

**BETHLEHEM CENTRAL SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2025**

BETHLEHEM CENTRAL SCHOOL DISTRICT

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BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Bethlehem Central School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Bethlehem 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Bethlehem Central School 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As noted in Note 8 to the financial statements, during the year ended June 30, 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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.

1.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-17, budgetary comparison information on pages 62-63, schedule of changes in total OPEB liability on page 64, schedules of proportionate share of net pension liability (asset) on page 65 and schedules of district contributions on page 66 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 Bethlehem Central School District's basic financial statements. The supplementary information on pages 67-69, is presented for purposes of additional analysis and is not a required part of the basic financial statements. These supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 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.

Mengel, Metzger, Bar & Co. LLP

Latham, NY
October 20, 2025

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

The Bethlehem Central School District (the District) presents the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

The Bethlehem Central School District ended its 2024-2025 fiscal year in an overall positive and healthy financial position. Instructional programs and support operations were able to adequately meet the needs of students, teachers, staff, and the community at large. While the District continues to address financial pressures outside of its direct control including staffing shortages for certain positions and inflationary pressure for goods and services, through careful management of financial resources and prudent planning, the District was able to successfully combat economic stressors while meeting performance measures.

Overall, the District's net position had a positive shift of \$9.2M between fiscal year end 2024 and 2025.

Operationally, District revenues were \$440,000 higher than budget driven in large part by increases in real property tax items.

The District's adopted property tax levy was in compliance with New York State's Property Tax Law and increased by approximately \$2.6M or 3.9%. Payment In Lieu of Tax revenue totaled \$4.5M which was consistent with previous years.

With regard to expenditures, the District recorded total expenditures that were \$4M less than budget, particularly in the areas of General Support (\$832K) Instructional Programming (\$2.0M), Transportation (\$793K), and Employee Benefits (\$403K). The District's expenditures relating to debt service were exactly in line with the budget.

The close out of the 2024-2025 operating budget yielded \$4.8M in surplus which allowed the District to increase its reserved fund balance. The District continues to maintain and invest in various reserves which now total \$29.7M, taking into consideration those appropriated reserves associated with the District's upcoming capital projects. These reserves provide the District with the necessary flexibility to offset future or unplanned expenditures to minimize the impact to real property tax payers. All reserves were established and funded within the appropriate statutory requirements with additions or deletions specifically authorized by the Board of Education.

The District maintained an unassigned fund balance of \$6,854,050 or 5.88% of its 2025-2026 operating budget which is in excess of the parameters required by Real Property Tax Law.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts: Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, other supplementary information and the single audit section (under separate cover). The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as instruction and transportation were financed in the short-term as well as what remains for future spending.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

**Figure A-1
Major Features of the District-Wide and Fund Financial Statements**

| | <u>District-wide Statements</u> | <u>Governmental Funds Statements</u> |
|--|---|--|
| Scope | Entire District | The activities of the District that are not proprietary or fiduciary, such as regular and special education, transportation and building maintenance |
| Required financial statements | <ul style="list-style-type: none"> • Statement of net position • Statement of activities | <ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial focus |
| Type of asset/deferred outflows of resources/liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term | Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable |

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

DISTRICT-WIDE STATEMENTS

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are shown as Governmental activities. The District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).
- The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Figure A-2

Net Position

| | Governmental Activities | | Total Variance |
|---|--------------------------------|--------------------------|---------------------------|
| | 2025 | Restated 2024 | |
| <u>ASSETS:</u> | | | |
| Current and Other Assets | \$ 54,907,490 | \$ 53,331,499 | \$ 1,575,991 |
| Capital and Lease Assets | 174,828,662 | 172,667,835 | 2,160,827 |
| Total Assets | \$ 229,736,152 | \$ 225,999,334 | \$ 3,736,818 |
| <u>DEFERRED OUTFLOWS OF RESOURCES:</u> | | | |
| Deferred Outflows of Resources | \$ 43,876,810 | 48,375,386 | \$ (4,498,576) |
| <u>LIABILITIES:</u> | | | |
| Long-Term Debt Obligations | \$ 299,927,381 | 274,459,007 | \$ 25,468,374 |
| Other Liabilities | 10,180,800 | 37,000,720 | (26,819,920) |
| Total Liabilities | \$ 310,108,181 | \$ 311,459,727 | \$ (1,351,546) |
| <u>DEFERRED INFLOWS OF RESOURCES:</u> | | | |
| Deferred Inflows of Resources | \$ 80,604,658 | 89,251,197 | \$ (8,646,539) |
| <u>NET POSITION:</u> | | | |
| Net Investment in Capital and Lease Assets | \$ 118,954,932 | \$ 108,671,586 | \$ 10,283,346 |
| Restricted | 29,722,857 | 26,587,392 | 3,135,465 |
| Unrestricted | (265,777,666) | (261,595,180) | (4,182,486) |
| Total Net Position | \$ (117,099,877) | \$ (126,336,202) | \$ 9,236,325 |

