

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 2, 2026

NEW ISSUE/RENEWAL

BOND ANTICIPATION NOTES

In the opinion of Hodgson Russ LLP of Buffalo, New York, Bond Counsel, under the existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain tax certification described herein, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), as amended. Bond Counsel is also of the opinion that the interest on the Notes is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. We observe that interest on the Note will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Furthermore, Bond Counsel is of the opinion that, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by New York State and any political subdivision thereof. See "TAX EXEMPTION" herein.

The Notes **WILL NOT** be designated by the District as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

**FRONTIER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK
(the "District" or the "School District")**

**\$21,915,000
BOND ANTICIPATION NOTES, 2026A
(the "Series A Notes")**

Dated: June 24, 2026

Due: June 25, 2027

**\$1,465,000
BOND ANTICIPATION NOTES, 2026B
(the "Series B Notes" and collectively with the Series A Notes, the "Notes")**

Dated: July 15, 2026

Due: July 15, 2027

Security and Source of Payment: The Notes are general obligations of the District and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes. Unless paid from other sources, all the taxable real property within the District is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York). See "TAX LEVY LIMITATION LAW" herein.

Prior Redemption: The Notes will not be subject to redemption prior to maturity.

Form and Denomination: The Notes will be issued as registered notes and, at the option of the initial purchaser(s), may be registered to the Depository Trust Company ("DTC" or the "securities depository"), or may be registered in the name of the initial purchaser(s).

To the extent that the Notes are issued through DTC, the Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as securities depository for the Notes. In such event, individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof, as may be determined by the successful bidder(s). Initial purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payment of the principal of and interest on the Notes will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes. See "DESCRIPTION OF THE NOTES - Book-Entry-Only System" herein.

To the extent that the Notes are registered in the name of the initial purchaser (s), principal of and interest on the Notes will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof, except for one Note of a necessary odd denomination, as may be determined by the successful bidder(s).

Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the legal opinion as to the validity of the Notes of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, and certain other conditions. It is anticipated that the Notes will be available for delivery in New York, New York (through the facilities of DTC) or at such other place as may be agreed with the purchaser(s) on or about June 24, 2026 and July 15, 2026, respectively

Facsimile or telephone bids for Series A will be received WEDNESDAY, June 10, 2026 until 10:30 a.m. Prevailing Time, pursuant to the terms of the Notice of Sale relating to the Notes.

Facsimile or telephone bids for Series B will be received WEDNESDAY, July 1, 2026 until 10:00 a.m. Prevailing Time, pursuant to the terms of the Notice of Sale relating to the Notes.

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE NOTES. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE NOTES.

**FRONTIER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK**

School District Officials

2025-26 BOARD OF EDUCATION

Dr. Mary Ann Costello - President
John Cordier – Vice President

Chelsie Bertrand
Sharon Heppner
John Kilcoyne, Jr.
Erin Oliver
VACANT

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Christopher Swiatek - Superintendent
Dr. Christopher Thuman – Assistant Superintendent for Finance
Laura Feldman, CPA –Treasurer
Shannon Cross – District Clerk

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School District Attorney

Hodgson Russ LLP

BOND COUNSEL

Hodgson Russ, LLP

MUNICIPAL ADVISOR



R. G. Timbs, Inc.

No person has been authorized by the District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates, and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
		General Fund Operations	27
		STAR- School Tax Exemption	27
DESCRIPTION OF THE NOTES	4	TAX LEVY LIMITATION LAW	28
Purpose and Authorization	5	STATUS OF INDEBTEDNESS	28
Book-Entry-Only System	5	Constitutional Requirements	28
Certificated Notes	7	Statutory Procedure	29
Security and Source of Payment	7	Debt Outstanding End of Fiscal Year	30
Remedies of Noteholders on Default	8	Status of Outstanding Bond Issues	30
Special Provisions Affecting Remedies		Total Annual Bond Principal and Interest Due	32
Upon Default	9	Cash Flow Borrowings	32
THE SCHOOL DISTRICT	10	Status of Short-Term Indebtedness	32
General Information	10	Capital Project Plans	32
District Population	10	Building Aid Estimate	33
Selected Wealth and Income Indicators	11	Debt Statement Summary	34
District Facilities	11	Estimated Overlapping Indebtedness	35
District Employees	12	Debt Ratios	35
Historical and Projected Enrollment	12	MARKET AND RISK FACTORS	35
Employee Pension Benefits	12	TAX EXEMPTION	37
Other Post-Employment Benefits	15	APPROVAL OF LEGAL	
Major Employers	16	PROCEEDINGS	38
Unemployment Rate Statistics	16	DISCLOSURE UNDERTAKING	38
Investment Policy	17	CONTINUING DISCLOSURE	
Form of School Government	17	COMPLIANCE PROCEDURES	38
Budgetary Procedures	18	LITIGATION	38
State Aid	18	BOND RATING	39
Fiscal Stress Monitoring	23	MUNICIPAL ADVISOR	39
New York State Comptroller		MISCELLANEOUS	39
Report of Examination	24		
Other Information	24	APPENDIX – A- Financial Information	
Financial Statements	24	APPENDIX – B – Audited Financial Statements	
TAX INFORMATION	25	For the Fiscal Year Ended June 30, 2025	
Assessed and Full Valuations	25	APPENDIX – C – Form of Disclosure Undertaking	
Tax Rate Per \$1,000 Assessed Value	25		
Tax Collection Procedure	25		
Tax Collection Record	26		
Real Property Tax Revenues	26		
Major Taxpayers for 2025-26 Tax Roll	27		

PREPARED WITH THE ASSISTANCE OF:



R. G. Timbs, Inc
 11 Meadowbrook Road
 Whitesboro, NY 13492
 877-315-0100
 Expert@rgtimbsinc.net

OFFICIAL STATEMENT
FRONTIER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK
(the “District”)

\$21,915,000
Bond Anticipation Notes, 2026A
(the “Series A Notes”)

\$1,465,000
BOND ANTICIPATION NOTES, 2026B
(the “Series B Notes” and collectively with the Series A Notes, the “Notes”)

This Official Statement, which includes the cover page, has been prepared by the Frontier Central School District, Erie County, New York (the “District” or “the School District”, “County” and “State,” respectively) in connection with the sale by the District of its \$21,915,000 Bond Anticipation Notes, 2026A (the “Series A Notes”) and its \$1,465,000 Bond Anticipation Notes, 2026B (the “Series B Notes” and, collectively with the Series A Notes, the “Notes”).

The factors affecting the District's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the District's tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and Laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

Statements in this Official Statement, and the documents included by specific reference, which are not historical facts are forward-looking statements, which are based on the District's management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff.

DESCRIPTION OF THE NOTES

The Series A Notes are dated June 24, 2026, and mature, without option of prior redemption, on June 25, 2027. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Series B Notes are dated July 15 2026, and mature, without option of prior redemption, on July 15, 2027 Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes are general obligations of the District and will contain a pledge of its faith and credit of the District for payment of the principal of and interest on the Notes, as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). Unless paid for from other sources, all the taxable real property within the District is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, sufficient to pay such principal and interest as the same become due, without limitation as to rate or amount, subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York. See “TAX LEVY LIMITATION LAW,” herein.

The Notes will be issued in registered form. At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s), with principal of and interest on the Notes being payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof, as may be determined by the successful bidder(s). Alternatively, the Notes may be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), with DTC acting as securities depository for the Notes. See

“Book-Entry-Only System,” herein. Under the DTC scenario, one fully registered note certificate will be issued for all Notes bearing the same rate of interest and CUSIP number, each in the aggregate principal amount of such issue, and purchasers will not receive certificates representing their interest in the Notes. Principal and interest will be paid in lawful money of the United States of America (federal funds) by the District directly to DTC for its nominee, Cede & Co.

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the control of the District. See “MARKET AND RISK FACTORS,” herein.

Purpose and Authorization

The Notes are authorized to be issued pursuant to the Constitution and laws of the State of New York, including among others, the Education Law and the Local Finance Law, and pursuant to two bond resolutions that was duly adopted by the Board of Education (the “Board”) on (a) August 3, 2021, following a positive vote at a special meeting and vote of the qualified voters of the District that was held on July 20, 2021 authorizing the issuance of up to \$65,116,550 of serial bonds of the District for the financing of a \$70,116,550 “2021 Capital Improvements Project” consisting of the reconstruction and renovation of, and the construction of improvements and upgrades to various District buildings and facilities (and the sites thereof) (the “Project”) and (b) February 10, 2026, following a positive vote at a special meeting and vote of the qualified voters of the District that was held on January 21 2026 authorizing the issuance of up to \$9,030,000 of serial bonds of the District for the financing of a \$9,030,000 “Shield Project 2026” consisting of the partial reconstruction, renovation and the construction of improvements and upgrades to various district buildings and facilities and the sites thereof.

A portion of the proceeds of the Series A Notes in the amount of \$10,115,000, along with available funds of the District in the amount of \$2,375,000, will be used to redeem and renew, in part, a portion of an outstanding bond anticipation note of the District that was issued June 25, 2025 in the amount of \$51,800,000. 2026 DASNY proceeds in the amount of \$39,310,000 will be used to redeem and permanently finance such portion of the bond anticipation note that was issued on June 25, 2025. Other proceeds of the Series A Notes in the amount of \$6,400,000 will provide additional new money financing pursuant to the (a) August 3, 2021 bond resolution. The remaining proceeds of the Series A Notes in the amount of \$5,400,000 will provide original financing pursuant to the (b) February 10, 2026 bond resolution..

The Series B Notes are issued in accordance with the Constitution and statutes of the State of New York, including the Education Law and the Local Finance Law, and pursuant to certain bond resolutions that were duly adopted by the Board of the District, following positive votes at various annual meetings of the qualified voters of the District that were held on May 17, 2022, May 16, 2023, May 21, 2024, and May 20, 2025 on (a) June 21, 2022 authorizing up to \$550,631 of serial bonds for the acquisition of various school buses for use in the transportation program of the District (\$100,000 of this issue); (b) on June 20, 2023 authorizing up to \$765,245 of serial bonds for the acquisition of various buses for use in the transportation program of the District (\$300,000 of this issue); (c) on or about June 18, 2024 authorizing up to \$783,716 of serial bonds for the acquisition of various buses for use in the transportation program of the District (\$585,000 of this issue); and (e) on or about June 17, 2025 authorizing up to \$598,232 of serial bonds for the acquisition of various buses for use in the transportation program of the District (\$480,000 of this issue).

Proceeds of the Notes in the amount of \$1,465,000, along with \$670,000 of available funds of the District, will be used to redeem and renew, in part, an outstanding bond anticipation note of the District issued on July 16, 2025.

Book-Entry-Only System

The following is relevant only if the Notes are issued in book-entry form. DTC will act as securities depository for the Notes, if so requested. The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, only if requested by the purchaser prior to the initial issuance of Notes. One fully-registered note certificate will be issued for each of the notes bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, who may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission of them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Notes documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption proceeds, distributions and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to

Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s). In such event, principal of and interest on the Notes will be payable in federal funds at such bank or trust company located and authorized to do business in the State as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof, as may be determined by the successful bidder(s).

Security and Source of Payment

Each Note, when duly issued and paid for, will constitute a contract between the District and the holder thereof.

The Notes are general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest thereon. For the payment of such principal and interest, the District has the power and statutory authorization to levy *ad valorem* taxes on all of the taxable real property in the District without limitation as to

rate or amount, subject to certain statutory limitation imposed by Chapter 97 of the 2011 Laws of New York. See “TAX LEVY LIMITATION LAW,” herein.

Under the State Constitution, the District is required to pledge its faith and credit for the payment of principal of and interest on the Notes and the State is specifically precluded from restricting the power of the District to levy taxes on real property therefor. See the discussion under “TAX LEVY LIMITATION LAW,” herein.

Remedies of Noteholders on Default

Section 99-b of the State Finance Law (“SFL”) provides for a covenant between the State and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for the school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b of SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Such Section provides that in the event a holder or owner of any bond or note issued by a school district for school purposes shall file with the State Comptroller a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond or note. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding bonds or notes of such school district issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such bonds or notes of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district’s contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds or notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments, and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds or notes shall be forwarded promptly to the paying agent or agents for the bonds or notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds or notes in default with respect to which the same was so deducted or withheld, the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds or notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds or notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds or notes pursuant to such section of the SFL.

Under current law, provision is made for contract creditors (including holders of the Notes) of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgement, although judicial mandates have been issued to officials to appropriate and pay judgements out of current funds or the proceeds of a tax levy.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of noteholders, such courts might hold that future events including financial crises as they may occur in the State and in municipalities of the State require exercise by the State of its emergency police power to assure the continuation of essential public service.

Special Provisions Affecting Remedies Upon Default

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgement or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

In accordance with a general rule with respect to municipalities, judgments against the District may not be enforced to levy and execution against property owned by the District.

The federal Bankruptcy Code allows public bodies, such as the District, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

Under the Bankruptcy Code, a petition may be filed in federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Bankruptcy Code also requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and would authorize the federal bankruptcy court to permit the municipality to issue certificates of indebtedness, which could have priority over existing creditors, and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. The District has the legal capacity to file a petition under the Bankruptcy Code.

It might be asserted that under the Bankruptcy Code interest and principal debt service payments made by the District within 90 days of the District filing a bankruptcy petition were voidable preferences. In the event these assertions were made and sustained by the bankruptcy court, the recipients of those preferential payments could be required to refund them, and their claims would then be treated as if the preferential payments had not been made.

At the Extraordinary Session of the State Legislature held in November 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on action to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violated the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authorizing any county, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has ever been declared with respect to the District.

No principal or interest payment on District indebtedness is past due. The District has never defaulted on the payment of principal of or interest of any indebtedness.

THE SCHOOL DISTRICT

General Information

The District comprises an area of approximately 39 square miles and is located in the southern portion of Erie County along the shore of Lake Erie in the Town of Hamburg. The District includes a major portion of the Town of Hamburg and a small portion of the Town of Eden. Portions of the District closest to Buffalo are suburban residential in character while outlying areas are more rural. Most residents of the District are employed in business, industry, and professions in Buffalo or the Niagara Frontier.

Transportation is provided through the District on State Routes 5 and 20. Bus service is provided by the Niagara Frontier Transportation Authority (Metro) on a regular, commuter basis. Major airlines operate from the Buffalo-Niagara International Airport, a 30-minute drive from the District. Conrail provides rail facilities within the District, which operates several mainlines and spurs with industrial sidings. Passenger rail service is provided by Amtrak in the Village of Depew, north of the District.

Police protection is provided by the Town of Hamburg Police Department, the Erie County Sheriff's Department and the State Police. Electricity is supplied throughout the District by the New York State Electric and Gas Corporation and National Grid. Water services are provided by the Erie County Water Authority. Sanitary sewage collection and treatment facilities are provided throughout the unincorporated portions of the District by the Towns' special assessment sewer districts. The Village of Hamburg (within the Town of Hamburg) provides sanitary sewer services to residents. The following banks have one or more offices within the District: Citizen's Bank, Bank of America, Key Bank, Evans Bank, M&T Bank and Northwest Savings Bank.

Source: District Officials.

District Population

The population of the School District is estimated to be 38,260. (Source: 2024 U.S. Census Bureau estimate)

Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which include the District are the Towns and Counties listed below. The Figures set below with respect to such Towns, Counties and State are included for information only. It should not be inferred from the inclusion of such data in this Official Statement that the Towns, Counties or State are necessarily representative of the District, or vice versa.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2006-2010</u>	<u>2016-2020</u>	<u>2020-2024</u>	<u>2006-2010</u>	<u>2016-2020</u>	<u>2020-2024</u>
Towns Of:						
Eden	\$28,379	\$39,957	\$42,550	\$73,675	\$91,106	\$104,000
Hamburg	29,730	38,450	48,210	75,857	92,391	118,401
County Of:						
Erie	26,378	35,050	42,777	63,404	80,437	98,766
State Of:						
New York	30,948	40,898	50,712	67,405	87,270	106,873

Note: 2021-2025 American Community Survey Estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2006-2010, 2016-2020 and 2020-2024 American Survey data.

District Facilities

<u>Name</u>	<u>Year Built</u>	<u>Current Maximum Capacity</u>	<u>Date of Last Addition or Alteration</u>
Senior High School	1955	2,349	2024
Middle School	1963	1,971	2024
Big Tree Elementary School	1992	918	2024
Pinehurst Elementary School	1955	810	2023
Cloverbank Elementary School	1959	891	2023
Blasdell Elementary School	1959	891	2024
Frontier Community Learning Center	2002	270	2021

Source: District Officials

District Employees

The School District employs 923 full and part-time employees. The number of members, the collective bargaining units which represent them and their current contract expiration dates are as follows:

<u>Employees</u>	<u>Bargaining Unit</u>	<u>Expiration Date</u>
456	Frontier Central Teachers Association	6/30/2027
415	Frontier Central Employees Association	6/30/2026*
20	Frontier Central Administrators Association	6/30/2027
21	Frontier Managerial Confidential Employees	6/30/2027
11	Frontier Central Registered Nurses Association	6/30/2026*

*Currently under negotiations.

Historical and Projected Enrollment

<u>Fiscal Year</u>	<u>Actual</u>	<u>Fiscal Year</u>	<u>Projected</u>
2021-22	4,489	2026-27	4,319
2022-23	4,482	2027-28	4,311
2023-24	4,426	2028-29	4,290
2024-25	4,497	2029-30	4,284
2025-26	4,278	2030-31	4,266

Source: District Officials

Employee Pension Benefits

All non-teaching and non-certified administrative employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York and Local Employees' Retirement System ("ERS"). Teachers and certified administrators are members of the New York State Teachers' Retirement System ("TRS"). Payments to TRS are deducted from the School District's State aid payments. Both the ERS and the TRS (together, the "Retirement Systems") are non-contributory with respect to members hired prior to July 27, 1976. Other than those in Tier V and Tier VI, all members hired on or after July 27, 1976 with less than 10 years of service must contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, pension reform legislation was signed into law that created a new Tier V pension level. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.

- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

Members of the TRS have a separate Tier V benefit structure that will achieve equivalent savings as other civilian public employees. It includes:

- Raising the minimum age an individual can retire without penalty from 55 to 57 years.
- Contributing 3.5% of their annual wages to pension costs rather than 3% and continuing this increased contribution so long as they accumulate additional pension credits.
- Increasing the 2% multiplier threshold for final pension calculations from 20 to 25 years.

In accordance with constitutional requirements, Tier V applies only to public employees hired after December 31, 2009 and before April 2, 2012.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6% and contributions at such rates continue so long as such employee continues to accumulate pension credits, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees would vest in the system after ten years of employment; and employees will continue to make employee contribution throughout employment. As of April 9, 2022, vesting requirements were modified, resulting in employees becoming vested after five years.

The District is required to contribute at an actuarially determined rate. The actual contribution for the last five years and the budgeted figures for the 2025-2026 and 2026-2027 fiscal years are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2020-2021	\$1,393,745	\$3,541,199
2021-2022	1,380,934	3,740,176
2022-2023	1,203,011	3,845,654
2023-2024	1,538,227	4,129,866
2024-2025	2,012,667	4,049,444
2025-2026 (Budgeted)	2,257,396	4,350,000
2026-2027 (Budgeted)	2,915,183	4,116,500

Source: Audited financial statements for the 2020-2021 fiscal year through the 2024-2025 fiscal year and the adopted budget of the District for the 2025-2026 and 2026-2027 fiscal years. This table is not audited.

Retirement Incentive Program – Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District does not currently have early retirement incentive programs for its employees.

Historical Trends and Contribution Rates – Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees’ and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and TRS rates as a percent of payroll (2020-21 to 2025-26) is shown below:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2021-2022	16.20%	9.80%
2022-2023	11.6	10.29
2023-2024	13.1	9.76
2024-2025	15.2	10.11
2025-2026	16.5	9.59
2026-2027	17.6	8.24*

*Estimated.

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003, and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period; but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

The District is not amortizing any pension payments, nor does it intend to do so in the foreseeable future.

Stable Rate Pension Contribution Option - The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 12.5% for TRS. The pension contribution rates under this program would reduce near-term payments for employers; but will require higher than normal contributions in later years.

The District did not participate in the Stable Rate Pension Contribution Option, nor does it intend to do so in the foreseeable future.

