled within the District's financial records.

To address this finding, the Assistant Superintendent for Operations and Finance will present the audit findings at the November 18, 2026, Superintendent's Cabinet meeting, which is the first available Cabinet meeting following the Board of Education's approval of the annual audit report.

During this meeting, the Assistant Superintendent for Operations and Finance will review the audit findings and reinforce the requirement that all program-related billing activities be coordinated through the Business Office. Department administrators will be reminded of their responsibility to communicate all billing activity, outstanding receivables, and collection information to the Business Office in a timely manner.

Effective November 18, 2026, all departments will be required to coordinate program-related billing through the Business Office to ensure appropriate oversight, accurate financial reporting, and timely reconciliation of revenues and receivables. The Business Office will be responsible for monitoring and reconciling this activity within the District's accounting records.

Condition: Federal and State Grant Identification

During our audit, we noted that the District did not consistently identify whether grant funding received was from federal or State sources. Proper identification is important as federal grants are subject to additional accounting, reporting, and compliance requirements under the Uniform Guidance.

Inaccurate identification of federal grant activity may result in improper classification of grant revenues and expenditures and could affect the District's determination of whether it is subject to Single Audit requirements and the completeness of its Schedule of Expenditures of Federal Awards (SEFA).

Recommendation

We recommend that the District establish a process to identify the funding source of each grant upon receipt, including applicable federal award information. The District should record grants to the proper codes within the general ledger based on the standardized chart of accounts to ensure federal expenditures are properly identified and included in the SEFA, when applicable.

Management's Response

The District acknowledges the audit finding regarding the need for improved identification, communication, and financial reporting of Federal and State grant funding. The District recognizes the importance of accurately identifying funding sources and ensuring that all grant-related revenues and expenditures are properly recorded in accordance with applicable Federal and State reporting requirements.

To address this finding, the Assistant Superintendent for Operations and Finance will present the audit findings at the November 18, 2026, Superintendent's Cabinet meeting, which is the first available Cabinet meeting following the Board of Education's approval of the annual audit report.

During this meeting the Assistant Superintendent for Operations and Finance will review the audit findings and emphasize the importance of ensuring that all grant-related activity is communicated to and coordinated with the Business Office. Department administrators will be reminded of their responsibility to provide complete and timely information regarding all grant awards, including the original source of funding, approved budgets, award documentation, expenditure requirements, and any applicable Federal award identification information.

The District will reinforce that this information is essential for accurately classifying grant revenues and expenditures within the District's accounting system, maintaining compliance with Federal and State reporting requirements, and ensuring the completeness and accuracy of the Schedule of Expenditures of Federal Awards (SEFA), when applicable.

Effective November 18, 2026, all departments will be required to notify the Business Office of grant awards and provide the necessary supporting documentation to ensure proper financial oversight and reporting. The Business Office will be responsible for reviewing the funding information, identifying the appropriate accounting codes, and ensuring grant activity is accurately reflected in the District's financial records.

The District recognizes that incomplete or untimely communication of grant information can result in inaccurate financial reporting, compliance concerns, and recurring audit findings. These strengthened procedures will promote greater accountability, transparency, and coordination between departments while reducing the risk of future audit deficiencies.

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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations.

This communication is intended solely for the information and use of management, the Board of Education, and other within the District, and is not intended to be, and should not be, used by anyone other than specified parties.

Bowers & Company CPAs, PLLC

Watertown, New York
October 14, 2026

BOWERS

BOWERS & COMPANY CPAS, PLLC

October 14, 2026

To the President and Members
Of the Board of Education
Watertown City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Watertown City School District for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Watertown City School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Watertown City School District changed accounting policies related to financial reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 103, *Financial Reporting Model Improvements*, in 2026, which enhanced effectiveness in providing information that is essential to decision making and assessing a government's accountability. We noted no transactions entered into by Watertown City School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

> Management's estimate of depreciation and amortization is based on economic useful lives of capital asset classes. We evaluated the key factors and assumptions used to develop the depreciation calculations and actuarial assumptions in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of present value of right to use leased assets and lease liability is based on the discount rate or implicit interest rate within the agreements in accordance with GASB Statement No. 87, *Leases*.

Management estimates actuarial assumptions that are used to determine net pension assets (liabilities) and annual pension cost for the year in accordance with GASB Statement No. 68.

Management estimates actuarial assumptions that are used to determine annual postretirement cost for the year in accordance with GASB Statement No. 75.

Management develops estimates and assumptions based upon historical employee leave data to measure the liability for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Watertown City School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Watertown City School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit test of compliance - §1318 Real Property Tax, it was noted that the District exceeded the 4% limitation of unexpended surplus funds within the General Fund and the District was not in compliance with the limitation requirements of the Real Property Tax Law §1318 for the fiscal year ended June 30, 2026. The finding was disclosed as a material instance of noncompliance on the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards.

Other Matters

We applied certain limited procedures to *Management's Discussion and Analysis, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and related notes to the schedule, Schedule of the District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan,* and the *Schedule of Local Government Contributions – NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on *Schedule of Change from Adopted Budget to Final Budget and Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds,* and *Net Investment in Capital Assets*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of Watertown City School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company CPAs, PLLC

Material Misstatements Corrected by Management

Governmental Funds

General Fund:

Adjusting Journal Entries JE # 4				
To adjust for taxes not collected within 60 days of year-end				
	A 1001	Real Property Taxes	1,566,198.00	
	A 694	Deferred Inflow - Taxes		1,566,198.00
Total			**1,566,198.00**	**1,566,198.00**

Adjusting Journal Entries JE # 5				
To adjust appropriated balance per adopted 26/27 budget				
	A 909	FUND BALANCE, UNRESERVED	5,518,408.00	
	A 910	Appropriated Fund Balance		5,518,408.00
Total			**5,518,408.00**	**5,518,408.00**

Adjusting Journal Entries JE # 7				
To adjust tax cert reserve to agree to actual ending balance				
	A 864	Reserve for Tax Certiorari	1,603,535.00	
	A 909	FUND BALANCE, UNRESERVED		1,603,535.00
Total			**1,603,535.00**	**1,603,535.00**

Material Misstatements Corrected by Management – Continued

Government-Wide:

Non-Current Governmental Assets:

Adjusting Journal Entries JE # 1			
To adjust capital assets and depreciation to actual			
K 105	Construction in Progress	869,599.00	
K 104	Equipment		193,433.00
K 112	Accumulated Depreciation - Buildings		101,639.00
K 114	Accumulated Depreciation - Equipment		341,278.00
K 159	Total Non-Current Governmental Assets		233,249.00
Total		**869,599.00**	**869,599.00**

Adjusting Journal Entries JE # 2			
To adjust for TRS deferred inflows per GASB 68 letter			
K 496T	Deferred Outflows - TRS	1,258,034.00	
K 159	Total Non-Current Governmental Assets		1,258,034.00
Total		**1,258,034.00**	**1,258,034.00**

Non-Current Governmental Liabilities:

Adjusting Journal Entries JE # 1			
To adjust for ERS GASB 68			
W 638E	Net Pension Liab - ERS	2,736,118.00	
W 129	Total Non-Current Governmental Liabilities		84,142.00
W 697E	Deferred Inflow - ERS		2,651,976.00
Total		**2,736,118.00**	**2,736,118.00**