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

Figure A-3

Changes in Net Position from Operating Results

| | Governmental Activities | | Total Variance |
|----------------------------------|--------------------------------|---------------------------------|---------------------------|
| | <u>2025</u> | <u>Restated 2024</u> | |
| <u>REVENUES:</u> | | | |
| <u>Program -</u> | | | |
| Charges for Service | \$ 1,845,438 | \$ 1,556,877 | \$ 288,561 |
| Operating Grants & Contributions | 2,883,135 | 6,340,616 | (3,457,481) |
| Capital Grants & Contributions | - | 30,000 | (30,000) |
| Total Program | \$ 4,728,573 | \$ 7,927,493 | \$ (3,198,920) |
| <u>General -</u> | | | |
| Property Taxes | \$ 77,648,910 | \$ 74,655,456 | \$ 2,993,454 |
| State and Federal Aid | 34,038,627 | 30,717,047 | 3,321,580 |
| Investment Earnings | 2,370,179 | 3,452,505 | (1,082,326) |
| Compensation for Loss | 283,160 | 179,153 | 104,007 |
| Miscellaneous | 846,531 | 1,233,061 | (386,530) |
| Total General | \$ 115,187,407 | \$ 110,237,222 | \$ 4,950,185 |
| TOTAL REVENUES | \$ 119,915,980 | \$ 118,164,715 | \$ 1,751,265 |
| <u>EXPENSES:</u> | | | |
| General Support | \$ 11,462,357 | \$ 11,001,246 | \$ 461,111 |
| Instruction | 85,558,519 | 86,958,969 | (1,400,450) |
| Pupil Transportation | 9,612,740 | 9,250,734 | 362,006 |
| Community Services | 76,323 | 74,690 | 1,633 |
| Capital Outlay | 168,901 | 26,677 | 142,224 |
| School Lunch | 2,073,044 | 1,908,720 | 164,324 |
| Interest | 1,727,771 | 2,176,712 | (448,941) |
| TOTAL EXPENSES | \$ 110,679,655 | \$ 111,397,748 | \$ (718,093) |
| CHANGE IN NET POSITION | \$ 9,236,325 | \$ 6,766,967 | |
| NET POSITION, BEGINNING | (126,336,202) | (133,103,169) | |
| NET POSITION, END OF YEAR | \$ (117,099,877) | \$ (126,336,202) | |