The State’s 2019-2020 Enacted Budget will allow school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such fund, during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the

immediately preceding fiscal year. The District has established a TRS Reserve Fund as of June 2019. The District has funded the reserve in the amount of \$1,178,654 as of June 30, 2025.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District's employees is not subject to the direction of the District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

OPEB - refers to "other post-employment benefits," meaning other than pension benefits. OPEB consists primarily of health care benefits; and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 75 - requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. However, GASB 75 also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity and requires: (a) explanations of how and why the OPEB liability changed from year to year (b) amortization and reporting of deferred inflows and outflows due to assumption changes, (c) use of a discount rate that takes into account resources of an OPEB plan and how they will be invested to maximize coverage of the liability (d) a single actual cost method and (e) immediate recognition of OPEB expense and effects of changes to benefit terms.

Under GASB 75, a total OPEB liability is determined for each municipality or school district. A net change in the total OPEB Liability is calculated as the sum of changes for the year including service cost, interest, difference between expected and actual experience, changes in benefit terms, changes in assumptions or other inputs, less the benefit payments made by the School District for the year.

Based on the most recent actuarial valuation dated June 30, 2025 and financial data as of June 30, 2025, the School District's beginning year total OPEB liability was \$4,454,787, the net change for the year was \$503,406 resulting in a total OPEB liability of \$4,958,193 for a fiscal year ending June 30, 2025. The aforementioned liability is recognized and disclosed in accordance with GASB 75 standards in the School District's June 30, 2025 financial statements.

The total OPEB liability is required to be determined through an actuarial valuation every two years, at a minimum. However, OPEB plans with fewer than 100 members may use an alternative measurement method in place of an actuarial valuation. Additional information about GASB 75 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

There is no authority in current State law to establish a trust account or reserve fund for this liability. While State Comptroller Thomas P. DiNapoli proposed a bill in April of 2015 that would create an optional investment pool to help local governments fund their OPEB liabilities, such legislation has not advanced past the committee stage.

The School District's total OPEB liability is expected to increase. As is the case with most municipalities, this is being handled by the School District on a "pay-as-you-go" basis. Substantial future increases could have a material adverse impact upon the School District's finances and could force the School District to reduce services, raise taxes or both.

Major Employers

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
Ford Motor Company	Manufacturing	979
Frontier Central School District	Education	923
Wegmans Markets, Inc.	Retail Food	550
Walmart, Inc.	Retail Store	450
West Herr Ford	Store Auto Sales	399
FedEx Corp.	Shipping	272
Amazon.com Services	Shipping	205

Source: District Officials

Unemployment Rate Statistics

Unemployment statistics are not available for the School District as such. The smallest area for which such statistics are available (which includes the School District) is the County of Erie. The data set forth below with respect to the County is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the School District is necessarily representative of the County or vice versa.

<u>Year</u>	<u>Erie County Unemployment Rate</u>	<u>New York State Unemployment Rate</u>	<u>U.S. Unemployment Rate</u>
2021	5.3%	7.1%	5.3%
2022	3.5%	4.3%	3.6%
2023	3.5%	4.1%	3.7%
2024	3.9%	4.3%	4.0%
2025	3.6%	4.3%	4.3%

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted)

2025-2026 Monthly Figures

	Apr	May	Jun	Jul	Aug	Sep	Oct	Noc	Dec	Jan	Feb	Mar
Erie County	3.4%	3.4%	3.6%	4.2%	4.3%	4.0%	N/A	3.8%	3.9%	4.5%	5.0%	4.4%
New York State	3.8%	3.8%	4.1%	4.8%	4.9%	4.7%	NA	4.4%	4.3%	4.7%	5.2%	4.4%

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).
N/A Information not available due to Government shutdown.

Investment Policy

The Board has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

The primary objectives of the District's investment policy are, in priority order, as follows:

- To conform to all applicable federal, State and other legal requirements.
- To adequately safeguard principal.
- To provide sufficient liquidity to meet all operating requirements.
- To obtain a reasonable rate of return on invested funds.

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the District is generally permitted to deposit moneys which are not required for immediate expenditure in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State; (4) with the approval of the State Comptroller, tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, obligations of the District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML. The District is not presently investing in repurchase agreements.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit 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 school districts.

Form of School Government

The District is an independent entity governed by an elected Board previously defined comprised of seven members. District operations are subject to the provisions of the State Education Law affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board are elected on a staggered term basis by qualified voters within the District boundaries at the annual election of the District (held in May). The term of office for each board member is five years and the number of terms that may be served is unrestricted.

During the first seven days of July each year, the Board meets for the purpose of reorganization. At that time an election is held within the Board to elect a President (who serves as the chief fiscal officer of the District) and Vice President, and to appoint a District Clerk and District Treasurer.

The Board is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board appoints the Superintendent of Schools, who serves under a written contract which, by statute, must be of no less than three and no more than five years in duration. Such Superintendent is the chief executive officer of the District. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities, under the direction of the Board. Certain other administrative and financial duties are performed by the Assistant Superintendent for Business, who is appointed by the Board.

Budgetary Procedures

Pursuant to the Education Law, the Board annually prepares a budget for the ensuing fiscal year. A public hearing on such budget is held not less than seven and not more than fourteen days prior to the vote. The Board of Education causes notice of such public hearing to be published four times beginning seven weeks prior to the vote. After the public hearing, but not less than six days prior to the budget vote, the School District must mail a school budget notice to all qualified voters which contains the total budgeted amount, the dollar and percentage increase or decrease in the proposed budget (or contingency budget) as compared to the current budget, the percentage increase or decrease in the consumer price index, the estimated property tax levy, the basic STAR exemption impact and the date, time and place of the budget vote. After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified School District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011 of the State of New York (“Chapter 97”), beginning with the 2012-13 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% (plus certain adjustments, if applicable) or the rate of inflation (the “ Tax Cap”), then a majority vote is required for approval. If the proposed budget requires a tax levy increase that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District Tax Cap also must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the third Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see “Tax Levy Limitation Law” herein.

The budget for the 2024-25 fiscal year was adopted by the qualified voters on May 21, 2024 by a vote of 501 to 317. The 2024-25 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The budget for the 2025-26 fiscal year was adopted by the qualified voters on May 20, 2025 by a vote of 827 to 368. The 2025-26 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The budget for the 2026-27 fiscal year was adopted by the qualified voters on May 19, 2026 by a vote of 657 to 376. The 2026-27 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

State Aid

The District receives appropriations from the State. In its adopted budget for the 2026-27 fiscal year, approximately 44.5% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

In addition to the amount of State aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program.

The State is not constitutionally obligated to maintain or continue State aid to the District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which could eliminate or substantially reduce State aid could have a material adverse effect upon the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the School District, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include but are not limited to reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 and 2020 fiscal years, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in adoption of the State budget, which is due at the start of the State's fiscal year of April 1. Since the 2010-11 State fiscal year, the State budget has been generally adopted on or before April 1, with the exception of the 2016-17 State budget which was not adopted until April 9, 2017, the 2023-24 State budget which was not adopted until May 3, 2023, the 2024-25 State budget which was not adopted until April 20, 2024 and the 2025-26 State Budget which was not adopted until May 9, 2025. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State school districts in the State which could adversely affect the financial condition of school districts in the State.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

Federal Aid Received by the State

Since March, 2020, the State has been awarded over \$14 billion in federal education COVID response funding through the Coronavirus Aid, Relief, and Economic Security ("CARES") Act; Coronavirus Response and Relief Supplemental Appropriations Act, 2021 ("CRRSA"); and the American Rescue Plan ("ARP") Act. These funds were used to support local educational agencies' efforts to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools in the State. Such federal funding expired at the end of the 2023-24 fiscal year.

The State also receives a substantial amount of federal aid for health care, education, transportation, and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

President Trump signed an executive order that directs the Secretary of Education to take all necessary steps to facilitate the closure of the U.S. Department of Education. The executive order aims to minimize the federal role in education but stops short of completely closing the Department as this would require 60 votes in the U.S. Senate. President Trump also indicated his preference that critical functions, like distributing Individuals with Disabilities Education Act funding, would be the responsibility of other federal agencies. The impact that the executive order will have on the State and school districts in the State is unknown at this time.

State Aid History

The State's 2020- 2021 Enacted Budget - Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget was 3.7% lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased Federal support. This reduction in State Operating Funds support was offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 was approximately \$27.9 billion, an annual increase of approximately \$100 million or 0.4%. The State's 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid continued under existing aid formulas. Out-year growth in School Aid reflected then current projections of the ten-year average growth in State personal income. The State's 2020- 2021 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% of estimates or if actual disbursements exceed 101% of estimates. Pursuant to that provision, in October, 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. However, the 2020-2021 State aid declines were offset, in part, by \$1.1 billion of increased federal funding through the Coronavirus Aid, Relief, and Economic Security Act. With these federal funds, State aid totaled \$27.9 billion in the State's 2020-2021 Enacted Budget, an annual increase of approximately \$100 million or 0.4% from the 2019-2020 Enacted Budget. As of February 1, 2021, the State Education Department ("SED") advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding. Such approval was received and the State released all of the withheld funds prior to June 30, 2021.

The State 2021-22 Budget included \$29.5 billion in state aid to school districts, and significantly increased funding for schools and local governments, including a \$1.4 billion increase in Foundation Aid and a three-year phase in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget includes the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which includes, in part, the allocation of \$629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, \$105 million of federal funds are to be allocated to expand full-day kindergarten programs. Under the budget, school districts are to be reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year. Under the budget, local governments are to receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding, and will receive a full restoration of \$10.3 million in proposed Video Lottery Terminal (VLT) aid cuts where applicable.

The State 2022-23 Enacted Budget provides \$31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of \$2.1 billion or 7.2 percent compared to the 2021-22 school year, and includes a \$1.5 billion or 7.7 percent Foundation Aid increase. The State 2022-23 Enacted Budget also programs \$14 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, is designed to assist public schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2022-23 Enacted Budget allocates \$100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State 2022-23 Enacted Budget increases federal funds by \$125 million to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2022-23 school year.

The State's 2023-24 Enacted Budget included \$34.5 billion for school aid, an increase of \$3.1 billion or 10%. The States 2023-24 Budget also provided a \$2.6 billion increase in Foundation Aid, fully funding the program for the first time in history. The State's 2023-24 Enacted Budget provided \$134 million to increase access to free school meals. An additional \$20 million in grant funding established new Early College High School and Pathways in Technology Early College High School Programs. An investment of \$10 million over two years in competitive funding for school districts, boards of cooperative educational services, and community colleges will be made to promote job readiness. An additional \$150 million will be used to expand high-quality full-day prekindergarten, resulting in universal prekindergarten to be phased into 95% of the State.

The State's 2024-25 Enacted Budget provides \$35.9 billion in State funding to school districts for the 2024-25 school year, the highest level of State aid ever. This represents an increase of \$1.3 billion compared to the 2023-24 school year and includes a \$934 million or 3.89 percent Foundation Aid increase. The State's 2024 25 Enacted Budget maintains the "save harmless" provision, which currently ensures a school district receives at least the same amount of Foundation Aid as it received in the prior year. The State's 2024-25 Enacted Budget also authorizes a comprehensive study by the Rockefeller Institute and the State Department of Education to develop a modernized school funding formula.

On January 21, 2025, Governor Hochul released the 2025-2026 Executive Budget. The Executive Budget provides for a total of \$37.4 billion in school aid, with \$26.4 billion being in foundation aid (a 5.9% increase from last year), \$3.3 billion in building aid, \$2.7 billion in transportation aid, and \$1.2 billion in prekindergarten aid (the total of building aid, transportation aid, and prekindergarten aid accounting for an aggregate increase of 2.2% since last year.

A final budget was passed by New York State on May 8, 2025. The enacted budget includes a \$37.6 billion increase in total school aid. The enacted budget's foundation aid increase is nearly identical to the Executive Budget's; however, due to an adjustment in the aid calculation formula (as the formula is ensuing calculations pertain to Districts with large amounts of English language learners) some districts will see a slight increase or decrease in their final Foundation Aid amount. Foundation aid is New York State's main education operating formula. It is focused on allocating New York State funds equitably to all school districts, especially high needs districts, based on student need, community wealth, and regional cost differences. As stated in Foundation Aid for the 2025 school year. Foundation aid is intended mainly to support districts' instructional costs. It is the largest aid type within the school aid budget categories. Building aid is considered an expense-based type of aid. The Executive Budget allocates \$3.3 billion in building aid for the 2025 school year.

Provisions in the State's 2025-26 Enacted Budget grant the State Budget Director the authority to withhold all or some of the amounts appropriated therein, including amounts that are to be paid on specific dates prescribed in law or regulation if, on a cash basis of accounting, a "general fund imbalance" has or is expected to occur in fiscal year 2025-26. A "general fund imbalance" has occurred, and the State Budget Director's powers are activated, if any State fiscal year 2025-26 quarterly financial plan update required by Subdivision 4 of Section 23 of the New York State Finance Law reflects, or if at any point during the final quarter of state fiscal year 2025-26 the State Budget Director projects, that estimated general fund receipts and/or estimated general fund disbursements have or will vary from the estimates included in the State's 2025-26 Enacted Budget financial plan required by sections 22 and 23 of the New York State Finance Law results in a cumulative budget imbalance of \$2 billion or more. Any significant reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State.

On January 20, 2026, Governor Hochul released her proposed 2026-27 Executive Budget. The Executive Budget provides for a total of \$39.3 billion in school aid, with \$27.1 billion being Foundation Aid (a 3% increase over the current year). Expense-based and categorical aids, such as school construction, transportation, shared services through BOCES and special education, are proposed to be increased by \$282 million (a 2.9% increase) for a total budgetary appropriation of \$9.8 billion. Further, the Executive Budget provides for an increase to Universal Prekindergarten aid of \$431 million (40.3%), amounting to a total of \$1.5 billion.

The 2026-2027 budget was adopted on May 28, 2026 and provided \$39 billion in school aid (a \$1.7 billion increase since last year) and \$27.4 billion in foundation aid (a 1 billion increase since last year). Universal Prekindergarten Aid was increased by \$561 million, bringing the total funding to \$1.6 billion. Finally, the Enacted Budget extended the zero-emission bus mandate by five years, allowing districts until July 1, 2032 to purchase only zero-emission buses and until July 1, 2040 to exclusively utilize zero-emission buses.

Foundation is New York State's main education operating aid formula. It is focused on allocating New York State funds equitably to all school districts, especially high-need districts, based on student need, community wealth, and regional cost differences. As stated above, the Enacted Budget provides a \$1 billion increase in Foundation Aid for the 2026-2027 school year. Foundation aid is intended mainly to support district's instructional costs. It is the largest aid category within the school aid budget category. Building aid is considered an expense-based type of aid.

State Aid Litigation - In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity v. New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools — as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education — was reasonably determined. State legislative reforms in the wake of *The Campaign for Fiscal Equity* decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

A case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* was heard on appeal on May 30, 2017 in *New Yorkers for Students' Educational Rights v. State of New York* ("NYSER") and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the *Campaign for Fiscal Equity* case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs' causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the *Campaign for Fiscal Equity* case that absent "gross education inadequacies", claims regarding State funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein. On October 14, 2021, Governor Hochul announced that New York State has reached an agreement to settle and discontinue the *New Yorkers for Students' Educational Rights v. New York State* case, following through on the State's commitment to fully fund the current Foundation Aid formula to New York's school districts over three years and ending the State's prior opposition to providing such funding. The litigation, which has been ongoing since 2014, sought to require New York State to fully fund the Foundation Aid formula that was put into place following the *Campaign for Fiscal Equity* cases, and has been previously opposed by the State. Foundation Aid was created in 2007 and takes school district wealth and student need into account to create an equitable distribution of state funding to schools, however, New York State has never fully funded Foundation Aid. The new settlement requires New York to phase-in full funding of Foundation Aid by the FY 2024 budget. In the 2022 Enacted State Budget approved in April 2022, the Executive and Legislature agreed to fully fund the Foundation Aid by FY 2024 budget and enacted this commitment into law. A breakdown of the currently anticipated Foundation Aid funding is available below:

- FY 2022: \$19.8 billion, covering 30% of existing shortfall
- FY 2023: Approximately \$21.3 billion, cover 50% of the anticipated shortfall
- FY 2024: Approximately \$23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school Districts
- FY 2025: Funding the full amount of Foundation Aid for all school districts.
- FY 2026: 2% minimum increase in Foundation Aid to all school districts. The State's 2025-26 Enacted Budget makes a number of alterations to the Foundation Aid formula designed to reflect low-income student populations and provide additional aid to low-wealth school districts.

The following table illustrates the percentage of total revenue of the District for each of the below fiscal years comprised of State aid and budgeted figures for 2025-26 fiscal year.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2020-2021	\$ 88,125,551	\$ 35,816,368	4.64%
2021-2022	91,634,496	37,922,279	41.38
2022-2023	96,874,872	41,407,438	42.74
2023-2024	104,322,082	46,692,311	44.76
2024-2025	108,898,349	49,051,415	45.04
2025-2026 (Budgeted)	108,617,626	49,731,054	45.79
2026-2027 (Budgeted)	114,950,000	51,149,000	44.50

Source: Audited financial statements for the 2020-2021 fiscal year through the 2024-2025 fiscal year and the adopted budgets of the District for the 2025-2026 and 2026-2027 fiscal years. This table is not audited.

Fiscal Stress Monitoring

The New York State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent information to School District officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's diverse school districts are operating.

The fiscal stress scores are based on financial information submitted as part of each School District's ST-3 report filed yearly with the State Education Department. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the OSC system creates an overall fiscal stress score which classifies whether a district is in "significant fiscal stress", in "moderate fiscal stress", as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation". This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of State Comptroller for the past five fiscal years if the District are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2025	Susceptible	31.7
2024	No Designation	0.0
2023	No Designation	20.0
2022	No Designation	10.0
2021	No Designation	3.3

Note: See the official website of the New York State Comptroller for more information on FSMS. Reference to websites implies no warranty of accuracy of information therein.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the District has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller's office released an audit report of the District on August 17, 2018. The purpose of the audit was to determine whether the District procured professional services in accordance with their Board policies and the applicable statutory requirements, and whether payments for such services were proper for the District's purposes between July 1, 2016 through March 6, 2018.

Key Findings

- The Board did not establish adequate policies, or ensure the District officials developed adequate written procedures, for procuring professional services.
- The District selected and paid nine professional service providers \$466,960 but could not provide documented evidence for how or why those vendors were selected.

Key Recommendations

- Review and update the purchasing policy and procedures to ensure they include detailed guidance for procuring professional services.

A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no State Comptroller's audits of the District that are currently in progress or pending release.

*Note: Reference to website implies no warranty of accuracy of information therein.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Bonds were issued is the Education Law and the Local Finance Law.

No principal or interest upon any obligation of the School District is past due.

The fiscal year of the School District is from July 1 to June 30.

Other than "Estimated Calculation of Overlapping Indebtedness", this Official Statement does not include the financial data of any other political subdivisions of the State having power to levy taxes within the School District.

Financial Statements

The School District retains an independent Certified Public Accountant, whose most recent report covers the period ended June 30, 2025 and may be found attached hereto as Appendix B.

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting ("GAAFR"), published by the National Committee on Government Accounting.

TAX INFORMATION

Assessed and Full Valuations

Fiscal Year Ended
June 30:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Assessed Valuations:					
Hamburg	\$ 1,442,560,381	\$ 1,449,843,023	\$ 1,460,351,373	\$ 1,488,008,724	\$ 1,494,348,699
Eden	<u>1,177,374</u>	<u>1,177,504</u>	<u>1,179,657</u>	<u>1,193,020</u>	<u>1,167,881</u>
Total	<u>\$ 1,443,737,755</u>	<u>\$ 1,451,020,527</u>	<u>\$ 1,461,531,030</u>	<u>\$ 1,489,201,744</u>	<u>\$ 1,495,516,580</u>
Equalization Rates:					
Hamburg	41.00%	37.00%	32.00%	30.50%	29.00%
Eden	51.00%	46.00%	41.00%	37.00%	37.00%
Full Valuations:					
Hamburg	\$ 3,518,439,954	\$ 3,918,494,657	\$ 4,563,598,041	\$ 4,878,717,128	\$ 5,152,926,548
Eden	<u>2,308,576</u>	<u>2,559,791</u>	<u>2,877,212</u>	<u>3,224,378</u>	<u>3,156,435</u>
Total	<u>\$ 3,520,748,530</u>	<u>\$ 3,921,054,448</u>	<u>\$ 4,566,475,253</u>	<u>\$ 4,881,941,506</u>	<u>\$ 5,156,082,983</u>

Equalized values shown here are those used by the School District for tax levy purposes as provided in the Real Property Tax Law. In some cases, equalization rates established specifically for school tax apportionment may have been used, as is also provided in the Real Property Tax Law.

Tax Rate per \$1,000 Assessed Value

Fiscal Year Ending June 30:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Hamburg	\$ 30.19	\$ 30.89	\$ 31.52	\$ 32.16	\$32.49
Eden	24.28	24.85	24.60	26.51	25.46

Tax Collection Procedure

District taxes are payable and due by October 15. There is a 7.5% penalty if paid after October 15 until October 31 and a 9.0% penalty for the entire month of November.

On November 30, a list of all unpaid taxes is given to the County Treasurer for re-levy on County/School District tax rolls with additional penalties.

The District is reimbursed by the County for all unpaid taxes so that it is assured of 100% collection of its tax levy each year.

Tax Collection Record

Fiscal Year Ended June 30:

	2022	2023	2024	2025	2026*
Total Tax Levy	\$43,699,822	\$44,808,332	\$46,065,598	\$47,885,189	\$48,578,572
Less STAR Reimbursement	4,542,982	4,270,519	4,056,730	3,559,080	3,356,487
Total Taxes to be Collected	39,156,840	40,537,813	42,008,868	44,326,109	45,222,085
Taxes Collected Prior to Return to County	38,311,454	39,374,942	40,874,688	42,858,683	44,049,367
Uncollected Returned to County ¹	\$845,386	\$1,162,871	\$1,134,180	\$1,467,426	\$1,172,718
% Collected Prior to Return	97.84%	97.13%	97.30%	96.69%	97.41%

Note: ¹ The County reimburses the District for any unpaid taxes, thus assuring the District of 100% collection each year. See "Tax Collection Procedure" above.

*Tax Collection Figures as of 12/10/25

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the below fiscal years comprised of Real Property Taxes.

Fiscal Year	Total Revenues	Total Real Property Taxes	Percentage of Total Revenues Consisting of Real Property Taxes
2020-2021	\$ 88,125,551	\$ 37,571,483	42.63%
2021-2022	91,634,496	39,156,840	42.73
2022-2023	96,874,872	40,573,866	41.88
2023-2024	104,322,082	42,027,855	40.29
2024-2025	108,898,349	55,853,403	51.29
2025-2026 (Budgeted)	108,617,626	48,578,572	44.72
2026-2027 (Budgeted)	114,950,000	51,552,695	44.85

Source: Audited financial statements for the 2020-2021 fiscal year through 2024-2025 fiscal year and the adopted budgets of the District for the 2025-2026 and 2026-2027 fiscal years. This table is not audited.

Major Taxpayers 2026

For 2025-26 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Value</u>
Burke & Companies	Apt./Mixed	\$24,741,200
Benderson & Companies	Retail	19,152,246
Hamburg(&McKinley) Holdings DE LLC	Retail	15,818,000
Niagara Mohawk Power Company	Utility	12,340,170
Ford Stamping Plan	Manufacturing	10,238,061
Maplewood Estates Apartments	Apartments	7,500,000
CCP Autumn View 7580 LLC	Health Bldg.	7,015,000
Wal-Mart Real Estate	Retail	7,000,000
BG NHC LLC	Retail	6,671,100
National Fuel	Utility	6,657,627
Total		\$117,133,404

1. The above taxpayers represent 7.83% of the School District's 2025-26 Assessed value of \$1,495,516,580

Please “Litigation for any pending or outstanding tax certioraris that are known to have a material impact on the District.

General Fund Operations

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. (A statement of such revenues and expenditures for the five-year period ending June 30, 2025, is contained in the Appendices). As reflected in the Appendices, the District derives the bulk of its annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$93,200 or less in 2023 and \$98,700 or less in 2024, increased annually according to a cost-of-living adjustment, are eligible for a "full value" exemption of the first \$81,400 for the 2023-24 school year and the first \$84,000 for the 2024-25 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross Income not in excess of \$250,000 (\$500,000 in the case of a STAR Credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

The 2022-23 State budget provided \$2.2 billion in State funding for a new one-year property tax relief credit, the Homeowner Tax Rebate Credit, for eligible low- and middle-income households, as well as eligible senior households. Under this program, basic STAR exemption and credit beneficiaries with incomes below \$250,000 and Enhanced STAR recipients were eligible for the property tax rebate where the benefit was a percentage of the homeowners’ existing STAR benefit.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor. The Tax Levy Limit Law modifies current law by imposing a limit on the amount of real property taxes that a school district may levy. The Law affected school district tax levies for the school district fiscal year beginning July 1, 2012.

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

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

There are exceptions for school districts to the tax levy limitation provided in the law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures" are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation, applicable to the Bonds and the Notes. The State Commissioner of Taxation and Finance has promulgated a regulation that allows school districts, beginning in the year 2020-2021 school year, to adjust the exclusion to reflect a school district's share of capital expenditures related to projects funded through a board of cooperative education services ("BOCES").

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the District include the following:

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of

the object or purpose as determined by statute; unless substantially level or declining annual debt service is utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The District has the power to contract indebtedness for any school district purpose so long as the principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions. The constitutional method for determining full valuation by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other laws, including the Education Law.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 for construction costs until the plans and specifications for such project have been approved by the Commissioner of Education of the State. The District has obtained such approval with respect to the project to be financed by the Notes.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law, and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. (a) Such obligations are authorized for an object or purpose of which the District is not authorized to expend money; or
(b) The provisions of the law which should be complied with as of the date of publication of the notice were not substantially complied with;

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication of the notice; or

2. Such obligations were authorized in violation of the provisions of the Constitution of New York.

The District typically complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

The Board, as the finance board of the District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness; however, the State Legislature is prohibited by a

specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory law in the State permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first issuance of such notes and provided that such renewal issues do not exceed five years beyond the original date of borrowing. Additionally, in response to the COVID-19 pandemic, legislation has been adopted that allows certain bond anticipation notes originally issued between 2015 and 2021 to be renewed up to seven years prior to the issuance of serial bonds.

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short term general obligation indebtedness including revenue, tax anticipation, budget, and capital notes.

Debt Outstanding End of Fiscal Year

Fiscal Year Ending June 30:	2021	2022	2023	2024	2025
Serial Bonds	\$ 23,205,000	\$ 37,170,000	\$ 34,563,000	\$ 30,225,000	\$ 25,830,000
Bond Anticipation Notes	22,567,851	4,022,107	30,059,253	44,460,245	53,853,716
Capital Leases	0	49,426	36,920	24,051	13,085
Total Debt Outstanding	\$ 45,772,851	\$ 41,241,533	\$ 64,659,173	\$ 74,709,296	\$ 79,696,801

Status of Outstanding Bond Issues

Year of Issue:	2015		2017	
Amount Issued:	\$4,580,000		\$23,935,000	
Purpose/Instrument:	Construction/Serial Bond		Construction/Serial Bond	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 275,000	\$ 80,000	\$ 1,870,000	\$ 274,063
2027	285,000	69,000	1,905,000	236,663
2028	295,000	57,600	1,950,000	193,800
2029	310,000	45,800	2,010,000	135,300
2030	325,000	33,400	1,785,000	75,000
2031	335,000	20,400	<u>715,000</u>	<u>21,450</u>
2032	<u>345,000</u>	<u>10,350</u>		
Totals:	\$ 2,170,000	\$ 316,550	\$ 10,235,000	\$ 936,275

Year of Issue:	2021		2022	
Amount Issued:	\$16,570,000		\$1,598,000	
Purpose/Instrument:	Construction/Serial Bond		Construction/Serial Bond	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,505,000 *	\$ 225,650	\$ 115,000 *	\$ 46,847
2027	1,515,000	195,450	110,000	43,050
2028	1,185,000	168,450	110,000	39,338
2029	1,165,000	144,950	115,000	35,469
2030	1,120,000	122,100	120,000	31,356
2031	1,125,000	99,650	130,000	26,981
2032	1,130,000	77,100	125,000	22,519
2033	1,190,000	53,900	130,000	18,056
2034	1,200,000	30,000	140,000	13,331
2035	<u>900,000</u>	<u>9,000</u>	145,000	8,253
2036			85,000	4,031
2037			<u>65,000</u>	<u>1,219</u>
Totals:	\$ 12,035,000	\$ 1,126,250	\$ 1,390,000	\$ 290,450

Year of Issue:	2026	
Amount Issued:	\$36,190,000	
Purpose/Instrument:	Construction/DASNY**	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2026	\$ -	\$ -
2027	1,780,000	2,337,271
2028	2,410,000	1,720,500
2029	2,625,000	1,600,000
2030	2,635,000	1,468,750
2031	2,335,000	1,337,000
2032	2,420,000	1,220,250
2033	2,565,000	1,099,250
2034	2,695,000	971,000
2035	2,840,000	836,250
2036	2,950,000	694,250
2037	3,110,000	546,750
2038	3,255,000	391,250
2039	2,325,000	228,500
2040	1,105,000	112,250
2041	<u>1,140,000</u>	<u>57,000</u>
Totals:	\$ 36,190,000	\$ 14,620,271

*Principal payment made prior to Debt Statement.

**This issue has priced but has not yet closed.

Total Annual Bond Principal and Interest Due

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>%Paid</u>
2026	\$ 3,765,000	\$ 626,559	\$ 4,391,559	5.54%
2027	5,595,000	2,881,434	8,476,434	16.22%
2028	5,950,000	2,179,688	8,129,688	26.48%
2029	6,225,000	1,961,519	8,186,519	36.80%
2030	5,985,000	1,730,606	7,715,606	46.53%
2031	4,640,000	1,505,481	6,145,481	54.27%
2032	4,020,000	1,330,219	5,350,219	61.02%
2033	3,885,000	1,171,206	5,056,206	67.40%
2034	4,035,000	1,014,331	5,049,331	73.76%
2035	3,885,000	853,503	4,738,503	79.74%
2036	3,035,000	698,281	3,733,281	84.44%
2037	3,175,000	547,969	3,722,969	89.14%
2038	3,255,000	391,250	3,646,250	93.74%
2039	2,325,000	228,500	2,553,500	96.96%
2040	1,105,000	112,250	1,217,250	98.49%
2041	<u>1,140,000</u>	<u>57,000</u>	<u>1,197,000</u>	100.00%
Totals:	\$ 62,020,000	\$ 17,289,796	\$ 79,309,796	

Cash Flow Borrowings

The District has not found it necessary to borrow in anticipation of taxes or revenues in recent years, nor does it anticipate undertaking such borrowing.

Status of Short-Term Indebtedness

<u>Type</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
BAN	6/25/2025	6/25/2026	4.00%	\$51,800,000*
BAN	7/16/2025	7/16/2026	4.00%	2,135,000**

*To be paid with Series A Notes in the amount of \$10,115,000 and \$2,375,000 available funds. The remaining portion will be paid by DASNY proceeds in the amount of \$39,310,000.

**To be paid with Series B Notes in the amount of \$1,465,000 and \$670,000 available funds.

Capital Project Plans

On July 20, 2021 District voters approved a new \$70,116,550 Capital Project. The multi-phased project will include reconstruction and renovation of, and the construction of improvements and upgrades to various District buildings and facilities, (and the sites thereof). The District will use \$2,643,588 of 2016 Capital Reserves funds, \$356,412 of 2019 Capital Reserve funds, and \$2,000,000 of other available District funds, with the remaining balance of the project to be financed through the issuance of Bond Anticipation Notes and Serial Bonds not to exceed \$65,116,550 in aggregate. On July 28, 2022, the District issued a \$13,000,000 Bond Anticipation Note. That was the first issuance of indebtedness against said authorization. On June 27, 2023, the District issued a \$28,000,000 Bond Anticipation Note. On June 26, 2024 the district partially redeemed and renewed a \$27,615,000 portion of the 2023 BAN and issued an additional \$14,800,000 in new money for the project. On June 26, 2025 the district partially redeemed and renewed the existing BAN and issued \$11,000,000 in new money for the project. A portion of this issue (\$10,115,000) together with \$2,375,000 available funds and DASNY SB proceeds of \$39,310,000 will redeem and renew the maturing Note. A portion of this issue in the amount of \$6,400,000 will provide new monies for this project.

On January 20, 2026 District voters approved a new \$9,030,000 Capital Project. The SHIELD Project 2026 will consist of the partial reconstruction, renovation and the construction of improvements and upgrades to various District buildings and facilities and sites thereof, to implement various health, safety, accessibility and Code compliance measures. A portion of this issue in the amount of \$5,400,000 will provide new monies for this project.

One May 19, 2026 District voters approved a modification to the funding of the 2021 Capital Improvement Project in order for the Project to be completed substantially as planned, in light of bids that have already exceeded, and are expected to continue to exceed, the original amount that was approved by the voters (with the estimated maximum cost of the Project to be increased from a previously approved figure of \$70,116,550 to a new figure of \$75,372,914). The additional costs will be covered by the remaining balance from the District's Capital Improvement Reserve Fund.

Building Aid Estimate

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. The District has not applied for such estimate but anticipates that aid may be received on its outstanding indebtedness at their Building Aid Ratio of 74.00%.

The State building aid ratio is calculated each year based upon a formula which reflects Resident Weighted Average Daily Attendance (RWADA) and the full value per pupil compared with the State average. Consequently, the estimated aid will vary over the life of each issue. State building aid is further dependent upon the continued apportionment of funds by the State Legislature.

A fundamental reform of building aid was enacted as Chapter 383 of the Laws of 2001. The provisions legislated, among other things, a new "assumed amortization" payout schedule for future State building aid payments based on an annual "average interest rate" and mandatory periods of probable usefulness with respect to the allocation of building aid. The School District has no reason to believe that it will not ultimately receive all of the building aid it anticipates; however, no assurance can be given as to when and how much building aid the School District will receive in relation to its outstanding debt. See "State Aid" herein.

Debt Statement Summary

As of June 2, 2026

<u>Town</u>	<u>Taxable Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Taxable Full Valuation</u>
Eden	\$ 1,167,881	37.00%	\$ 3,156,435
Hamburg	1,494,348,699	29.00%	5,152,926,548
			<u>\$ 5,156,082,983</u>
Debt Limit: 10% of Full Valuation			\$ 515,608,298
Inclusions:			
Serial Bonds	1		\$ 60,400,000
Bond Anticipation Notes			53,935,000
Total Inclusions:			<u>\$ 114,335,000</u>
Exclusions:			
Building Aid Estimate	2		\$0
Total Exclusions:			<u>\$0</u>
Total Net Indebtedness Before Giving Effect to This Issue:			\$ 114,335,000
New Monies This Issue:			11,800,000
Total Net Indebtedness After Giving Effect to This Issue:			<u>\$ 126,135,000</u>
Net Debt Contracting Margin			\$ 389,473,298
Percentage of Debt-Contracting Power Exhausted			24.46%

Notes:

1. Includes \$36,190,000 DASNY SB which has priced but not yet closed.

2. Pursuant to the provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing building debt. Since the Gross Indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building Aid Estimate and therefore is not permitted to deduct Estimated Building Aid

Estimated Overlapping Indebtedness

<u>Overlapping Unit</u>	<u>Applicable Equalized Value</u>	<u>Percent</u>	<u>Gross Indebtedness</u>	¹	<u>Exclusions</u>	<u>Net Indebtedness</u>	<u>Estimated Applicable Overlapping Indebtedness</u>
County of:	\$ 5,156,082,983						
Erie	\$ 96,968,303,216	5.32%	\$ 545,518,316		N/A	\$ 545,518,316	\$ 29,006,775
Town of	\$ 5,152,926,548						
Hamburg	\$ 7,148,653,025	72.08%	9,679,141		N/A	9,679,141	6,976,965
Town of	\$ 3,156,435					-	
Eden	\$ 858,302,717	0.37%	12,338,000		N/A	12,338,000	<u>45,373</u>
Total							<u><u>\$ 36,029,113</u></u>

Source: Comptroller's Special Report on Municipal Affairs for Local Fiscal Years Ended in 2024.

Notes: 1 Bonds and Bond Anticipation notes as of 2024 fiscal year. Not adjusted to include subsequent bond and note sales.
N/A Information not available from source document.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 2, 2026:

	Amount	Per Capita ^(a)	Percentage of Full Value ^(b)
Net Indebtedness	\$ 126,135,000	\$ 3,296.79	2.446%
Net Indebtedness Plus Net Overlapping Indebtedness	\$ 162,164,113	\$ 4,238.48	3.145%

(a) The District's estimated population is 38,260. (Source: 2024 U.S. Census Bureau estimate)

(b) The District's full valuation of taxable real estate for 2025-26 is \$5,156,082,983.

Note: The above ratios do not take into account State building aid the District will receive for past and current construction building projects.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. One such risk is that the District will be unable to promptly pay interest and principal on the Notes as they become due (see "Remedies of Noteholders on Default," herein). If a Noteholder elects to sell his or her investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected revenue increase in tax certiorari proceedings could result in a reduction in the assessed valuation of taxable real property in the District. In addition, to the extent that the District is dependent on State aid, there can be no assurance that such aid will be continued in the future. Unforeseen developments could also result in substantial increases in District expenditures, thus placing considerable strain on the District's financial condition.

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State, including for example, the seeking by a municipality or remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

If and when a holder of any Note should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates, if interest rates rise. The price of a Note will decline, causing the Noteholder to incur a capital loss upon the sale of such Note (unless such Note is held to maturity).

On December 22, 2017, former-President Trump signed into law the significant tax reform legislation that is generally referred to as the "Tax Cuts and Jobs Act of 2017" (the "TCJA"). The TCJA made significant changes to the Code, most of which became effective for the 2018 tax year. The TCJA made extensive changes to the deductibility of various taxes, including placing a cap of \$10,000 on a taxpayer's deduction of state and local taxes.

On August 16, 2022, former President Biden signed into law the Inflation Reduction Act of 2022 (H.R. 5376). This legislation will impose a minimum tax of 15 percent on the "adjusted financial statement income" of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with at least \$1 billion in average annual earnings, and certain foreign-parented multinational corporations with at least \$100 million in average annual earnings, determined over a three-year period. For this purpose, adjusted financial statement income is not reduced for interest and earned on tax-exempt obligations. Prospective holders of the Notes that could be subject to this minimum tax should consult with their own tax advisors regarding the potential consequences of owning the Notes.

Cyber Security

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operation controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

The Trump administration has publicly discussed dismantling the federal Education Department. It is not possible to know what impact that would have on school districts across the country, including the School District. Additionally, the Trump administration has proposed, and imposed, tariffs on a variety of different nations across the globe. The effects of such tariffs are not known at this time. Finally, the validity of such tariffs have been challenged in federal court, but a final outcome has yet to be determined.

TAX EXEMPTION

Hodgson Russ LLP, of Buffalo, New York, Bond Counsel will deliver an opinion that, under existing law, the interest on the Notes is excluded from gross income, of the holders thereof for federal income tax purposes and is not an item of tax preference for the purpose of the individual alternative minimum tax imposed by the Code. However, such opinion will note that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes. We observe that interest on the notes will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Such opinion will state that interest on the Notes is exempt from personal income taxes imposed by New York State or any political subdivision thereof (including the City of New York).

In rendering the foregoing opinion, Hodgson Russ LLP will note that the exclusion of the interest on the Notes from gross income for federal income tax purposes is subject to among other things, continuing compliance by the District with the applicable requirements of Sections 141, 148 and 149 of the Code and regulations promulgated thereunder (collectively, the “Tax Requirements”). In the opinion of Hodgson Russ LLP, the tax certificate and the non-arbitrage certificate that will be executed and delivered by the District in connection with the issuance of the Notes (collectively, the “Certificates”) establish the requirements and procedures, compliance with which will satisfy the Tax Requirements applicable to the Notes.

The Tax Requirements referred to above, which must be complied with in order that interest on the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

1. The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a “private activity bond” within the meaning of Code Section 141;
2. The requirement contained in Code Section 148 relating to arbitrage bonds; and
3. The requirement the payment of principal or interest on the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Section 149(b) of the Code.

In the Certificates, the District will covenant to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Notes to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Notes. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Notes may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporation, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Notes. Bond Counsel expresses no opinion regarding any such collateral federal tax consequences.