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

Figure A-4 – Sources of Revenue for Fiscal Year 2025

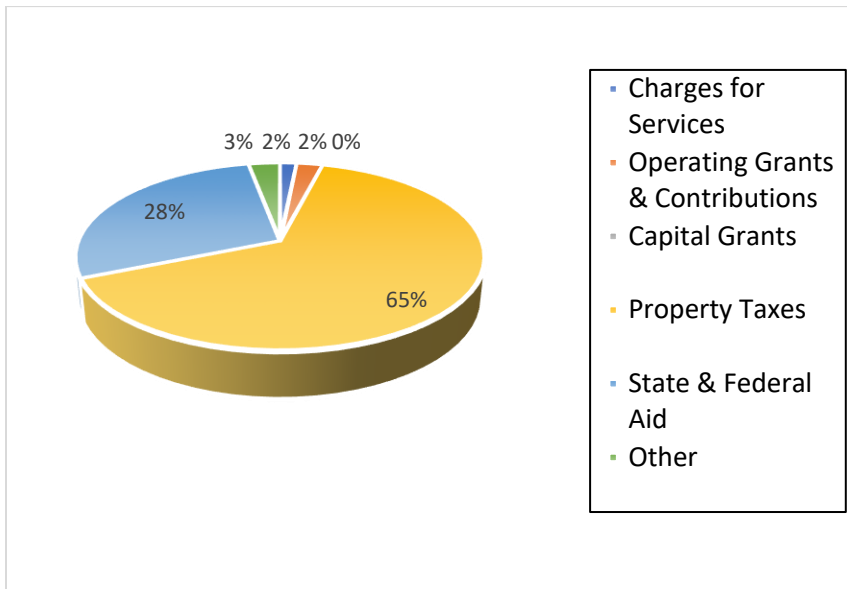
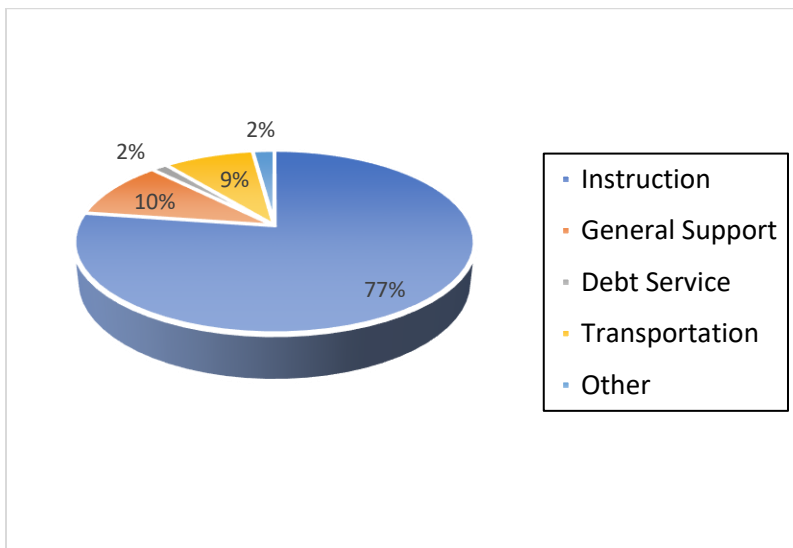


Figure A-5 – Expenses for Fiscal Year 2025



**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

Financial Analysis of the District's Funds

Total Governmental Funds

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> |
|--|-----------------------------|-----------------------------|
| Total Assets and Deferred Outflows | \$ 49,993,124 | \$ 70,320,957 |
| Total Liabilities and Deferred Inflows | \$ 13,665,329 | \$ 53,656,765 |
| Fund Equity | | |
| Nonspendable | \$ 193,099 | \$ 80,714 |
| Restricted | 29,722,857 | 26,587,392 |
| Assigned | 1,209,508 | 353,636 |
| Unassigned (Deficit) | 5,202,331 | (10,357,550) |
| Total Fund Equity (Deficit) | <u>\$ 36,327,795</u> | <u>\$ 16,664,192</u> |

The following is a summary of the fund balances (accumulated deficits) for the years ended June 30, 2025 and June 30, 2024 by individual fund:

| | <u>Fund Equity (Deficit) 2025</u> | <u>Fund Equity (Deficit) 2024</u> | <u>Increase (Decrease)</u> |
|------------------|--|--|---------------------------------------|
| General | \$ 35,440,677 | \$ 29,865,299 | \$ 5,575,378 |
| School Lunch | 40,863 | 41,094 | (231) |
| Special Aid | - | - | - |
| Capital Projects | (1,618,647) | (14,876,833) | 13,258,186 |
| Debt Service | 2,464,902 | 1,634,632 | 830,270 |
| Totals | <u>\$ 36,327,795</u> | <u>\$ 16,664,192</u> | <u>\$ 19,663,603</u> |

The following is a summary of General Fund revenues for the years ended June 30, 2025 and 2024:

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> | <u>Increase (Decrease)</u> |
|---------------------------|-----------------------------|-----------------------------|---------------------------------------|
| Taxes and Other Tax Items | \$ 77,648,910 | \$ 74,655,456 | \$ 2,993,454 |
| Use of Money and Property | 2,227,631 | 2,978,893 | (751,262) |
| State and Federal Sources | 32,303,308 | 30,460,481 | 1,842,827 |
| Other | 1,813,294 | 1,546,788 | 266,506 |
| Totals | <u>\$ 113,993,143</u> | <u>\$ 109,641,618</u> | <u>\$ 4,351,525</u> |

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

Financial Analysis of the District's Funds

The following is a summary of General Fund expenditures for the years ended June 30, 2025 and 2024:

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> | <u>Increase (Decrease)</u> |
|----------------------|----------------------------------|----------------------------------|---------------------------------------|
| General Support | \$ 8,513,826 | \$ 8,202,021 | \$ 311,805 |
| Instruction | 55,844,135 | 54,299,241 | 1,544,894 |
| Pupil Transportation | 5,674,645 | 5,443,669 | 230,976 |
| Community Service | 76,323 | 74,690 | 1,633 |
| Employee Benefits | 28,453,214 | 26,006,744 | 2,446,470 |
| Debt Service | <u>10,675,529</u> | <u>7,673,482</u> | <u>3,002,047</u> |
| Totals | <u><u>\$ 109,237,672</u></u> | <u><u>\$ 101,699,847</u></u> | <u><u>\$ 7,537,825</u></u> |

The overall 7.4% increase in general fund expenditures was driven by normal operating increases in instruction, employee benefit, and debt service cost centers.

The difference between the General Fund's original budget and final amended budget was \$353,984 with \$342,442 for carry over encumbrances and \$11,542 for various donations. There were sufficient revenues and fund equity available to cover the budget amendments.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2025, the District had invested \$175 million, net of accumulated depreciation, in school buildings, buses and other vehicles and equipment.

| | <u>2025</u> | <u>2024</u> |
|-------------------------------|------------------------------|------------------------------|
| <u>Capital Assets:</u> | | |
| Land | \$ 246,072 | \$ 246,072 |
| Work in Progress | - | 34,223,074 |
| Land Improvements | 577,489 | 623,440 |
| Buildings and Improvements | 167,603,268 | 129,579,745 |
| Vehicles | 3,716,225 | 4,892,370 |
| Machinery and Equipment | <u>2,541,149</u> | <u>2,834,807</u> |
| Total Capital Assets | <u><u>\$ 174,684,203</u></u> | <u><u>\$ 172,399,508</u></u> |
| <u>Lease Assets:</u> | | |
| Equipment | <u>144,459</u> | <u>268,327</u> |
| Grand Total | <u><u>\$ 174,828,662</u></u> | <u><u>\$ 172,667,835</u></u> |

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

Obligations

The District had long-term debt including serial bonds and an energy performance contract outstanding as of June 30, 2025 and 2024 as follows:

| <u>Type</u> | <u>2025</u> | <u>Restated 2024</u> |
|-------------------------------------|-----------------------|--------------------------|
| Serial Bonds | \$ 48,920,000 | \$ 31,490,000 |
| Unamortized premiums | 3,029,204 | 1,823,120 |
| Less: Unamortized loss on refunding | (17,420) | (24,860) |
| Installment Purchase Debt - EPC | 2,294,031 | 2,581,472 |
| Lease Liability | - | 147,917 |
| Retainage Payable | - | 1,045,625 |
| OPEB | 234,034,395 | 223,934,218 |
| Net Pension Liability | 7,364,751 | 9,100,155 |
| Worker's Compensation | 800,000 | 780,000 |
| Compensated Absences | 3,485,000 | 3,556,500 |
| Total Long-Term Obligations | \$ 299,909,961 | \$ 274,434,147 |

The District's current bond rating as stated by Standard & Poor's Rating Service is AA.

The District currently has \$2 million of authorized, but unissued, debt for building improvement projects currently underway.

Section 104.00 of the Local Finance Law limits the amount of general obligation debt that a school district may issue to 10 percent of its total assessed valuation. The outstanding general obligations of the District were well below the current debt limit of \$366 million for the District.