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and proceeds of the sale of a bond or note before maturity within the United States. Backup withholding may apply to a holder of the Notes under Code Section 3406, if such holder fails to provide the information required on Internal Revenue Service (“IRS”) form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the holder as being subject to backup withholding because of prior underreporting. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or credit against such beneficial owner’s United States federal income tax provided the required information is furnished to the IRS. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Notes from gross income for federal income tax purposes.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Notes may affect the tax status of interest on the Notes. The Code has been continuously subject to legislative modifications, amendments, and revisions and proposals for future changes are regularly submitted by leaders of the legislative and

executive branches of the federal government. No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation, and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Notes or the tax consequences of ownership of the Notes. Prospective purchasers are encouraged to consult their own legal and tax advisors with respect to these matters.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Notes will be covered by the unqualified legal opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel to the School District, such opinion to be delivered with the Notes.

DISCLOSURE UNDERTAKING

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, unless the Notes are purchased for the purchaser's own account, as principal for investment and not for resale, the School District will enter into a Disclosure Undertaking at closing, the form of which is attached hereto as "Appendix C". A purchaser buying for its own account shall deliver a municipal securities disclosure certificate that documents its intent to purchase the Bonds as principal for investment and not for resale (in a form satisfactory to Bond Counsel) establishing that an exemption from the Rule applies.

CONTINUING DISCLOSURE COMPLIANCE PROCEDURES

The School District has established procedures designed to ensure that future filings of continuing disclosure information will be in compliance with existing continuing disclosure obligations, including transmitting such filings to the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 through the Electronic Municipal Market Access System.

The following Material Event Notices have been filed within the last five years:

On January 25, 2024, a material event was filed. The interest payment due on January 15, 2024 for the \$16,880,000 Serial Bond, 2021 and the \$1,598,000 Serial Bond, 2022, were not received by DTCC until Wednesday, January 16, 2024 due to the national holiday and a processing error. There were no financial factors that contributed to the late payment

On January 13, 2026, a material event was filed. The interest payment of \$40,000 due on Monday, December 15, 2025 for the \$4,580,000 Refunding Serial Bond, 2015, wasn't received by DTC until December 22, 2025, due to a technical issue at the district's bank. There were no financial factors that contributed to the late payment. This material event notice of late payment was not filed within the required 10 business days of payment due date.

LITIGATION

In common with other local governments and school districts, the District from time to time receives notices of claim and is a party to litigation. In the opinion of the District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which if determined against the District would have an adverse material effect on the financial condition of the District.

There are presently approximately 11 tax certiorari proceedings seeking tax assessment reductions and tax refunds pending against the District. Four of the pending cases involve more than one tax year. At this time, an estimate of financial exposure, if any, in each individual case cannot be determined.

BOND RATING

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the District.

The most recent underlying rating assigned to the School District by Moody's Rating Service is an Aa3 rating, which was assigned in connection with the issuance by the School District of \$1,598,000 School District Serial Bonds, 2022.

A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating of the District's outstanding serial bonds may have an adverse effect on the market price of the bonds.

MUNICIPAL ADVISOR

R.G. Timbs, Inc. is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

MISCELLANEOUS

The execution and delivery of this Official Statement have been duly authorized by the Board. Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the District is not guaranteed as to accuracy, completeness or fairness, the District has no reason to believe and does not believe that such information is materially inaccurate or misleading, and to the knowledge of the District, since the date of the Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the District and no material adverse changes in the general affairs of the District or in its financial condition as shown in the Official Statement other than as disclosed in or contemplated by the Official Statement. Certain information contained in the Official Statement has been obtained from sources other than the District. All quotations from and summaries and explanations of provisions of laws herein do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, to the District, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

R.G. Timbs, Inc. may place a copy of this Official Statement on its website at www.RGTimbsInc.net. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. R.G. Timbs, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the School District nor R.G. Timbs, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, R.G. Timbs, Inc. and the School District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website.

The School District's contact information is as follows: Dr. Christopher Thuman, Assistant Superintendent for Business & Operations, phone: (716) 926-1716; email: cthuman@frontiercsd.org

Additional copies of the Notice of Sale and the Official Statement may be obtained from the offices of R.G. Timbs, Inc., telephone number (877) 315-0100 or at www.RGTimbsInc.net.

Frontier Central School District

Dated: June 2, 2026
Hamburg, New York

Mary Ann Costello
President of the Board of Education

APPENDIX A

Financial Information

General Fund – Statement of Revenues, Expenditures and Fund Balance

Fiscal Year Ending June 30:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	Budget <u>2026</u>
Beginning Fund Balance - July 1	\$19,841,990	\$25,077,994	\$23,907,420	\$29,595,605	\$34,777,550	\$30,692,089 ^E
<u>Revenues:</u>						
Real Property Taxes	\$37,571,483	\$39,156,840	\$40,573,866	\$42,027,855	\$44,293,315	\$48,578,572
Real Property Tax Items	5,831,217	5,397,695	5,262,254	\$4,997,653	4,096,357	0
Non-Property Tax Items	6,371,067	7,016,024	7,371,400	7,385,514	7,463,730	8,263,451
Charges for Services	481,405	525,343	488,659	301,012	412,667	470,250
Use of Money & Property	82,799	69,062	811,025	2,072,505	1,789,987	1,109,998
Sale of Property/Comp. for Loss	19,244	210,191	20,302	13,969	5,704	25,250
Miscellaneous	558,784	874,233	772,560	646,844	1,254,295	439,051
State Aid	35,816,368	37,922,279	41,407,438	46,692,311	49,051,415	49,731,054
Federal Aid	1,226,519	398,567	167,368	184,419	252,849	0
Interfund Transfer	<u>166,665</u>	<u>64,262</u>	<u>0</u>	<u>0</u>	<u>278,029</u>	<u>0</u>
Total Revenues	\$88,125,551	\$91,634,496	\$96,874,872	\$104,322,082	\$108,898,349	\$108,617,626
<u>Expenditures:</u>						
General Support	\$7,570,173	\$8,447,344	\$8,789,934	\$9,982,569	\$11,069,776	\$10,613,478
Instruction	48,515,575	50,090,792	52,636,787	55,985,054	61,598,141	59,398,995
Pupil Transportation	3,242,823	3,971,891	4,364,504	4,650,678	5,156,315	6,164,052
Employee Benefits	17,378,744	18,814,896	18,974,101	20,469,028	23,975,498	26,298,218
Debt Service	3,804,215	3,657,961	5,280,620	6,635,420	9,564,410	9,494,521
Interfund Transfer	<u>2,378,017</u>	<u>7,822,186</u>	<u>1,140,741</u>	<u>1,417,388</u>	<u>444,480</u>	<u>0</u>
Total Expenditures	\$82,889,547	\$92,805,070	\$91,186,687	\$99,140,137	\$111,808,620	\$111,969,264
Adjustments	0	0	0	0	-1,175,190	0
Year End Fund Balance	\$25,077,994	\$23,907,420	\$29,595,605	\$34,777,550	\$30,692,089	\$27,340,451 ^E
Excess (Deficit) Revenues Over Expenditures	\$5,236,004	(\$1,170,574)	\$5,688,185	\$5,181,945	(\$2,910,271)	(\$3,351,638) ^I

Source: Audited Annual Financial Reports and Annual Budget. This table is NOT audited.

Note:

1. Appropriated Fund Balance and Reserves planned to be used.

Budget Summary

2026-27 Proposed Budget

Revenues:

Real Property Taxes & STAR	\$ 51,552,695
Other Tax Items	-
Charges for Services	-
Use of Money & Property	-
Sale of Property	-
Miscellaneous	9,493,000
State Aid	51,149,004
Federal Aid	-
Interfund Transfers	-
Reserves	2,755,301
Appropriated Fund Balance	<u>1,350,000</u>
Total Revenues	\$ 116,300,000

Expenditures:

General Support	\$ 11,412,740
Instruction	61,548,075
Transportation	6,472,193
Community Service	-
Employee Benefits	26,311,110
Debt Service	10,179,690
Interfund Transfers	<u>376,192</u>
Total Expenditures	\$ 116,300,000

Source: Adopted Budget of the School District. This table is NOT audited

General Fund – Comparative Balance Sheet

Fiscal Year Ending June 30:	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Assets:					
Cash and cash equivalents	\$6,710,432	\$4,624,047	\$2,234,950	\$0	\$10,671,360
Cash and cash equivalents - Restricted	18,111,378	16,690,953	22,200,764	21,821,236	28,975,160
Accounts Receivable	433,675	581,812	319,333	268,924	211,600
Due from Other Funds	2,980,247	6,397,725	9,214,285	14,409,315	4,421,023
State and Federal Aid Receivable	0	0	0	0	2,784,523
Due from Other Governments	3,941,109	3,440,630	3,523,051	4,414,905	2,381,033
Prepays	0	0	0	1,717	0
Cash Value of Life Insurance	278,141	278,141	253,507	253,507	253,507
Total Assets	<u><u>\$32,454,982</u></u>	<u><u>\$32,013,308</u></u>	<u><u>\$37,745,890</u></u>	<u><u>\$41,169,604</u></u>	<u><u>\$49,698,206</u></u>
Liabilities:					
Accounts Payable	\$1,121,356	\$1,449,403	\$1,370,044	\$514,096	\$2,149,720
Accrued Liabilities	2,205,800	2,253,643	1,913,039	1,153,458	1,484,611
Due to Other Funds	0	0	0	0	10,167,389
Due to Retirement Systems	4,049,832	4,402,842	4,867,202	4,724,500	5,204,397
Total Liabilities:	<u><u>\$7,376,988</u></u>	<u><u>\$8,105,888</u></u>	<u><u>\$8,150,285</u></u>	<u><u>\$6,392,054</u></u>	<u><u>\$19,006,117</u></u>
Fund Balances:					
Nonspendable	\$278,141	\$278,141	\$253,507	\$255,224	\$253,507
Restricted	18,111,378	16,690,953	22,200,764	26,725,011	28,419,284
Assigned:	2,966,914	3,071,593	3,051,839	3,557,715	2,019,298
Unassigned	3,721,561	3,866,733	4,089,495	4,239,600	0
Total Fund Balance	<u><u>\$25,077,994</u></u>	<u><u>\$23,907,420</u></u>	<u><u>\$29,595,605</u></u>	<u><u>\$34,777,550</u></u>	<u><u>\$30,692,089</u></u>
Total Liabilities and Fund Balance	<u><u>\$32,454,982</u></u>	<u><u>\$32,013,308</u></u>	<u><u>\$37,745,890</u></u>	<u><u>\$41,169,604</u></u>	<u><u>\$49,698,206</u></u>

Source: Audited Annual Financial Reports. This table is not audited.

APPENDIX B

Audited Financial Statements For The Fiscal Year Ended June 30, 2025

Note: Such Financial Reports and opinions were prepared as of the date thereof and have not been reviewed and/or updated by the District's Auditors in connection with the preparation and dissemination of this official statement. Consent of the Auditors for inclusion of the Audited Financial Reports in this Official Statement has neither been requested nor obtained.

FRONTIER CENTRAL SCHOOL DISTRICT

**Financial Statements as of and
for the Year Ended June 30, 2025
Together with
Independent Auditor's Report**

FRONTIER CENTRAL SCHOOL DISTRICT

Table of Contents June 30, 2025

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements-	
Statement of Net Position	13
Statement of Activities	14
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities	18
Notes to the Basic Financial Statements	19
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet—Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	52
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	54
Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios	55
Schedule of Proportionate Share of Net Pension Liability (Asset)	56
Schedule of Contributions – Pension Plans	57

FRONTIER CENTRAL SCHOOL DISTRICT

Table of Contents June 30, 2025

	<u>Page</u>
OTHER INFORMATION (UNAUDITED)	
Schedule of Change from Original Budget to Revised Budget and Schedule of Section 1318 of Real Property Tax Law Limit Calculation – General Fund	59
Schedule of Project Expenditures – Capital Projects Funds	60
Schedule of Net Investment in Capital Assets	61
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 <i>GOVERNMENT AUDITING STANDARDS</i>	62
SCHEDULE OF FINDINGS AND RESPONSES	64

INDEPENDENT AUDITOR'S REPORT

November 10, 2025

To the Board of Education of the
Frontier Central 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 Frontier Central School District (the District), as of and for the year ended June 30, 2025, 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 the District, as of June 30, 2025, 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of Errors

As described in Note 15 to the financial statements, in 2025, the District corrected several errors related to the reporting in areas including employee retiree longevity liability, accounts payable, scholarship activities, GASB 87 - *Leases*, and accrued interest. Our opinions are not modified with respect to these matters.

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.

171 Sully's Trail
Pittsford, NY 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of change from original budget to revised budget and schedule of section 1318 of real property tax law limit calculation - general fund, schedule of project expenditures - capital project fund, and the schedule of net investment in capital assets, as required by the New York State Education Department, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

FRONTIER CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) June 30, 2025

This section of Frontier Central School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2025, the assets and deferred outflows of resources of the District exceeded total liabilities and deferred inflows by \$91,421,549 (net position). Net position consists of \$46,448,353 net investment in capital assets, \$33,204,624 restricted for specific purposes, and unrestricted net position of \$11,768,572. The District's total net position increased by \$2,067,473 during the year ended June 30, 2025 from the net position at the beginning of the year, as restated.
- District-wide general revenue, which includes state aid and property taxes, accounted for \$109,616,293 (or 93%) of all revenue. Program specific revenue in the form of Charges for Services and Operating Grants and Contributions, accounted for \$8,740,556 (or 7%) of all revenue.
- Total expenses in the district-wide financial statements totaled \$116,289,376 and \$110,653,911 in 2025 and 2024 respectively.
- At June 30, 2025, the District's governmental funds reported combined ending fund balances of \$(7,029,914), a decrease of \$8,611,414 in comparison with the prior year's fund balance, as restated, of \$1,581,500.

Overview of the Financial Statements

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

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

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

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

Overview of the Financial Statements (Continued)

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

The government-wide financial statements can be found on pages 13 and 14 of this report.

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

- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
- The District maintains six individual governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures and changes in fund balances for the General Fund, Special Aid Fund, and Capital Projects Fund, which are considered major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the Supplementary Information section of this report.
- The basic governmental fund financial statements can be found on pages 15-18 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-49 of this report.

Overview of the Financial Statements (Continued)

Additional information—

In addition to the basic financial statements and accompanying notes, the combining statements referred to earlier in connection with the nonmajor governmental funds are presented along immediately following the footnotes, on pages 51-52.

This report also presents certain *required supplementary information* concerning the District's net pension liabilities/(assets), the changes in the District's total other postemployment benefits ("OPEB") obligation, and the District's budgetary comparison for the General Fund. Required Supplementary Information can be found on pages 54-57 of this report.

Finally, the Other Information section presents New York State Required Schedules, including Schedule of Change from Original Budget to Revised Budget and Schedule of Section 1318 of Real Property Tax Law Limit Calculation – General Fund, Schedule of Project Expenditures – Capital Projects Fund, and Schedule of Net Investment in Capital Assets. This section can be found immediately following the Required Supplementary Information on pages 59-61 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$91,421,549 at June 30, 2025, as compared to assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources by \$89,354,077 at the close of the year ended June 30, 2024, as restated.

Table 1, shown below, presents the condensed statements of net position of the District at June 30, 2025 and June 30, 2024.

Table 1 - Condensed Statements of Net Position (in 000's)

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u> <u>Restated</u>
Current assets	\$ 57,075	\$ 55,101
Noncurrent assets	<u>134,545</u>	<u>123,830</u>
Total assets	<u>191,620</u>	<u>178,931</u>
Deferred outflows of resources	<u>19,442</u>	<u>21,622</u>
Current liabilities	64,406	54,616
Noncurrent liabilities	<u>46,224</u>	<u>51,397</u>
Total liabilities	<u>110,630</u>	<u>106,013</u>
Deferred inflows of resources	<u>9,010</u>	<u>5,187</u>
Net position:		
Net investment in capital assets	46,448	57,025
Restricted	33,205	26,921
Unrestricted	<u>11,769</u>	<u>5,408</u>
Total net position	<u>\$ 91,422</u>	<u>\$ 89,354</u>

Government-wide Financial Analysis (Continued)

The largest portion of the District's net position, \$46,448, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), net of accumulated depreciation/amortization and less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The next largest portion of the District's net position, \$33,205, represents resources that are subject to external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The remaining portion reflects unrestricted net position of \$11,769 and represents resources that may be used to meet the District's ongoing obligations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2025 and June 30, 2024.

Table 2—Condensed Statements of Changes in Net Position (in 000's)

	<u>Year Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Program revenues:		
Charges for services	\$ 522	\$ 1,010
Operating grants and contributions	8,218	13,178
General revenues	<u>109,617</u>	<u>103,851</u>
Total revenues	<u>118,357</u>	<u>118,039</u>
Program expenses	<u>116,289</u>	<u>110,655</u>
Change in net position	2,068	7,384
Net position – beginning, as previously reported	<u>90,080</u>	<u>82,696</u>
Net position – beginning, as restated	<u>89,354</u>	<u>82,696</u>
Net position - ending	<u>\$ 91,422</u>	<u>\$ 90,080</u>

Overall revenues increased by less than 1 percent from the prior year, staying consistent. Total expenses increased 5.1 percent from the prior year, primarily due to an increase in instruction costs due to increases in salary and contractual expenses, along with increases in allocable employee benefits.

Government-wide Financial Analysis (Continued)

A summary of sources of revenues for the years ended June 30, 2025 and June 30, 2024 is presented below in Table 3:

Table 3—Summary of Sources of Revenues

	<u>Year Ended June 30,</u>		<u>Increase/(Decrease)</u>	
	<u>2025</u>	<u>2024</u>	<u>Dollars</u>	<u>Percent (%)</u>
Charges for services	\$ 522	\$ 1,010	\$ (488)	-48%
Operating grants and contributions	8,218	13,177	(4,959)	-38%
Real property taxes and other tax items	55,853	54,411	1,442	3%
Use of money and property	2,646	2,073	573	28%
Sale of property and compensation for loss	6	14	(8)	-57%
State and federal aid not restricted for a specific purpose	49,051	46,212	2,839	6%
Miscellaneous	<u>2,061</u>	<u>1,141</u>	<u>920</u>	81%
Total revenues	<u>\$ 118,357</u>	<u>\$ 118,038</u>	<u>\$ 319</u>	0%

The most significant sources of revenue for the year ended June 30, 2025 were real property taxes and other tax items of \$55,853,403, or 47 percent of total revenues, and state and federal aid not restricted for a specific purpose of \$49,051,415, or 41 percent of total revenues. Similarly, for the year ended June 30, 2024, the most significant sources of revenue were taxes and tax items of \$54,411,022, or 46 percent of total revenues, and state and federal aid not restricted for a specific purpose of \$46,211,980, or 39 percent of total revenues.

A summary of program expenses for the years ended June 30, 2025 and June 30, 2024 is presented below in Table 4:

Table 4—Summary of Program Expenses (in 000's)

	<u>Year Ended June 30,</u>		<u>Increase/(Decrease)</u>	
	<u>2025</u>	<u>2024</u>	<u>Dollars</u>	<u>Percent (%)</u>
General support	\$ 16,560	\$ 14,360	\$ 2,200	15.3%
Instruction	85,878	84,829	1,049	1.2%
Pupil transportation	7,907	6,609	1,298	19.6%
Interest	2,744	2,265	479	21.1%
School food service	<u>3,200</u>	<u>2,591</u>	<u>609</u>	<u>23.5%</u>
Total program expenses	<u>\$ 116,289</u>	<u>\$ 110,654</u>	<u>\$ 5,635</u>	<u>5.1%</u>

Government-wide Financial Analysis (Continued)

The most significant expense items for the year ended June 30, 2025 were instruction of \$85,877,984, or 74 percent of total expenses, general support of \$16,559,640, or 14 percent of total expenses, and pupil transportation of \$7,906,852, or 7 percent of total expenses. Similarly, for the year ended June 30, 2024, the most significant expense items were instruction of \$84,379,267, or 77 percent of total expenses, general support of \$14,359,863, or 13 percent of total expenses, and pupil transportation of \$6,609,234, or 6 percent of total expenses.

Financial Analysis of Governmental Funds

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

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

As of June 30, 2025, the District's governmental funds reported a combined ending fund balance of \$(7,029,914), a decrease of \$8,205,578 from the prior year, as restated. Excluding the effects of the \$42,594,946 fund balance deficit in the Capital Projects Fund, the unassigned fund balance is available for spending at the District's discretion. However, in the current year, the General Fund did not report any unassigned fund balance. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned*, to indicate that it is: (1) not in spendable form, \$341,110, (2) restricted for particular purposes, \$33,204,624 or (3) assigned for particular purposes, \$2,019,298.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$0, while total fund balance decreased to \$30,692,089. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 0 percent of total General Fund expenditures and transfers out, while total fund balance represents 27 percent of that same amount.

The total fund balance of the District's General Fund decreased by \$4,085,461 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$3,557,715 of fund balance, which included funds appropriated from unrestricted fund balance of \$2,946,019, and the appropriation of prior year's encumbrances of \$611,696. As a result of spending more than anticipated, offset by additional revenues earned, the District's General Fund fund balance ended \$2,309,472 higher than expected.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Operating revenues for the year ended June 30, 2025 totaled \$5,255,215 and were comprised of State and Federal sources. Expenditures totaled \$5,599,695 and were used primarily towards the instruction and transportation of students. The difference between revenues and expenditures was subsidized by a transfer from the General Fund.

The fund balance within the Capital Projects Fund decreased by \$5,737,580 during the year ended June 30, 2025, and decreased as a result of a restatement of \$874,571 to an ending fund balance deficit of \$42,594,946. Capital outlay is supported primarily by short term debt which is the cause of the deficit.

General Fund Budgetary Highlights

The District's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented in Table 5.

Table 5—General Fund Budget

Adopted budget, 2024 - 2025	\$ 105,990,000
Add: Prior year's encumbrances	<u>611,696</u>
Original budget, 2024 - 2025	106,601,696
Budget revisions	<u>2,500,003</u>
Final budget, 2024 - 2025	<u>\$ 109,101,699</u>

More detailed information about the District's General Fund budget is presented in the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual - General Fund within the Requirement Supplementary Information section of this report.

Capital Asset and Debt Administration

Capital Assets

This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and right-to-use lease equipment. All depreciable capital assets were depreciated/amortized from acquisition date to the end of the current year, as outlined in the District's capital asset policy.

Capital assets, net of depreciation/amortization for the governmental activities at June 30, 2025 and June 30, 2024 are presented in Table 6 below:

Table 6 - The District's Capital Assets (Net of Accumulated Depreciation/Amortization)

	<u>June 30,</u>	
	<u>2025</u>	2024
		<u>As Restated</u>
Land	\$ 802,150	\$ 802,150
Construction in progress	1,894,120	16,221,874
Land improvements	8,622,082	9,033,511
Buildings and building improvements	111,709,373	93,394,438
Equipment and vehicles	4,513,744	3,920,346
Leases	<u>520,872</u>	<u>458,033</u>
Total	<u>\$ 128,062,341</u>	<u>\$ 123,830,352</u>

Additional information on the District's capital assets is presented in Note 7 to the financial statements.

Capital Asset and Debt Administration (Continued)

Long-Term Liabilities

At June 30, 2025, the District reported total long-term liabilities of \$128,062,341, as compared to \$123,830,352 in the prior year. Of the total long-term liabilities at June 30, 2025, \$25,830,000 represents serial bonds issued by the District. During the year ended June 30, 2025, the District's total bonded indebtedness decreased by \$4,395,000 as a result of scheduled principal payments during the year. A summary of the District's long-term liabilities at June 30, 2025 and June 30, 2024 is presented in Table 7.

Table 7—Summary of Long-Term Liabilities

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
		<u>As Restated</u>
Serial bonds	\$ 25,830,000	\$ 30,225,000
Premium on serial bonds	649,468	736,776
Lease liability	13,085	23,220
Compensated absences	6,206,773	6,257,706
Employee retirement longevity liability	1,098,382	1,442,911
Workers' compensation	1,518,535	1,421,283
OPEB obligation	4,958,193	4,454,787
Net pension liability	<u>5,949,101</u>	<u>7,352,985</u>
Total	<u>\$ 46,223,537</u>	<u>\$ 51,914,668</u>

Additional information on the District's long-term liabilities can be found in Note 8 to the financial statements.

Economic Factors and Next Year's Budget and Rates

During the current fiscal year, the District appropriated \$2,867,749 of the General Fund's fund balance for spending in the District's 2025-2026 fiscal year budget. The 2025-2026 adopted budget appropriations total of \$111,969,264 is an approximate increase of 5.6 percent as compared to the \$105,990,000 budgeted appropriations in 2024-2025.

Request for Information

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dr. Christopher Thuman, Assistant Superintendent for Finance and Operations, Frontier Central School District, 5120 Orchard Avenue, Hamburg, New York 14075.

FRONTIER CENTRAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2025

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 11,328,824
Cash and cash equivalents - restricted	36,140,849
Accounts receivable	211,600
Due from state and federal governments	6,671,300
Due from other governments	2,381,033
Cash value of life insurance	253,507
Inventory	87,603
Total current assets	<u>57,074,716</u>

NON-CURRENT ASSETS:

Net pension asset - TRS	6,483,372
Capital assets, nondepreciable	2,696,270
Capital assets, net	<u>125,366,071</u>
Total non-current assets	<u>134,545,713</u>
Total assets	<u>191,620,429</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related - TRS	15,314,908
Pension related - ERS	3,645,032
Other postemployment benefits related	<u>481,699</u>
Total deferred outflows of resources	<u>19,441,639</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	3,529,282
Accrued liabilities	1,819,205
Due to teachers' retirement system	4,642,455
Due to employees' retirement system	561,942
Bond anticipation notes payable	<u>53,853,716</u>
Total current liabilities	<u>64,406,600</u>

LONG-TERM LIABILITIES:

Due and payable within one year -	
Employee retirement longevity liability	638,295
Total other postemployment benefits liability	196,961
Bonds payable	3,839,234
Workers' compensation	293,741
Lease liability	<u>10,430</u>
Total long-term liabilities due and payable within one year	<u>4,978,661</u>

Due and payable after one year -

Total other postemployment benefits liability, net of current portion	4,761,232
Employee retirement longevity liability, net of current portion	460,087
Bonds payable, net of current portion	22,640,234
Workers' compensation, net of current portion	1,224,794
Compensated absences	6,206,773
Net pension liability - ERS	5,949,101
Lease liability, net of current portion	<u>2,655</u>
Total long-term liabilities due and payable after one year	<u>41,244,876</u>
Total long-term liabilities	<u>46,223,537</u>
Total liabilities	<u>110,630,137</u>

DEFERRED INFLOWS OF RESOURCES

Pension related - TRS	8,300,806
Pension related - ERS	79,360
Other postemployment benefits related	<u>630,216</u>
Total deferred inflows of resources	<u>9,010,382</u>

NET POSITION

Net investment in capital assets	46,448,353
Restricted	33,204,624
Unrestricted	<u>11,768,572</u>
Total net position	<u>\$ 91,421,549</u>

The accompanying notes are an integral part of these financial statements.

FRONTIER CENTRAL SCHOOL DISTRICT

Statement of Activities For the Year Ended June 30, 2025

	Program Revenue			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
FUNCTIONS/PROGRAMS:				
General government support	\$ 16,559,640	\$ -	\$ -	\$ (16,559,640)
Instruction	85,877,984	412,667	5,255,215	(80,210,102)
Pupil transportation	7,906,852	-	-	(7,906,852)
Interest	2,744,431	-	-	(2,744,431)
School food service	<u>3,200,469</u>	<u>109,677</u>	<u>2,962,997</u>	<u>(127,795)</u>
 Total primary government	 <u>\$ 116,289,376</u>	 <u>\$ 522,344</u>	 <u>\$ 8,218,212</u>	 <u>(107,548,820)</u>
 General revenues:				
Real property taxes and other tax items				55,853,403
Use of money and property				2,645,651
Sale of property and compensation for loss				5,704
State and federal aid not restricted for a specific purpose				49,051,415
Miscellaneous				1,807,271
Medicaid reimbursement				<u>252,849</u>
 Total general revenues				 <u>109,616,293</u>
 Change in net position				 <u>2,067,473</u>
 Net position - beginning, as previously reported				 90,079,837
 RESTATEMENT (Note 15)				 <u>(725,761)</u>
 Net position - beginning, as restated				 <u>89,354,076</u>
 Net position - ending				 <u>\$ 91,421,549</u>

The accompanying notes are an integral part of these financial statements.

FRONTIER CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds June 30, 2025

	General	Special Aid	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,671,360	\$ 29,870	\$ 27,155	\$ 600,439	\$ 11,328,824
Cash and cash equivalents - restricted	28,975,160	-	2,815,928	4,349,761	36,140,849
Accounts receivable	211,600	-	-	-	211,600
Due from other funds	4,421,023	-	9,656,786	1,003,948	15,081,757
Due from state and federal governments	2,784,523	3,353,687	-	533,090	6,671,300
Due from other governments	2,381,033	-	-	-	2,381,033
Cash value of life insurance	253,507	-	-	-	253,507
Inventory	-	-	-	87,603	87,603
Total assets	\$ 49,698,206	\$ 3,383,557	\$ 12,499,869	\$ 6,574,841	\$ 72,156,473
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 2,149,720	\$ 104,797	\$ 1,241,099	\$ 33,666	\$ 3,529,282
Accrued liabilities	1,484,611	139	-	32,485	1,517,235
Due to other funds	10,167,389	3,278,621	-	1,635,747	15,081,757
Due to teachers' retirement system	4,642,455	-	-	-	4,642,455
Due to employees' retirement system	561,942	-	-	-	561,942
Bond anticipation notes payable	-	-	53,853,716	-	53,853,716
Total liabilities	19,006,117	3,383,557	55,094,815	1,701,898	79,186,387
FUND BALANCES:					
Nonspendable	253,507	-	-	87,603	341,110
Restricted	28,419,284	-	-	4,785,340	33,204,624
Assigned	2,019,298	-	-	-	2,019,298
Unassigned	-	-	(42,594,946)	-	(42,594,946)
Total fund balances	30,692,089	-	(42,594,946)	4,872,943	(7,029,914)
Total liabilities and fund balances	\$ 49,698,206	\$ 3,383,557	\$ 12,499,869	\$ 6,574,841	\$ 72,156,473

The accompanying notes are an integral part of these financial statements.

FRONTIER CENTRAL SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position June 30, 2025

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ (7,029,914)
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	128,062,341
Deferred outflows/inflows of resources are applicable to future periods and therefore, are not reported in the funds:	
Deferred outflows - ERS/TRS	18,959,940
Deferred inflows - ERS/TRS	(8,380,166)
Deferred outflows - OPEB	481,699
Deferred inflows - OPEB	(630,216)
Net pension liabilities and assets are not due and payable in the current period and; therefore, are not reported in the funds:	
Net pension liability - ERS	(5,949,101)
Net pension asset - TRS	6,483,372
Long-term liabilities are not due and payable in the current period and; therefore, are not reported in the funds:	
Bonds payable	(26,479,468)
Retainages payable	(26,620)
Accrued interest	(275,350)
Lease liability	(13,085)
Compensated absences	(6,206,773)
Workers' compensation	(1,518,535)
Total other postemployment benefits (OPEB) liability	(4,958,193)
Employee retirement longevity liability	<u>(1,098,382)</u>
Net position of governmental activities	<u>\$ 91,421,549</u>

The accompanying notes are an integral part of these financial statements.

FRONTIER CENTRAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2025**

	General	Special Aid	Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES:					
Real property tax and tax items	\$ 55,853,403	\$ -	\$ -	\$ -	\$ 55,853,403
Charges for services	412,667	-	-	-	412,667
Use of money and property	1,789,987	-	164,822	690,842	2,645,651
Sale of property and compensation for loss	5,704	-	-	-	5,704
Miscellaneous	1,254,295	-	-	552,976	1,807,271
State sources	49,051,415	2,835,189	-	1,274,273	53,160,877
Federal sources	-	2,420,026	-	1,688,724	4,108,750
Medicaid reimbursement	252,849	-	-	-	252,849
Sales - food service	-	-	-	109,677	109,677
Total revenues	108,620,320	5,255,215	164,822	4,316,492	118,356,849
EXPENDITURES:					
General support	11,069,776	264,105	-	-	11,333,881
Instruction	61,598,141	4,814,275	-	445,958	66,858,374
Pupil transportation	5,156,315	515,080	-	-	5,671,395
Employee benefits	23,975,498	6,235	-	394,718	24,376,451
Cost of sales	-	-	-	2,797,430	2,797,430
Capital outlays	-	-	8,392,647	-	8,392,647
Debt service -					
Principal	7,073,409	-	-	-	7,073,409
Interest	2,491,001	-	-	236,113	2,727,114
Total expenditures	111,364,140	5,599,695	8,392,647	3,874,219	129,230,701
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,743,820)	(344,480)	(8,227,825)	442,273	(10,873,852)
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of leases	278,029	-	-	-	278,029
BANs redeemed from appropriations	-	-	2,390,245	-	2,390,245
Transfers in	-	344,480	100,000	-	444,480
Transfers out	(444,480)	-	-	-	(444,480)
Total other financing sources (uses)	(166,451)	344,480	2,490,245	-	2,668,274
CHANGE IN FUND BALANCE	(2,910,271)	-	(5,737,580)	442,273	(8,205,578)
FUND BALANCE - beginning of year, as previously reported	34,777,550	-	(35,982,795)	2,786,745	1,581,500
RESTATEMENTS (Note 15)	(1,175,190)	-	(874,571)	1,643,925	(405,836)
FUND BALANCE - beginning of year, as adjusted	33,602,360	-	(36,857,366)	4,430,670	1,175,664
FUND BALANCE - end of year	\$ 30,692,089	\$ -	\$ (42,594,946)	\$ 4,872,943	\$ (7,029,914)

The accompanying notes are an integral part of these financial statements.

FRONTIER CENTRAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2025

Net change in fund balances - total governmental funds	\$ (8,205,578)
Certain capital outlays and the addition of capital assets are expenditures net of disposals, in governmental funds, but are capitalized in the statement of net position.	8,947,534
Depreciation and amortization are not recorded as an expenditure in the governmental funds, but are recorded in the statement of activities.	(4,715,545)
Repayments of long-term debt and lease obligations are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the statement of net position.	7,073,409
Proceeds from the issuance of leases are recorded as an other financing source for governmental funds, but is an increase in liabilities in the statement of activities.	(278,029)
Proceeds from BANs redeemed by appropriations are recorded as an other financing source for governmental funds, but are not considered revenue in the statement of activities.	(2,390,245)
Amortization of bond premiums is not recorded as revenue in the governmental funds, but is recorded in the statement of activities.	87,308
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employer contributions is reported as pension expense.	1,276,509
On the statement of activities, the actual and projected long term expenditures for postemployment benefits are reported, whereas, on the governmental funds, only the actual expenditures are recorded for postemployment benefits.	103,890
Certain expenses in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds:	
Change in accrued interest	(104,625)
Change in employee retirement longevity liability	(344,529)
Change in compensated absences	50,933
Change in workers' compensation liability	(97,252)
Change in retainage payable	<u>663,693</u>
Change in net position of governmental activities	<u>\$ 2,067,473</u>

The accompanying notes are an integral part of these financial statements.

FRONTIER CENTRAL SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2025

1. NATURE OF OPERATIONS

The Frontier Central School District (the District) provides free K-12 public education to students living within its geographic borders.

Reporting Entity

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

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 an entity included in the District's reporting entity:

- **Extraclassroom Activity Funds** - The extraclassroom activity funds of the District represent funds of the students of the District. The BOE exercises general oversight of these funds; however, the funds are used as designated by student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office. The District accounts for the activities of these various student organizations in the Miscellaneous Special Revenue Fund.

Joint Venture

The District is one of 19 component school districts in the Erie 1 Board of Cooperative Education Services (BOCES). BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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.

1. NATURE OF OPERATIONS (Continued)

Joint Venture (Continued)

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

During the year, the District was billed \$10,526,148 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$3,139,187 for the year ended June 30, 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Certain significant accounting principles and policies utilized by the District are described below.

Basis of Presentation

The District's financial statements consist of district-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund level financial statements which provide more detailed information.

District-Wide Statements

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

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with, and are clearly identifiable to, a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue includes 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The fund statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The District reports the following major governmental funds:

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

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

Special Aid Fund – A special revenue fund, used to account for special operating projects or programs supported in whole, or in part, with federal funds or state or local grants.

The District reports the following nonmajor governmental funds:

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

- School Lunch Fund - Used to account for transactions of the lunch and breakfast programs.
- Miscellaneous Special Revenue Fund - Used to account for the activity of the extraclassroom activity funds and the scholarship activity funds.

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.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

Non-exchange transactions in which the District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The 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, with certain grant revenues to be available if they are expected to be collected within 120 days of the end of the current fiscal period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

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

Property Taxes

Real property taxes are levied annually by the BOE no later than September 1, and become a lien during mid-August. Taxes are collected during the period September 1 to mid-November. Taxes not collected at that time are turned over to the County, who assumes all responsibility for collection. Uncollected real property taxes are subsequently enforced by the County. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

Restricted Resources

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

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.

In the district-wide statements, eliminations have been made for all interfund receivables and payables between the funds.

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

Refer to Note 6 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

Use of Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets include amounts required by statute to be reserved for various purposes.

Accounts Receivable

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

Inventory

Inventory of food and/or supplies in the School Lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

Capital Assets

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

Land and construction in progress are not depreciated. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. 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 <u>Threshold</u>	Depreciation <u>Method</u>	Estimated <u>Useful Life</u>
Buildings	\$ 5,000	SL	50 years
Buildings and improvements	\$ 5,000	SL	20-50 years
Furniture and equipment	\$ 5,000	SL	5-20 years

The District utilizes the straight-line method of depreciation. Capital assets also include lease assets with a term greater than one year. The District does not implement a capitalization threshold for lease assets. Lease assets are amortized using the straight-line method over the term of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by the employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee). A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Eligible employees receive annual sick leave, vacation, and personal leave time. Eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Other Benefits

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

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these 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 or operating transfer to other funds in the General fund in the year paid.

District employees under specific employee groups are eligible for an employee retirement longevity award. Teachers can participate in the award by following various steps, including retiring as of July 1st following the first day of eligibility to retire without penalty. Other managerial employees receive a similar award by resigning at least 150 calendar days prior to separation. The employee retirement longevity liability is based on negotiated contracts with employee groups which provide the payment of longevity at retirement.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Unearned Revenue

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Payable, Accrued Liabilities, Due to other Governments and Long-Term Obligations

Payables, accrued liabilities, Due to other governments, and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the 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.

District-Wide Statements - Equity Classifications

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) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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 all other 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.

Governmental Fund Financial Statements - Equity Classifications

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

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the cash value of life insurance, inventory and prepaid items recorded in the School Lunch and General Funds. Total Nonspendable fund balance at June 30, 2025 amounted to \$341,110.

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

Capital reserve

According to Education Law §3651, 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. Expenditure 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. The reserve is accounted for in the General Fund in the restricted fund balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity Classifications (Continued)

Retirement Contributions Reserve

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 is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the BOE. This reserve is accounted for in the General Fund in the restricted fund balance. Effective as of April 1, 2019, a BOE may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the BOE 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.

Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p, all expenditures from this reserve must be used for the payment of accrued employee benefits 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 in the restricted fund balance.

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 BOE 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 in the restricted fund balance.

Tax Certiorari Reserve

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity Classifications (Continued)

Restricted fund balance includes the following:

General Fund:	
Capital Reserve	\$ 6,300,614
Retirement Contributions Reserve	7,340,172
Employee Benefit Accrued Liability Reserve	9,949,609
Workers' Compensation Reserve	4,428,314
Tax Certiorari Reserve	<u>400,575</u>
Total General Fund	<u>28,419,284</u>
Miscellaneous Special Revenue Fund:	
Student Activities	275,058
Scholarships	<u>649,668</u>
Total Miscellaneous Special Revenue Fund	<u>924,726</u>
Debt Service Fund	3,185,777
School Lunch Fund	<u>674,837</u>
Total restricted fund balance	<u>\$ 33,204,624</u>

Committed fund balance - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the BOE. The District has no committed fund balances as of June 30, 2025.

Assigned fund balance - Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Assigned fund balance 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. Encumbrances reported in the General Fund amounted to \$461,783. Appropriated fund balance in the General Fund amounted to \$1,557,515. As of June 30, 2025, the District's General Fund encumbrances were classified as follows:

General support	\$ 173,186
Instruction	146,826
Pupil transportation	43,682
Employee benefits	<u>98,089</u>
Total	<u>\$ 461,783</u>

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

The capital projects fund has a negative unassigned fund balance as a result of the ongoing capital projects. Once the District converts to long-term financing, the deficit will be relieved.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Financial Statements - Equity Classifications (Continued)

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds, excluding the reserve for tax reduction, a school district can retain to no more than 4% of the 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. At year-end, the District was in compliance with the 4% limitation.