Notes to the Financial Statements

The notes provide additional information that is essential to achieving a full understanding of the data provided in the District-wide and fund financial statements.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information (supplementary schedules)

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

Factors Bearing on the District's Future

The Bethlehem Central School District (BCSD) ended the 2024-2025 fiscal year in a positive financial position. Through thoughtful and prudent management of resources over the course of the year, the District was able to add to its reserves and overall fund balance. The District's internal forecasting models point to relative stability moving forward, although the use of undesignated fund balance may be required to balance future budgets and to offset expenditure increases outside of the District's direct control such as health and pharmaceutical insurance costs and inflationary increase in goods and services. These known cost pressures are taken into consideration along with other circumstances and scenarios that could affect the District's financial health moving forward.

State Aid

One challenge facing the District, along with many of the 730+ school districts throughout New York State, is the ongoing dependence on State funding to offset instructional and operational costs. Changes in the State's economy, or other changes at the State level that impact the manner in which State Aid is calculated and paid, could influence the finances of the District. Outside of local tax levy dollars, State Aid represented the second largest source of revenue for the BCSD. A change in State Aid allocations, either positive or negative, will have a similar, corresponding impact on the District.

The BCSD has been keeping a watchful eye on how changes in federal funding may impact states and other municipal governments including school districts. During the course of the 25-26 budget process, the Business Office provided timely updates and information to the Board of Education on the potential changes in US Department of Education's funding allocations, specifically Title Grants and Special Education funding, and how those funding changes would impact the District programmatically and financially. Annually, the District receives approximately \$1.4M in federal funding which, if decreased or eliminated, would have to be either absorbed by the general fund or would require the District to decrease services provided to the school community.

Fortunately, as of this writing, the District has not yet experienced decreases in federal Title funding or Special Education funding. However, there is concern that the provisions within the One Big Beautiful Bill Act may decrease overall federal funding, outside of just education funding, to states. As an example, decreases in federal funding for Medicaid, which is a significant cost driver for New York State, may require the Governor and Legislature to consider cuts or reductions in other State programs and funding streams, including State Education Aid, to offset the loss of federal Medicaid funding. The impact of federal changes has yet to be fully understood or realized and may require strategic financial and programmatic decisions for the current fiscal year and future budget cycles.

The Business Office will continue to carefully monitor developments with regard to this matter and advise the Superintendent, the Board of Education, and the public of any changes which may impact the current and future finances of the District.

Payment in Lieu of Taxes Agreements (PILOTs)

In February 2025, the Town of Bethlehem's Industrial Development Agency (IDA) approved a third amendment and extension of a Payment in Lieu of Taxes Agreement (PILOT) with GB II New York, LLC (formerly PSEG Power of New York, Inc.) which was originally set to expire at the end of calendar year 2023. Under the February 2025 amendment and extension, the terms and conditions of the original PILOT agreement were maintained and the payment schedule was extended for the

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
AND ANALYSIS (UNAUDITED)
JUNE 30, 2025**

BCSD for one additional year. As such, the District was able to budget for \$3,676,895 for the 2025-2026 school year.

The IDA was open to considering the amendment and extension given that GB II New York, LLC was actively negotiating a new PILOT agreement which would provide continued investment within the Bethlehem community and revenue to the various taxing jurisdictions within the Town. While negotiations are presently ongoing, it is anticipated that the IDA will approve the new PILOT agreement during the Fall of 2025 securing ongoing and relatively stable PILOT revenue for the District. The PILOT proposal, which has a twelve year term, calls for a slight increase in revenue for the first two years of the agreement before decreasing in clear and predetermined amounts for the remainder of the term. Under the proposal, there is a possibility that the District will receive even greater revenue if GB II New York LLC invests in plant upgrades and expansion. This new agreement will provide a known and reliable revenue stream for the District translating to greater stability for financial projections and forecasts.

Federal Interest Rates

Over the past several budget cycles and fiscal years, the Business Office has taken a number of proactive steps to maximize interest and earnings revenue to offset operational costs and balance the budget. For the 24-25 fiscal year, the District recorded approximately \$2.0M in interest earnings for the general fund. Through prudent management of investment mechanisms, interest earnings have become an important revenue stream.