Order of Fund Balance Spending Policy

The District is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and finally unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for special revenue funds are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining general fund amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

3. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL 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 statement of activities 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 results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

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

Differences between the governmental funds statement of revenues, expenditures, and changes in fund balance and the statement of activities fall into one of five broad categories.

- **Long Term Revenue and Expense Differences**
Long-term revenue differences arise because governmental funds report revenue only when it is considered "available," whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.
- **Capital Related Differences**
Capital related differences include the difference between proceeds from 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 purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

3. **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS (Continued)**

Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued)

- **Long Term Debt Transaction Differences**
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.
- **Pension Differences**
Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.
- **OPEB Differences**
OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

4. **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

Budgets

The District administration prepares a proposed budget for approval by the BOE for the General Fund. The voters of the District approved the proposed 2024-2025 appropriation budget. 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 lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the BOE as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restriction, if the board approves them because of a need that exists which was not determined at the time the budget was adopted.

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2025.

Budgets are established and used for individual capital project funds 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.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Encumbrances

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

5. CASH AND INVESTMENTS

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

At June 30, 2025, the reported amount of the District's deposits was \$47,469,673 and the bank balance was \$48,892,170. Of the bank balance, \$500,000 was covered by federal depository insurance and \$48,544,948 was covered by collateral held in the pledging bank's trust department in the District's name.

Restricted cash represent assets 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 \$36,140,849 within the governmental funds.

The District participates in the New York Cooperative Liquid Asset Securities System (NYCLASS) local government investment pool. A separate financial report for NYCLASS is prepared in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Copies of the report can be obtained from the NYCLASS website at newyorkclass.org.

NYCLASS is rated by S&P Global Ratings. The current rating is 'AAAm'.

The dollar weighted average days to maturity (WAM) of NYCLASS at June 30, 2025 is 46 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of NYCLASS at June 30, 2025 is 77 days.

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

5. CASH AND INVESTMENTS (Continued)

NYCLASS Portfolio Holdings as of June 30, 2025:

U.S. Treasury Securities (Full Faith and Credit)	68.83%
Repurchase Agreements (Collateralized)	27.07%
Bank Deposits (Collateralized)	3.19%
FDIC Insured Bank Deposits	<u>0.91%</u>
	<u>100.00%</u>

NYCLASS investment balance as of June 30, 2025: \$ 34,340,619

6. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$ 4,421,023	\$ 10,167,389	\$ -	\$ 444,480
Special Aid Fund	-	3,278,621	344,480	-
Capital Projects Fund	9,656,786	-	100,000	-
School Lunch Fund	-	392,541	-	-
Debt Service Fund	<u>1,003,948</u>	<u>1,243,206</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,081,757</u>	<u>\$ 15,081,757</u>	<u>\$ 444,480</u>	<u>\$ 444,480</u>

Interfund receivables and payables are eliminated on the statement of net position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

Interfund receivables and payables were incurred primarily due to salaries paid by the General Fund on behalf of the Special Aid Fund. There are typically amounts payable to the Debt Service Fund from the General Fund related to payments on long-term debt. The District also transfers funds from the Capital Reserve in the General Fund to the Capital Projects Fund to fund capital projects.

7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2025 were as follows:

	Beginning Balance <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance
Governmental activities: Capital assets that are not depreciated:				
Land Construction	\$ 802,150	\$ -	\$ -	\$ 802,150
in progress	<u>16,221,874</u>	<u>7,199,709</u>	<u>(21,527,463)</u>	<u>1,894,120</u>
Total nondepreciable cost	<u>17,024,024</u>	<u>7,199,709</u>	<u>(21,527,463)</u>	<u>2,696,270</u>
Capital assets that are depreciated:				
Buildings				
Land improvements	14,266,471	161,102	-	14,427,573
Buildings and building improvements	135,336,481	21,286,298	-	156,622,779
Equipment and vehicles	<u>13,385,390</u>	<u>1,549,860</u>	<u>(42,265)</u>	<u>14,892,985</u>
Total depreciable cost	<u>162,988,342</u>	<u>22,997,260</u>	<u>(42,265)</u>	<u>185,943,337</u>
Less accumulated depreciation:				
Land improvements	(5,232,960)	(572,531)	-	(5,805,491)
Buildings and building improvements	(41,942,043)	(2,971,363)	-	(44,913,406)
Equipment and vehicles	<u>(9,465,044)</u>	<u>(956,462)</u>	<u>42,265</u>	<u>(10,379,241)</u>
Total accumulated depreciation	<u>(56,640,047)</u>	<u>(4,500,356)</u>	<u>42,265</u>	<u>(61,098,138)</u>
Total depreciable cost - net	<u>106,348,295</u>	<u>18,496,904</u>	<u>-</u>	<u>124,845,199</u>
Leased assets that are amortized:				
Equipment	<u>1,104,484</u>	<u>278,028</u>	<u>(321,807)</u>	<u>1,060,705</u>
Total lease assets that are amortized	<u>1,104,484</u>	<u>278,028</u>	<u>(321,807)</u>	<u>1,060,705</u>
Less accumulated amortization:				
Equipment	<u>(646,451)</u>	<u>(215,189)</u>	<u>321,807</u>	<u>(539,833)</u>
Total accumulated amortization	<u>(646,451)</u>	<u>(215,189)</u>	<u>321,807</u>	<u>(539,833)</u>
Total lease assets, net	<u>458,033</u>	<u>62,839</u>	<u>-</u>	<u>520,872</u>
Governmental activities capital assets, net	<u>\$ 123,830,352</u>	<u>\$ 25,759,452</u>	<u>\$(21,527,463)</u>	<u>\$ 128,062,341</u>

7. CAPITAL ASSETS (Continued)

Depreciation and amortization was charged to governmental activities as follows:

	<u>Depreciation</u>	<u>Amortization</u>
General government support	\$ 3,552,105	\$ -
Instruction	42,676	215,189
School lunch	6,302	-
Pupil transportation	<u>899,273</u>	<u>-</u>
Total	<u>\$ 4,500,356</u>	<u>\$ 215,189</u>

8. LONG-TERM OBLIGATIONS

Long-term liability balances and activity are summarized as of June 30, 2025:

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation debt:					
Serial bonds payable	\$ 30,225,000	\$ -	\$ (4,395,000)	\$ 25,830,000	\$ 3,765,000
Unamortized premium	<u>736,776</u>	<u>-</u>	<u>(87,308)</u>	<u>649,468</u>	<u>74,234</u>
Total bonds payable	<u>\$ 30,961,776</u>	<u>\$ -</u>	<u>\$ (4,482,308)</u>	<u>\$ 26,479,468</u>	<u>\$ 3,839,234</u>
Other liabilities:					
Compensated absences {a}	<u>\$ 6,257,706</u>	<u>\$ -</u>	<u>\$ (50,933)</u>	<u>\$ 6,206,773</u>	<u>\$ -</u>
Employee retirement longevity liability {a}	<u>\$ 1,442,911</u>	<u>\$ -</u>	<u>\$ (344,529)</u>	<u>\$ 1,098,382</u>	<u>\$ 638,295</u>
Lease liability	<u>\$ 23,220</u>	<u>\$ 278,029</u>	<u>\$ (288,164)</u>	<u>\$ 13,085</u>	<u>\$ 10,430</u>
Workers' compensation liability	<u>\$ 1,421,283</u>	<u>\$ 97,282</u>	<u>\$ -</u>	<u>\$ 1,518,535</u>	<u>\$ 293,741</u>

{a} Additions and deletions to compensated absences and employee retirement longevity liability are shown net because it is impractical to determine these amounts separately.

8. LONG-TERM OBLIGATIONS (Continued)

Interest for the year was composed of:

Interest paid	\$ 2,727,114
Less: Amortization of bond premium	(87,308)
Less: Interest accrued in the prior year	(170,725)
Plus: Interest accrued in the current year	<u>275,350</u>
 Total interest expense	 <u>\$ 2,744,431</u>

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Serial Bonds</u>	<u>Original Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>6/30/2025 Balance</u>
2015 Serial Bonds - Refunding	6/15/2016	6/15/2032	2.00%-4.00%	\$ 2,170,000
2017 Serial Bonds	5/23/2018	6/1/2031	2.00%-3.00%	10,235,000
2021 Serial Bonds	7/7/2021	7/15/2034	2.00%	12,035,000
2022 Serial Bonds	7/14/2022	7/15/2036	3.25%-3.75%	<u>1,390,000</u>
 Total serial bonds				 <u>\$ 25,830,000</u>

The following is a summary of the maturity of long-term indebtedness as of June 30, 2025:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30,			
2026	\$ 3,765,000	\$ 626,560	\$ 4,391,560
2027	3,815,000	544,163	4,359,163
2028	3,540,000	459,188	3,999,188
2029	3,600,000	361,519	3,961,519
2030	3,350,000	261,856	3,611,856
2031-2035	7,610,000	410,990	8,020,990
2036-2037	<u>150,000</u>	<u>5,250</u>	<u>155,250</u>
 Total	 <u>\$ 25,830,000</u>	 <u>\$ 2,669,526</u>	 <u>\$ 28,499,526</u>

9. SHORT-TERM OBLIGATIONS

Short term debt provides financing for governmental activities. The District issued Bond Anticipation Notes (BANS) 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.

The following is a summary of changes in short-term debt for the year ended June 30, 2025:

July 1, 2024	\$ 44,460,245
Borrowings	53,853,716
Repayments	<u>(44,460,245)</u>
 June 30, 2025	 <u>\$ 53,853,716</u>

9. SHORT-TERM OBLIGATIONS (Continued)

Below is a summary of BANs outstanding as of June 30, 2025:

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
7/17/2024	7/17/2025	4.50%	\$ 2,053,716
6/16/2025	6/16/2026	4.00%	<u>51,800,000</u>
			<u>\$ 53,853,716</u>

10. PENSION PLANS

New York State Employees' Retirement System

The District participates in the New York State and Local Employee's Retirement System (ERS). The net position of ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to ERS.

ERS benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

This is a cost-sharing, multiple-employer, defined benefit pension plan. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. GLIP amounts are appropriated to and included in the ERS. ERS is included in the State's financial report as a pension trust fund. That report, including information regarding benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The significant dates shown below are referenced throughout the ERS section of this footnote:

- Fiscal year end – June 30, 2025
- Measurement date – March 31, 2025
- Actuarial valuation date – April 1, 2024

Membership Tiers

Membership, benefits, and employer and employee obligations to contribute are described in the RSSL using the tier concept. Pension legislation established tier membership by the date a member last joined ERS. They are as follows:

- Tier 1 Those persons who last became members of ERS before July 1, 1973.
- Tier 2 Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
- Tier 5 Those persons who last became members of ERS on or after January 1, 2010, but before April 1, 2012.
- Tier 6 Those persons who first became members of ERS on or after April 1, 2012.

10. PENSION PLANS (Continued)

Vesting

All Members are vested when they reach five years of service credit.

Employer Contributions

Participating employers are required under the RSSL to contribute to ERS at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2025 was approximately 15.2 percent of covered payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For the fiscal year ended March 31, 2025, the applicable interest rate was 5.9 percent. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

		<u>ERS</u>
2025	\$	2,012,667
2024	\$	1,538,227
2023	\$	1,203,011

Member Contributions

Generally, Tier 3, 4, and 5 members must contribute 3 percent of their salary to ERS. As a result, of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with ERS, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At year end, a net pension liability of \$5,949,101 for its proportionate share of the ERS net pension liability was reported. The net pension liability is determined as of the measurement date, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation date. The proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At the measurement date, the proportion was 0.0346970%, which was an increase of 0.0016363% from the proportionate share of 0.0330610% as of the prior year measurement date.

As of the fiscal year end, pension expense of \$1,679,672 was recognized and the deferred outflows/inflows of resources related to pensions from the following sources were reported:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,476,607	\$ 69,652
Changes of assumptions	249,493	-
Net difference between projected and actual earnings on pension plan investments	466,750	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	890,241	9,708
Contributions subsequent to the measurement date	<u>561,941</u>	<u>-</u>
Total	<u>\$ 3,645,032</u>	<u>\$ 79,360</u>

10. PENSION PLANS (Continued)

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

The net amount of the share of balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Fiscal Year End:	
2026	\$ 1,336,482
2027	1,785,384
2028	(289,634)
2029	171,499
	<u>\$ 3,003,731</u>

At fiscal year end, \$561,941 was recognized as a deferred outflow of resources related to pensions resulting from the contributions made subsequent to the measurement date. This outflow will be recognized as a reduction of the net pension liability in the following fiscal year.

Actuarial Assumptions

The total pension liability at the measurement date was determined by using an actuarial valuation as of the actuarial valuation date. Update procedures were used by the actuary to roll forward the total pension liability to be as of the measurement date.

Economic assumptions used in the actuarial valuation date include:

Actuarial cost method	Aggregate Cost Method
Inflation	2.9%
Salary increases	4.3%
Investment rate of return (net of investment expense, including inflation)	5.9%
Active member decrements	1.5%

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 return, net of investment expenses 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.

To set the long-term expected rate of return on pension plan investments, consideration was given to a building-block method using best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) 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.

Demographic assumptions used in the actuarial valuation date are based on the results of an actuarial experience study completed April 1, 2020. Demographic assumptions are primarily based on System experience over the period April 1, 2015 – March 31, 2020. Annuitant mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries' Scale MP-2021.

10. PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u> in %	<u>Long-term expected</u> rate of return in %
Domestic equity	25.0	3.54
International equity	14.0	6.57
Private equity	15.0	7.25
Real estate	12.0	4.95
Opportunistic/ARS portfolio	3.0	5.25
Credit	4.0	5.40
Real assets	4.0	5.55
Fixed Income	22.0	2.00
Cash	<u>1.0</u>	0.25
	<u>100.0</u>	

Discount Rate

The discount rate used to measure the total pension liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease <u>4.9%</u>	Current <u>Discount 5.9%</u>	1% Increase <u>6.9%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$ 17,217,447</u>	<u>\$ 5,949,101</u>	<u>\$ (3,459,975)</u>

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (in 000's) of the employers as of the measurement date were as follows:

Employers' total pension liability	\$ 247,600,239
Fiduciary net position	<u>230,454,512</u>
Employers' net pension liability (asset)	<u>\$ 17,145,727</u>

Ratio of fiduciary net position to the employers' total pension liability	93.08%
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10. PENSION PLANS (Continued)

New York State Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (NYSTRS). NYSTRS is a public employee retirement system (PERS) that was created and exists, pursuant to Article 11 of the New York State Education Law. NYSTRS is the administrator of a cost-sharing, multiple-employer, defined benefit plan, administered by a 10-member Board to Provide pension benefits for teachers employed in New York, excluding New York City. NYSTRS issues a publicly available Annual Comprehensive Final Report. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

The significant dates shown below are referenced throughout the NYSTRS section of this footnote:

- Fiscal year end – June 30, 2025
- Measurement date – June 30, 2024
- Actuarial valuation date – June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024

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.

10. PENSION PLANS (Continued)

Employer Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. The actuarially determined contribution rate applied to 2023-24 salaries is 9.76%. The required contribution is an actuarially determined rate. The contributions made to NYSTRS were equal to 100% of the contributions required for each year. The required contributions for the current plan year and two preceding plan years were:

		<u>TRS</u>
2025	\$	4,049,444
2024	\$	4,129,866
2023	\$	3,845,654

Member Contributions

Tier 3 and Tier 4 members are required by law to contribute 3.0% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3.0% and 6.0% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than five years of credited service for Tiers 3-6, the member contributions with interest calculated at 5.0% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At fiscal year end, a net pension asset of \$6,483,372 was reported for the proportionate share of the NYSTRS net pension asset. The net pension asset as of the measurement date, and the total pension liability used to calculate the net pension asset was determined by the actuarial valuation date. The proportion of the net pension asset was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At the measurement date, the proportionate share was 0.217300%, which was a decrease of 0.000007% from the prior measurement date.

10. PENSION PLANS (Continued)

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

For the fiscal year end, pension expense of \$3,430,985 was recognized deferred outflows/inflows of resources related to pensions from the following sources were reported:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,981,401	\$ -
Changes of assumptions	3,878,370	652,378
Net difference between projected and actual earnings on pension plan investments	-	7,203,578
Changes in proportion and differences between the District's contributions and proportionate share of contributions	161,907	444,850
Contributions subsequent to the measurement date	<u>4,293,230</u>	<u>-</u>
 Total	 <u>\$ 15,314,908</u>	 <u>\$ 8,300,806</u>

The District recognized \$4,293,230 as a deferred outflow of resources related to pensions resulting from the contributions made subsequent to the measurement date.

Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Plan's Fiscal Year End:	
2025	\$ (3,452,709)
2026	7,848,677
2027	(1,375,346)
2028	(1,486,877)
2029	861,151
Thereafter	<u>325,976</u>
	 <u>\$ 2,720,872</u>

Actuarial Assumptions

The total pension liability at the measurement date was determined by an actuarial valuation with update procedures used to roll forward the total pension liability to the measurement date, using the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.40%
Projected Salary Increases	Rates of increase differ based on service They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	5.18%
15	3.64%
25	2.50%
35	1.95%

10. PENSION PLANS (Continued)

Actuarial Assumptions (Continued)

Projected COLAs	1.3% compounded annually
Investment Rate of Return	6.95% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2021, applied on a generational basis. Active member mortality rates are based on plan member experience.

The demographic actuarial assumptions and the salary scales are based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020. NYSTRS runs one-year and five-year experience studies annually in order to gauge the appropriateness of the assumptions. For the full details, please refer to the Recommended Actuarial Assumptions 2021 Report, which can be found on the System's website located at www.nystrs.org.

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. ASAP 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.

The Long Term Expected Real Rates of Return are presented by asset allocation classification, which differs from the financial statement presentation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term Expected Real Rate of Return in %*</u>
Domestic equity	33	6.6
International equity	15	7.4
Global equity	4	6.9
Real estate equity	11	6.3
Private equity	9	10.0
Domestic fixed income	16	2.6
Global bonds	2	2.5
Private debt	2	5.9
Real estate debt	6	3.9
High-yield bonds	1	4.8
Cash equivalents	<u>1</u>	0.5
	<u>100%</u>	

*Real rates of return are net of pension plan investment expenses and long-term inflation expectations.

10. PENSION PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

The following presents the net pension liability (asset) of the District calculated using the discount rate of 6.95 percent, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease <u>5.95%</u>	Current Discount <u>6.95%</u>	1% Increase <u>7.95%</u>
Proportionate Share of Net Pension liability (asset)	\$ <u>29,947,068</u>	\$ <u>(6,483,372)</u>	\$ <u>(37,122,349)</u>

Pension Plan Fiduciary Net Position

The components of the current year net pension liability (000's) of the employers as of June 30, 2025, were as follows:

Total pension liability	\$ 142,837,826
Plan fiduciary net position	<u>145,821,434</u>
Net pension liability (asset)	\$ <u>(2,983,608)</u>
 Plan fiduciary net position as a percentage of total pension liability	 102.1%

Payables to the Pension Plans

For TRS, employer and employee contributions for the fiscal year ended June 30, 2025 are paid to the System in September, October and November 2025 through a state aid intercept. Accrued retirement contributions as of June 30, 2025 represent employee and employer contributions for the fiscal year ended June 30, 2025 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2025 represent the projected employer contribution for the period of April 1, 2025 through June 30, 2025 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Employee contributions are remitted monthly.

	<u>June 30, 2025</u>
Due to employees' retirement system	<u>\$ 561,942</u>
Due to teachers' retirement system	<u>\$ 4,642,455</u>

11. TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Plan Description

The District administers the Frontier Central School District Retiree Medical, Prescription Vision and Dental Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4 for the sole purpose of paying benefits under the Plan.

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 BOE.

Funding Policy

The obligations of the Plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the District.

Employees Covered by Benefit Terms

At June 30, 2025, valuation date, the following employees were covered by the benefit terms:

Active employees, not eligible to retire	634
Active employees, eligible to retire	229
Retired employees and surviving spouses	98
Retiree spouses covered	<u>26</u>
Total participants	<u><u>987</u></u>

Total OPEB Liability

The District's total OPEB liability of \$4,958,193 as measured as of March 31, 2025, and was determined by an actuarial valuation as of June 30, 2025.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2025 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary Scale	3.30%
Discount Rate	4.39%
Healthcare Cost Trend Rate	5.30% for 2025, decreasing to an ultimate rate of 3.71% after 2070
Cost Method	Entry Age Normal Level Percent of Pay method

The discount rate was based on the Fidelity Municipal Go AA 20-Year Bond rate.

Mortality rates were based on improvement scale updated to MP-2021.

11. TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2024	<u>\$ 4,454,787</u>
Changes for the Year-	
Service cost	136,946
Interest	175,242
Changes of benefit terms	40,662
Differences between expected and actual experience	448,752
Changes in assumptions or other inputs	(188,678)
Expected benefit payments	<u>(109,518)</u>
Net changes	<u>503,406</u>
Balance at June 30, 2025	<u>\$ 4,958,193</u>

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 or 1 percentage point higher than the current discount rate:

	1% Decrease <u>3.39%</u>	Current Discount <u>4.39%</u>	1% Increase <u>5.39%</u>
Total OPEB Liability	<u>\$ 5,325,307</u>	<u>\$ 4,958,193</u>	<u>\$ 4,619,594</u>

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 or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease <u>4.30% to 2.71%</u>	Current Trend <u>5.30% to 3.71%</u>	1% Increase <u>6.30% to 4.71%</u>
Total OPEB Liability	<u>\$ 4,543,025</u>	<u>\$ 4,958,193</u>	<u>\$ 5,432,325</u>

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$88,567. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 434,529	\$ 426,194
Changes of assumptions	-	204,022
Benefit payments subsequent to measurement date	<u>47,170</u>	<u>-</u>
Total	<u>\$ 481,699</u>	<u>\$ 630,216</u>

11. TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The District recognized \$47,170 as a deferred outflow of resources related to benefit payments made subsequent to the measurement date of June 30, 2025 which will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2026	\$ (57,194)
2027	(57,194)
2028	(57,194)
2029	(57,194)
2030	(57,194)
Thereafter	90,283
	<u>\$ (195,687)</u>

12. RISK MANAGEMENT

General

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. The District purchases commercial insurance to cover such potential risks. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlement which may have exceeded insurance coverage in the past three fiscal years. The general liability insurance is limited to \$1 million per occurrence and a \$3 million aggregate. All other policies have limits ranging from \$2,500 to \$10,000,000.

Workers' Compensation

The District is self-insured pursuant to Article 5 of the Workers' Compensation law to finance the liability and risks related to workers' compensation claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The District maintains excess insurance that limits self-insured claims to \$600,000 per incident and \$1,000,000 in the aggregate. At June 30, 2025, the District has recorded an accrued liability related to estimated unpaid claims totaling \$1,518,535.

13. CONTINGENCIES AND COMMITMENTS

Litigation

There is no litigation pending against the District as of the balance sheet date.

Grants

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

14. TAX ABATEMENTS

The District is subject to tax abatements granted by the Hamburg Industrial Development Agency (“HIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the HIDA and incentives include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100%. Under the agreements entered into by HIDA, the District collected \$537,367 during the 2024-2025 fiscal year in payments in lieu of taxes (“PILOT”). These collections were made in lieu of \$1,292,716 in property taxes.

15. RESTATEMENTS

Correction of Errors

In the prior year, NYCLASS interest of \$1,003,948 was incorrectly allocated to the general fund rather than the appropriate fund, debt service. This error resulted in an overstatement of revenue in the general fund and an understatement in revenue in the debt service fund.

The District provides employee retirement longevity incentives to employees based on contractual agreements. In prior years, \$171,242 of expenditures were not booked at the fund level, overstating the general fund fund balance. Additional expenses of \$753,853 were not booked at the government-wide level, overstating net position. Therefore, a restatement to decrease fund balance and net position was necessary in the amount of \$171,242 and \$925,095 in general fund and governmental activities, respectively.

Scholarship activity was incorrectly booked in a private purpose trust fund, however, the activity did not meet the definition of a fiduciary activity and therefore should have been reported in the miscellaneous special revenue fund. As a result, the miscellaneous special revenue fund and related governmental activities equity balances were understated by \$639,977. A restatement to increase the miscellaneous special revenue fund and governmental activity equity amounts of \$639,977, and reducing the private purpose trust fund equity by \$639,977 was recorded.

In the prior year capital projects fund, the District reported accounts payable in the amount of \$1,368,589. However, in the current year it was determined that the value of accounts payable was understated by \$874,571 because an invoice for services rendered was not recorded. The impact of the error was an overstatement of fund balance and net position in the amount of \$874,571 in the capital projects fund and governmental activities, respectively. Therefore, a restatement was recorded in the capital projects fund and governmental activities for \$874,571.

In the prior year, the activity related to GASB 87, *Leases*, in the amount of \$433,929, was not properly recorded, resulting in an understatement of net position in the governmental activities.

As a result of the correction of the errors noted, the District's beginning net position and fund balances were restated, as shown on the next page.

15. RESTATEMENTS (Continued)

	<u>Assets</u>	<u>General Fund</u> <u>Liabilities</u>	<u>Fund Balance</u>
Balance at June 30, 2024, as previously reported	\$ 41,169,604	\$ (6,392,054)	\$ (34,777,550)
Correction of Errors -			
Interest misclassification	(1,003,948)	-	1,003,948
Employee retirement longevity liability	<u>-</u>	<u>(171,242)</u>	<u>171,242</u>
Balance at July 1, 2024, as restated	<u>\$ 40,165,656</u>	<u>\$ (6,563,296)</u>	<u>\$ (33,602,360)</u>

	<u>Debt Service Fund</u>		<u>Capital Projects Fund</u>	
	<u>Assets</u>	<u>Fund Balance</u>	<u>Liabilities</u>	<u>Fund Balance</u>
Balance at June 30, 2024, as previously reported	\$ 2,508,703	\$ (1,727,701)	\$(56,251,476)	\$ 35,982,795
Correction of Errors -				
Interest misclassification	1,003,948	(1,003,948)	-	-
Accounts payable	<u>-</u>	<u>-</u>	<u>(874,571)</u>	<u>874,571</u>
Balance at July 1, 2024, as restated	<u>\$ 3,512,651</u>	<u>\$ (2,731,649)</u>	<u>\$(57,126,047)</u>	<u>\$ 36,857,366</u>

	<u>Miscellaneous Special</u> <u>Revenue Fund</u>		<u>Private Purpose Trust Fund</u>	
	<u>Assets</u>	<u>Fund Balance</u>	<u>Assets</u>	<u>Net Position</u>
Balance at June 30, 2024, as previously reported	\$ 195,572	\$ (195,572)	\$ 639,977	\$ (639,977)
Correction of an error – related to scholarships	<u>639,977</u>	<u>(639,977)</u>	<u>(639,977)</u>	<u>639,977</u>
Balance at July 1, 2024, as restated	<u>\$ 835,549</u>	<u>\$ (835,549)</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Governmental Activities</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net Position</u>
Balance at June 30, 2024, as previously reported	\$ 177,858,529	\$ (104,213,400)	\$ (90,079,837)
Correction of Errors -			
Employee retirement longevity liability	-	(925,095)	925,095
Accounts payable	-	(874,571)	874,571
Scholarships	639,977	-	(639,977)
GASB 87, Leases	<u>433,097</u>	<u>831</u>	<u>(433,928)</u>
Balance at July 1, 2024, as restated	<u>\$ 178,931,603</u>	<u>\$ (106,012,235)</u>	<u>\$ (89,354,076)</u>

16. SUBSEQUENT EVENTS

The District issued one BAN in the amount of \$2,135,000 at an interest rate of 4.00%. The BAN was utilized for the acquisition of various buses for use in pupil transportation at the District.

SUPPLEMENTARY INFORMATION

FRONTIER CENTRAL SCHOOL DISTRICT

**Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2025**

	<u>School Lunch</u>	<u>Debt Service</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Nonmajor Funds</u>
ASSETS				
Cash and cash equivalents	\$ 600,439	\$ -	\$ -	\$ 600,439
Cash and cash equivalents - restricted	-	3,425,035	924,726	4,349,761
Due from other funds	-	1,003,948	-	1,003,948
Due from federal and state	533,090	-	-	533,090
Inventory	87,603	-	-	87,603
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,221,132</u>	<u>\$ 4,428,983</u>	<u>\$ 924,726</u>	<u>\$ 6,574,841</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 33,666	\$ -	\$ -	\$ 33,666
Accrued liabilities	32,485	-	-	32,485
Due to other funds	392,541	1,243,206	-	1,635,747
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>458,692</u>	<u>1,243,206</u>	<u>-</u>	<u>1,701,898</u>
FUND BALANCES:				
Nonspendable	87,603	-	-	87,603
Restricted	674,837	3,185,777	924,726	4,785,340
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>762,440</u>	<u>3,185,777</u>	<u>924,726</u>	<u>4,872,943</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,221,132</u>	<u>\$ 4,428,983</u>	<u>\$ 924,726</u>	<u>\$ 6,574,841</u>

FRONTIER CENTRAL SCHOOL DISTRICT

Combining Statements of Revenues, Expenditures and Changes in Fund Balances — Nonmajor Governmental Funds For the Year Ended June 30, 2025

	School Lunch	Debt Service	Miscellaneous Special Revenue	Total Nonmajor Funds
REVENUES				
Use of money and property	\$ 601	\$ 690,241	\$ -	\$ 690,842
Miscellaneous	17,841	-	535,135	552,976
State sources	1,274,273	-	-	1,274,273
Federal sources	1,688,724	-	-	1,688,724
Sales - food service	109,677	-	-	109,677
	<u>3,091,116</u>	<u>690,241</u>	<u>535,135</u>	<u>4,316,492</u>
EXPENDITURES				
Instruction	-	-	445,958	445,958
Employee benefits	394,718	-	-	394,718
Cost of sales	2,797,430	-	-	2,797,430
Debt service - Interest	-	236,113	-	236,113
	<u>3,192,148</u>	<u>236,113</u>	<u>445,958</u>	<u>3,874,219</u>
CHANGE IN FUND BALANCE	<u>(101,032)</u>	<u>454,128</u>	<u>89,177</u>	<u>442,273</u>
FUND BALANCE - beginning of year, as previously reported	863,472	1,727,701	195,572	2,786,745
RESTATEMENT (Note 15)	-	1,003,948	639,977	1,643,925
FUND BALANCE - beginning of year, as adjusted	<u>863,472</u>	<u>2,731,649</u>	<u>835,549</u>	<u>4,430,670</u>
FUND BALANCES - end of year	<u>\$ 762,440</u>	<u>\$ 3,185,777</u>	<u>\$ 924,726</u>	<u>\$ 4,872,943</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

FRONTIER CENTRAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)
For the Year Ended June 30, 2025**

	Original Budget	Final Budget	Actual Amounts	Encumbrances	Variance with Final Budget
REVENUES					
Real property taxes and tax items	\$ 54,726,381	\$ 54,726,381	\$ 55,853,403	\$ -	\$ 1,127,022
Charges for services	470,250	470,250	412,667	-	(57,583)
Use of money and property	259,998	259,998	1,789,987	-	1,529,989
Sale of property and compensation for loss	25,250	25,250	5,704	-	(19,546)
Miscellaneous	439,051	439,051	1,254,295	-	815,244
State sources	47,499,243	47,499,243	49,051,415	-	1,552,172
Medicaid reimbursement	-	-	252,849	-	252,849
	<u>103,420,173</u>	<u>103,420,173</u>	<u>108,620,320</u>	<u>-</u>	<u>5,200,147</u>
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	55,872	53,178	38,922	99	14,157
Central administration	377,026	369,704	377,673	83	(8,052)
Finance	824,261	1,028,980	1,021,774	85	7,121
Staff	897,208	1,121,403	1,068,580	8,137	44,686
Central services	5,880,104	6,861,415	7,672,280	164,782	(975,647)
Special items	1,278,093	876,985	890,547	-	(13,562)
Total general support	<u>9,312,564</u>	<u>10,311,665</u>	<u>11,069,776</u>	<u>173,186</u>	<u>(931,297)</u>
Instruction:					
Instruction, administration and improvements	34,663,682	34,392,453	36,038,764	105,634	(1,751,945)
Programs for pupils with handicapping conditions	13,709,144	13,925,956	14,151,778	16,701	(242,523)
Occupational education	1,546,158	1,873,325	1,873,325	-	-
Instructional media	3,425,851	4,049,043	4,036,279	23,539	(10,775)
Pupil services	4,723,195	5,143,776	5,497,995	952	(355,171)
Total instruction	<u>58,068,030</u>	<u>59,384,553</u>	<u>61,598,141</u>	<u>146,826</u>	<u>(2,360,414)</u>
Pupil transportation	4,860,798	5,228,046	5,156,315	43,682	28,049
Employee benefits	24,499,013	24,664,661	23,975,498	98,089	591,074
Debt service	8,873,403	9,136,582	9,564,410	-	(427,828)
Total expenditures	<u>105,613,808</u>	<u>108,725,507</u>	<u>111,364,140</u>	<u>461,783</u>	<u>(3,100,416)</u>
Excess (deficiency) of revenue over expenditures	<u>(2,193,635)</u>	<u>(5,305,334)</u>	<u>(2,743,820)</u>	<u>(461,783)</u>	<u>2,099,731</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of leases	-	-	278,029	-	278,029
Transfers out	(376,192)	(376,192)	(444,480)	-	(68,288)
Total other financing sources (uses)	<u>(376,192)</u>	<u>(376,192)</u>	<u>(166,451)</u>	<u>-</u>	<u>209,741</u>
CHANGE IN FUND BALANCES	<u>\$ (2,569,827)</u>	<u>\$ (5,681,526)</u>	<u>(2,910,271)</u>	<u>\$ (461,783)</u>	<u>\$ 2,309,472</u>
FUND BALANCE - beginning of year, as previously reported			34,777,550		
RESTATEMENT (Note 15)			<u>(1,175,190)</u>		
FUND BALANCE - beginning of year, as adjusted			<u>33,602,360</u>		
FUND BALANCE - end of year			<u>\$ 30,692,089</u>		

FRONTIER CENTRAL SCHOOL DISTRICT

Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios (Unaudited)

For the Year Ended June 30:

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)*							
	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 137	\$ 135	\$ 176	\$ 307	\$ 323	\$ 271	\$ 195	\$ 159
Interest	175	162	141	185	204	283	198	190
Differences between expected and actual experience	449	52	(677)	277	(372)	(961)	2,539	202
Changes in assumptions	(110)	(50)	(112)	(3,590)	163	660	75	78
Change in benefit terms	41	-	-	-	-	-	-	-
Benefit payments	(189)	(174)	(234)	(378)	(296)	(337)	(184)	(206)
Total change in total OPEB liability	503	125	(706)	(3,199)	22	(84)	2,823	423
Total OPEB liability - beginning	4,455	4,330	5,036	8,235	8,213	8,297	5,474	5,051
Total OPEB liability - ending	\$ 4,958	\$ 4,455	\$ 4,330	\$ 5,036	\$ 8,235	\$ 8,213	\$ 8,297	\$ 5,474
Covered-employee payroll	\$ 52,597	\$ 50,594	\$ 48,869	\$ 46,706	\$ 41,318	\$ 40,072	\$ 38,769	\$ 39,932
Total OPEB liability as a percentage of covered-employee payroll	9.43%	8.81%	8.86%	10.78%	19.93%	20.50%	21.40%	13.71%

Notes to schedule:

Changes of assumptions and other inputs reflect the following:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	<u>4.39%</u>	<u>3.98%</u>	<u>3.78%</u>	<u>2.83%</u>	<u>2.27%</u>	<u>2.48%</u>	<u>3.44%</u>	<u>3.61%</u>
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- The salary scale changed from 3.42% to 3.30%.
- Updated healthcare cost trend rates.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

*Information for the periods prior to implementation of GASB 75 is unavailable and will be complete for each year going forward as data becomes available.

FRONTIER CENTRAL SCHOOL DISTRICT

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)
For the Year Ended June 30:**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability/asset	0.034697%	0.033061%	0.0308474%	0.0295116%	0.0300213%	0.029693%	0.029957%	0.028875%	0.030700%	0.031920%
Proportionate share of the net pension liability/(asset)	\$ 5,949	\$ 4,868	\$ 6,615	\$ (2,412)	\$ 30	\$ 7,863	\$ 2,123	\$ 932	\$ 2,885	\$ 5,123
Covered-employee payroll	\$ 14,195	\$ 13,515	\$ 12,038	\$ 10,538	\$ 10,303	\$ 10,428	\$ 10,152	\$ 9,946	\$ 9,321	\$ 9,448
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>41.9%</u>	<u>36.0%</u>	<u>55.0%</u>	<u>-22.9%</u>	<u>0.3%</u>	<u>75.4%</u>	<u>20.9%</u>	<u>9.4%</u>	<u>31.0%</u>	<u>54.2%</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>93.08%</u>	<u>93.88%</u>	<u>90.78%</u>	<u>103.70%</u>	<u>99.90%</u>	<u>86.40%</u>	<u>96.30%</u>	<u>98.20%</u>	<u>94.70%</u>	<u>90.70%</u>

Last 10 Fiscal Years

	Last 10 Fiscal Years									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability/(asset)	0.021730%	0.217307%	0.221510%	0.211416%	0.208508%	0.206507%	0.204187%	0.202696%	0.200839%	0.201219%
Proportionate share of the net pension liability/(asset)	\$ (6,483)	\$ 2,485	\$ 4,251	\$ (36,636)	\$ 5,762	\$ (5,365)	\$ (3,692)	\$ (1,541)	\$ 2,151	\$ (20,900)
Covered-employee payroll	\$ 41,495	\$ 40,688	\$ 40,439	\$ 38,138	\$ 35,390	\$ 34,720	\$ 33,607	\$ 32,120	\$ 30,991	\$ 30,226
Proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	<u>15.6%</u>	<u>6.1%</u>	<u>10.5%</u>	<u>-96.1%</u>	<u>16.3%</u>	<u>-15.5%</u>	<u>-11.0%</u>	<u>-4.8%</u>	<u>6.9%</u>	<u>-69.1%</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	<u>102.1%</u>	<u>99.2%</u>	<u>98.6%</u>	<u>113.2%</u>	<u>97.8%</u>	<u>102.2%</u>	<u>101.5%</u>	<u>100.7%</u>	<u>99.0%</u>	<u>110.5%</u>

FRONTIER CENTRAL SCHOOL DISTRICT

**Schedule of Contributions – Pension Plans (Unaudited)
For the Year Ended June 30:**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Contractually required contribution	\$ 2,013	\$ 1,538	\$ 1,203	\$ 1,687	\$ 1,516	\$ 1,547	\$ 1,482	\$ 1,433	\$ 1,548	\$ 1,642
Contributions in relation to the contractually required contribution	2,013	1,538	1,203	1,687	1,516	1,547	1,482	1,433	1,548	1,642
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 14,195	\$ 13,515	\$ 12,038	\$ 10,538	\$ 10,303	\$ 10,428	\$ 10,152	\$ 9,946	\$ 9,321	\$ 9,448
Contributions as a percentage of covered payroll	<u>14.18%</u>	<u>11.38%</u>	<u>9.99%</u>	<u>16.01%</u>	<u>14.71%</u>	<u>14.84%</u>	<u>14.60%</u>	<u>14.41%</u>	<u>16.61%</u>	<u>17.38%</u>

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 4,049	\$ 4,130	\$ 3,846	\$ 3,419	\$ 3,136	\$ 3,098	\$ 3,660	\$ 3,258	\$ 3,759	\$ 4,186
Contributions in relation to the contractually required contribution	4,049	4,130	3,846	3,419	3,136	3,098	3,660	3,258	3,759	4,186
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 41,495	\$ 40,688	\$ 40,439	\$ 38,138	\$ 35,390	\$ 34,720	\$ 33,607	\$ 32,120	\$ 30,991	\$ 30,226
Contributions as a percentage of covered payroll	<u>9.76%</u>	<u>10.15%</u>	<u>9.51%</u>	<u>8.96%</u>	<u>8.86%</u>	<u>8.92%</u>	<u>10.89%</u>	<u>10.14%</u>	<u>12.13%</u>	<u>13.85%</u>

OTHER INFORMATION (UNAUDITED)

FRONTIER CENTRAL SCHOOL DISTRICT

**Schedule of Change from Original Budget to Revised Budget and Schedule of Section 1318 of Real Property Tax Law Limit Calculation - General Fund (Unaudited)
For the Year Ended June 30, 2025**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget, 2024-2025	\$ 105,990,000
Add: Prior year's encumbrances	<u>611,696</u>
Original budget, 2024-2025	106,601,696
Budget revisions	<u>2,500,003</u>
Final budget, 2024-2025	<u>\$ 109,101,699</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2025-2026 voter-approved expenditure budget	\$ 111,969,264
Maximum allowed (4% of 2025-2026 budget)	<u>\$ 4,478,771</u>

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

Unrestricted fund balance:	
Assigned fund balance	\$ 2,019,298
Unassigned fund balance	<u>-</u>
Total unrestricted fund balance	<u>2,019,298</u>

Less:

Appropriated fund balance	1,557,515
Encumbrances included in assigned fund balance	<u>461,783</u>
Total adjustments	<u>\$ 2,019,298</u>

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

\$ -

Actual percentage

0.00%

FRONTIER CENTRAL SCHOOL DISTRICT

Schedule of Project Expenditures - Capital Projects Fund (Unaudited) For the Year Ended June 30, 2025

Project Title	Capital Expenditures					
	Original Appropriation	Revised Appropriation	Prior Year's Expenditures	Current Year Expenditures	Total Expenditures	Unexpended Balance
2018 Project	\$ 24,400,000	\$ 24,369,090	\$ 24,369,090	\$ -	\$ 24,369,090	\$ -
SOAR Project	70,116,550	70,116,541	40,404,821	7,306,952	47,711,773	22,404,768
Capital Outaly 24/25	100,000	100,000	-	99,998	99,998	2
Capital Outaly 23/24	100,000	100,000	100,000	-	100,000	-
Capital Outaly 22/23	100,000	100,000	87,161	-	87,161	12,839
Multi-Use Field	1,804,000	1,804,000	1,693,223	-	1,693,223	110,777
Smart Schools Bonds Act	3,056,630	3,047,687	3,047,687	-	3,047,687	-
Emergency Project - Bus Garage	374,648	29,250	29,250	-	29,250	-
Scoreboard Project	297,130	297,130	297,130	-	297,130	-
School Busses	1,463,590	1,463,590	491,000	985,697	1,476,697	(13,107)
	<u>\$ 101,812,548</u>	<u>\$ 101,427,288</u>	<u>\$ 70,519,362</u>	<u>\$ 8,392,647</u>	<u>\$ 78,912,009</u>	<u>\$ 22,515,279</u>

FRONTIER CENTRAL SCHOOL DISTRICT

Schedule of Net Investment in Capital Assets (Unaudited) June 30, 2025

Capital assets	\$ 128,062,341
Deduct:	
Bond anticipation notes payable	(53,853,716)
General obligation debt	(26,479,468)
Accounts payable for capital purposes	(1,241,099)
Lease liability	(13,085)
Retainage payable	<u>(26,620)</u>
Net investment in capital assets	<u>\$ 46,448,353</u>

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

November 10, 2025

To the Board of Education of the
Frontier Central 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 the Frontier Central School District, New York (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and question costs as item 2025-001, that we consider to be a material weakness.

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
(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances 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 2025-002.

District's Response to Findings

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

Purpose of this Report

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

Bonadio & Co., LLP

FRONTIER CENTRAL SCHOOL DISTRICT

Schedule of Findings and Responses June 30, 2025

Reference Number: 2025-001: Material Audit Adjustments Prior Year Finding 2024-001

Condition/Criteria: The financial statements for the year ended June 30, 2025 required material adjustments in order to be fairly presented in accordance with generally accepted accounting principles. In addition, restatements to the June 30, 2024 balance were necessary to conform to generally accepted accounting principles and are outlined in footnote 15 to the financial statements. The following funds had material adjustments resulting in increases (decreases) to fund balance as noted below –

- General: \$4,949,418, including audit adjustments of \$1,983,139
- Special aid: \$3,549,742
- Capital projects: \$133,617, including audit adjustments of \$1,235,052
- School lunch: \$(85,181), including audit adjustments of \$22,518
- Debt service: \$(1,243,206), all of which related to audit adjustments
- Miscellaneous special revenue: \$89,177, all of which related to audit adjustments
- Private purpose trust: \$20,259, all of which related to audit adjustments

Cause: A breakdown of controls related to the year end financial closing process led to the significant journal entries which needed to be recorded.

Effect: The District's accounting records did not accurately reflect the financial position of the District for the year ended June 30, 2025 and 2024; therefore, significant journal entries were needed to correct the fund level statements.

Recommendation: We recommend that the District ensure that regular, timely reconciliations of financial information on an ongoing basis and at year-end be performed to ensure that amounts reported within the District's accounting system are correct.

Management Response: The District is aware of the findings and is working hard to ensure the numbers are correctly reflected this year and going forward.

Reference Number: 2025-002: Budget Compliance - General Fund Expenditures Exceeding Appropriations

Condition/Criteria: For the fiscal year ended June 30, 2025, actual expenditures in the General Fund exceeded the legally adopted budget appropriations by \$2,668,250. The excess expenditures indicate that the District did not fully comply with New York State budgetary compliance requirements.

Cause: The overspending occurred due to inadequate budget monitoring and improper purchasing practices. The issuance of purchase orders after invoices were received prevented timely identification of potential budget overruns. Additionally, poor budgeting practices in prior years resulted in budget estimates that did not accurately reflect actual spending patterns. These conditions combined to cause expenditures to exceed appropriations.

(Continued)

Reference Number: 2025-002: Budget Compliance - General Fund Expenditures Exceeding Appropriations (Continued)

Effect: As a result of these conditions, the General Fund experienced overspending in several functions. This reduction in fund balance decreased the resources available to support the 2025–26 budget. Consequently, the District’s 2025–26 tax levy included an appropriation of fund balance that was not actually available for use. This could result in further budgetary strain and potential overspending in the upcoming fiscal year if corrective actions are not implemented. The condition represents noncompliance with New York State budgetary laws and demonstrates weaknesses in the District’s budgetary control environment.

Recommendation: We recommend that the District strengthen its budgetary control and purchasing processes. Specifically, all purchase orders should be issued and approved before goods or services are ordered to ensure that sufficient appropriations are available. The District should also enhance its budget development process to ensure that annual budgets are accurate and complete, reflecting true historical spending and anticipated needs. Ongoing monitoring throughout the fiscal year should be performed to identify and address potential over-expenditures in a timely manner through Board-approved budget transfers or amendments, or spending restrictions.

Management Response: District management concurs with the finding. The District will reinforce purchasing procedures to ensure purchase orders are created prior to incurring obligations and that budget availability is verified before commitments are made. Management also recognizes the need for improved budget accuracy and has begun implementing more detailed analyses of prior year spending patterns to develop realistic budget estimates. Enhanced monthly budget monitoring will be performed by the Business Office, and any necessary budget amendments will be presented to the Board of Education promptly to ensure compliance and fiscal stability.

FRONTIER CENTRAL SCHOOL DISTRICT

**Communication of Matters Related to Internal Control
Over Financial Reporting and Other Matters
June 30, 2025**

November 10, 2025

To the Board of Education of the
Frontier Central School District:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frontier Central School District (the District) as of and for the year ended June 30, 2025, in accordance with the auditing standards generally accepted in the United States of America, we considered the District's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. The material weaknesses we identified are included in this report.

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.

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

171 Sully's Trail
Pittsford, NY 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

Bonadio & Co., LLP

FRONTIER CENTRAL SCHOOL DISTRICT

Communication of Matters Related to Internal Control over Financial Reporting and Other Matters

June 30, 2025

DEFICIENCIES IN INTERNAL CONTROL

The following items are considered material weaknesses:

1. MATERIAL AUDIT ADJUSTMENTS

Observation

In connection with the current year audit, we identified misstatements in the District's June 30, 2024 audited financial statements which required a restatement of the July 1, 2024 opening fund balance and net position of the District. The restatements related to the following areas:

- Capital Projects Fund – The District incurred expenditures totaling \$875,000 related to Phase 3 of the SOAR project that related to the District's June 30, 2024 year-end but were not paid until subsequent to year-end.
- General Fund/Governmental Activities – The District provides longevity incentives to employees that are used to fund future healthcare costs in retirement for eligible employees. The annual expenditures/expenses were not recorded for fiscal 2025 and the recorded liability was incorrectly stated as of June 30, 2024.
- Special Aid Fund/General Fund – certain amounts recorded as accounts receivable had not been adjusted for several years and therefore was overstated as of June 30, 2024.
- Governmental Activities – amounts reported for the District's leasing activities related to one-time BOCES purchases in prior years had not been properly recognized as of June 30, 2024.
- Capital Projects/Debt Service – the District issued a Bond Anticipation Note in the current year that was not posted correctly. The liability in the capital projects fund was not reduced for the payment made through redemption from appropriations. Additionally, the premium on the issuance was not properly recognized in the debt service fund.

In addition to the material prior period restatements noted above and referenced as finding 2025-001 in the financial statements, a significant number of other material audit entries and reclassifications were needed to ensure accurate reporting of the financial information. Entries were necessary in multiple funds and across many of the District's accounts.

Recommendation

The District is ultimately responsible for the reporting and recording of transactions throughout the year and in connection with the annual financial statements. Appropriate steps were not taken in prior years and during the current year to ensure that the District's books and records were completely reconciled and reflective of the financial activity which occurred. We recommend that the District establish a quarterly closing checklist to ensure that, throughout the year, the necessary entries are being made to reflect the most accurate information. Additionally, a year-end checklist be created to ensure that proper year-end entries are booked and to check for certain scenarios that may have occurred during the year to see if the entries were booked properly.

2. GENERAL FUND OVERSPENDING

Observation

During the 2025 school year, the District overspent its general fund budget by \$2.6m, which was after a mid-year budget revision which increased the general fund budget by \$2.5m. Part of this overspending was a result of purchases being made prior to purchase orders being prepared and approved. As a result, spending was not monitored appropriately. Poor budgeting practices in prior years led to inaccurately budgeted figures which did not reflect true spending. In addition, the overspending resulted in insufficient unassigned fund balance to be used to appropriate for the 2025/26 budget. As a result, the District's tax levy anticipated the use of fund balance that was not actually available to be appropriated and could result in additional overspending in upcoming fiscal year.

Recommendation

District leadership needs to ensure that budgets are accurate and complete. We recommend that the District strengthen its budgetary control and purchasing processes. Specifically, all purchase orders should be issued and approved before goods or services are ordered to ensure that sufficient appropriations are available. The District should also enhance its budget development process to ensure that annual budgets are accurate and complete, reflecting true historical spending and anticipated needs. Ongoing monitoring throughout the fiscal year should be performed to identify and address potential over-expenditures in a timely manner through Board-approved budget transfers or amendments, or spending reductions.

The following items are considered to be control deficiencies:

3. DEBT SERVICE FUND

Observation

The District has outstanding debt for which funds have been placed in the debt service fund in prior years. The debt service fund is a special revenue fund that is restricted for the accumulation of resources to be used to service outstanding debt. The balance in this fund has steadily increased over the past several years in part due to premiums on bond anticipation notes, and primarily from interest earned on invested balances and has not been used to offset or fund principal payments made by the District. In addition, during 2025 a prior period restatement was necessary to recognize the interest earned on the debt service investments which was erroneously transferred to the general fund and used to fund reserves.

Recommendation

The District need to identify what debt issuances were the source of the invested balance in the debt service fund. We recommend that the District work with its bond counsel or financial advisors to determine if these funds can legally be released to the general fund as a result of prior debt payments made, or if the funds remain legally restricted for future debt service. Budgetarily, as debt payments are made, these funds should be utilized to satisfy those obligations and not used simply accumulate resources outside of the general fund.

4. CAPITAL PROJECT ACCOUNTING

Observation

The District's capital projects fund includes several projects which have not had activity in several years. This is likely a result of those projects having been completed in a prior period. Additionally, the New York State Education Department requires the District provide a Schedule of Project Expenditures which is included in the external financial statements and included in the ST-3. This schedule, while included in the external financial statements does not meet the format outlined by the Department of Education.

Recommendation

Those projects are likely fully completed and as a result a full project accounting should have been performed. Project accounting would include closing out the capital project formally at the Board level and ensuring that any excess funds be returned to the original source. If the original source was from the general fund, then those funds should be returned to the general fund. If the original source was issued debt, then any excess funds should be used to pay down any outstanding debt, or refunded to the general fund if the debt was paid with operating funds. Any capital project deficits should be closed out by transferring those excess costs to the general fund and charging those project overruns against the general fund. In addition, the District should perform the necessary steps to ensure the Schedule of Project Expenditures is properly completed and filed on an annual basis. Doing so would help identify the exact make-up of the Capital Project Fund's actual ending fund balance on an annual basis.

5. CAPITAL ASSET TRACKING

Observation

The District pays for software contracted through the Erie BOCES to track capital assets of the District and to calculate annual depreciation. The list is necessary to ensure that reporting in the annual financial statements is accurate and can also be used to assist in supporting asset valuations for insurance purposes. During our audit we noted that the District also maintain an independent spreadsheet to track and calculate the same information and that the two methods do not reconcile to each other. Material audit adjustments were necessary to correct the reported balance of capital assets.

Recommendation

The District needs to evaluate the best method for tracking the capital asset activity and to either discontinue paying for software it is not using, or to ensure that the necessary information is provided and updated to use the software to its fullest extent.

November 7, 2025

To the Board of Education of the
Frontier Central School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frontier Central School District (the District) for the year ended June 30, 2025. 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 January 28, 2025. 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 the District are described in Note 2 to the financial statements.

The District adopted GASB Statement No. 101, Compensated Absences. Statement No. 101 enhanced and modified the accounting and financial reporting requirements for the compensated absences. The change was recorded in the current year.

We noted no transactions entered into by the 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 expense is based on the assignment of useful lives for each asset acquired or constructed by the District.***
- ***Management's estimate of the net pension liability and related deferred inflows/outflows of resources is based on actuarial assumptions utilized by an actuary applied to the pension plans' census information.***

171 Sully's Trail
Pittsford, NY 14534
p (585) 381-1000
f (585) 381-3131

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- ***Management's estimate of the total other postemployment benefits liability and related deferred inflows/outflows is based on an actuarial calculation from a third-party actuary.***
- ***Management's estimate of the value of compensated absences is based on the pay rates in effect at year-end multiplied by the estimated accumulated compensated absences to be used or paid out.***

We evaluated the methods, assumptions, and data used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- ***The disclosure of the District's pension plans in the financial statements describes the plans and the related pension asset or liability along with the deferred inflows/outflows of resources.***
- ***The disclosure of the District's total other postemployment benefits liability in the financial statements describes the obligation the district has at year-end.***

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

Difficulties Encountered in Performing the Audit

During our initial audit, we identified issues with the District's opening audited fund balance and net position, and as a result had to book several restatements to ensure that the ending amounts for June 30, 2025 were accurate. In addition, we identified several current year adjustments that were necessary to properly state the District's financial statements. As a result, the audit took considerably more time than anticipated.

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.

The misstatements identified during the audit, and corrected by management are displayed on Exhibit A.

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 the same as our audit report.

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 the 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 the 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.

Other Matters

We applied certain limited procedures to the management discussion and analysis, schedule of revenue, expenditures, and changes in fund balance – budget and actual – general fund, the schedule of proportionate share of net pension liability (asset), schedule of contributions – pension plans, and the schedule of changes in the total OPEB liability and related ratios, 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 the combining balance sheet - nonmajor governmental funds, combining statement of revenue, expenditures, and changes in fund balance - nonmajor governmental funds, and schedule of expenditures of federal awards, 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.

We were not engaged to report on the schedule of change from original budget to revised budget and schedule of section 1318 of real property tax law limit calculation - general fund, schedule of project expenditures - capital projects fund, or schedule of net investment in capital assets, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information, and we do not express an opinion or provide any assurance on it.

Restriction on Use

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

**Summary of Audit Adjustments
For the Year Ended June 30, 2025**

General Fund

Change in fund balance - unaudited	\$ (7,855,351)
Client adjustments:	
To record additional closing entries not available at time of audit	61,648
To record entries related to special aid fund	(287,229)
To adjust accounts payable	(35,747)
To reallocate FICA	(144,785)
To record health insurance paid for other fund	69,220
To record sales tax receivable from Erie County	1,074,049
To record accrued excess cost	898,352
To record BOCES receivable	1,420,695
To record accrued wages	(94,262)
Audit adjustments:	
To correct the sales tax receivable	(113,711)
To correct the Medicaid receivable	88,911
To reconcile state aid reporting for year-end	1,047,968
To correctly record the employee longevity incentive liability	(888,058)
To correctly record employee health contributions	1,098,168
To properly allocate NYCLASS interest	<u>749,861</u>
Change in fund balance - audited	<u>\$ (2,910,271)</u>

Capital Projects Fund

Change in fund balance - unaudited	\$ (5,871,197)
Client adjustments:	
To adjust accounts payable	(1,101,435)
Audit adjustments:	
To properly record BANs redeemed from appropriations	328,523
To adjust expenditures to be recorded in the correct year	874,571
To record additional accounts payable	(132,864)
To properly allocate NYCLASS interest	<u>164,822</u>
Change in fund balance - audited	<u>\$ (5,737,580)</u>

**Summary of Audit Adjustments
For the Year Ended June 30, 2025**

School Lunch Fund

Change in fund balance - unaudited	\$ (15,851)
Client adjustments:	
To adjust the health insurance expenditure	(69,220)
To accrue additional accounts payable	(635)
To record additional revenue	8,437
To adjust salary costs	(1,245)
Audit adjustments:	
To adjust beginning fund balance	(541)
To reconcile revenue reported to supporting documentation	<u>(21,977)</u>
Change in fund balance - audited	<u>\$ (101,032)</u>

Special Aid Fund

Change in fund balance - unaudited	\$ (3,549,742)
Client adjustments:	
To record summer transportation costs	(61,648)
To record various grant expenditures paid by general fund	(57,391)
To record general fund local share	344,480
To record year end receivable	140
To reallocate FICA	144,785
To record payables	(58,501)
To properly record year end receivable	<u>3,237,877</u>
Change in fund balance - audited	<u>\$ -</u>

**Summary of Audit Adjustments
For the Year Ended June 30, 2025**

Debt Service Fund

Change in fund balance - unaudited	1,697,334
Audit adjustments:	
To properly record premium on BANs issued	(328,523)
To properly allocate NYCLASS interest	<u>(914,683)</u>
Change in fund balance - audited	<u>\$ 454,128</u>

Miscellaneous Special Revenue Fund

Change in fund balance - unaudited	-
Audit adjustments:	
To properly record student activities	79,486
To properly record scholarship activity	<u>9,691</u>
Change in fund balance - audited	<u>\$ 89,177</u>

Private Purpose Trust Fund

Change in net position - unaudited	(20,259)
Audit adjustments:	
To move scholarship activity to special revenue fund	<u>20,259</u>
Change in net position- audited	<u>\$ -</u>

APPENDIX C

FORM OF DISCLOSURE UNDERTAKING

DISCLOSURE UNDERTAKING

This undertaking to provide notice of certain designated events (the “Disclosure Undertaking”) is executed and delivered by the Frontier Central School District, Erie County, New York (the “Issuer”) in connection with the issuance of its \$21,915,000 Bond Anticipation Notes, 2026A and \$1,465,000 Bond Anticipation Notes, 2026B or interests therein (such Note(s), including any interests therein, being collectively referred to herein as the “Security”). The Security has a stated maturity of 18 months or less. The Issuer hereby covenants and agrees as follows:

Section 1. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes (for the benefit of Security Holders) to provide (or cause to be provided either directly or through a dissemination agent) to EMMA (or any successor thereto) in an electronic format (as prescribed by the MSRB) in a timely manner (not in excess of ten business days after the occurrence of any such event) notice of any of the following events with respect to the Security:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Security, or other material events affecting the tax status of the Security;
- (7) Modifications to rights of Security Holders, if material;
- (8) Bond (or Note) calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Security, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer may choose to disseminate other information in addition to the information required as part of this Disclosure Undertaking. Such other information may be disseminated in any manner chosen by the Issuer. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated pursuant to this Disclosure Undertaking.

(c) The Issuer may choose to provide notice of the occurrence of certain other events, in addition to those listed in Section 1(a) above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 2. Definitions.

“EMMA” means Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

“MSRB” means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Undertaking.

“Purchaser” means the financial institution referred to in a certain Certificate of Determination that is being delivered by the Issuer in connection with the issuance of the Security.

“Rule 15c2-12” means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended through the date of this Disclosure Undertaking, including any official interpretations thereof.

“Security Holder” means any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Section 3. Remedies. If the Issuer fails to comply with any provision of this Disclosure Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Security Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Disclosure Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Disclosure Undertaking shall not constitute an event of default on the Security.

Section 4. Parties in Interest. This Disclosure Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Security Holders. No other person has any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any Security Holders, at any time while this Disclosure Undertaking is outstanding, the Issuer may enter into any amendments or changes to this Disclosure Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Security Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Disclosure Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. (a) This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