The 25-26 budget assumed a conservative revenue estimate that was less than what was earned in 24-25 taking into account the potential for changes in the Federal Funds Rate. The District will be able to absorb the recent 25 basis point reduction approved by the Federal Reserve Board of Governors in September 2025 and may be able to absorb an additional reduction of the same size and scope. If the Federal Reserve Board were to take more significant action regarding interest rates, the District may experience interest earnings that fall below budget projections. The Business Office will provide strategies to decision makers on how to address loss of interest income should that situation occur.

Library Capital Project

During the 24-25 fiscal year, the Bethlehem Public Library authorized the Bethlehem Central School District to call a special election on December 12, 2024 to consider a ballot proposition for a \$37 million capital project specifically benefiting the Library. This project included significant renovations of the existing public library property and building as well as the construction of additions to provide for community meeting space.

The District was uniquely involved with this project given that the Bethlehem Public Library is chartered as a school district library. The District has title to the Library building and the parcel upon which it sits. As such, the school district is involved with administrative and ministerial functions of the process such as calling for and holding the special election. Moreover, given this relationship, the District is responsible for issuing debt on the Library's behalf to finance such a project. The Library would pay the District for any and all principal and interest costs associated with that issuance.

Ultimately, the voters rejected the Library's capital project last December. As such, the District does not anticipate any changes regarding its long term debt position in the immediate future as it relates to the Library. The Library and its Board of Trustees may revisit capital project needs for a future

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
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referendum. At present, the Library has not discussed a revised capital project scope publicly or with the District outside of small capital project elements (e.g. boiler replacement) financed with funding from the Library's operating budget.

Debt Issuance

In July 2025, the District issued \$23.1M in bonds to offset, in part, the \$40.7M 2021 Capital Project which was substantially complete and closed with the State Education Department in December 2024. The remaining balance of the capital project was financed with capital reserve funding and federal grant funds. The issuance of this long term debt replaced short term Bond Anticipation Notes that were issued while work on the project was underway. The District also issued its annual BAN for the replacement of student transportation vehicles in July 2025.

2025 Capital Project

The Board of Education is currently considering a new capital project, referred to as the 2025 Capital Project, containing 137 scope elements throughout the District including but not limited to elementary school classroom renovations, building envelope upgrades, replacement of boilers, safety and security upgrades, bathroom upgrades, and the installation of air conditioning in certain building locations to accommodate new standards found in New York State's recently enacted school temperature law.

The project is estimated to cost approximately \$58.6M and will be financed with both capital reserves and the issuance of debt. The District anticipates using \$16.6M in available funding from its 2022 Capital Reserve. The \$42.0M balance in funding will be financed with short term debt (BANs) in the first instance before being converted into long term debt. It is anticipated that the issuance of bonds for this project will take place at the same time that existing debt, of approximately the same initial value, will retire. The timing of the project and the issuance of debt will not negatively affect the District's budget development process and will keep appropriation authority for principal and interest payments stable.

With the use of capital reserve dollars coupled with State Building Aid based on the District's current State Building Aid ratio, the Business Office anticipates that this project will not impact taxpayers. The Board of Education is expected to authorize the 2025 Capital Project scope and cost at its October 8, 2025 meeting for consideration by the community as a Capital Project Referendum on December 2, 2025.

Universal Free Meals

As part of New York State's 2025-2026 Enacted Budget, all students throughout New York State, regardless of need, are now eligible for free breakfast and lunch at no cost to families over the course of the academic year. Leveraging current federal funding rates for free, reduced, and paid breakfast and lunch, New York State will offset the shortfall of funding between federal reimbursement rates and the capped cost for providing those meals.

The 2025-2026 school year will be the BCSD's first exposure to Universal Free Meals since the pandemic. The impact to Food Service and the District's Food Service Fund is still being evaluated but is expected to be greater compared to the pandemic. Over the course of September 2025, the first month of the Program, breakfast and lunch counts were significantly higher which increased reimbursement revenue.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
MANAGEMENT DISCUSSION
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JUNE 30, 2025**

The Business Office will monitor the Food Service Fund over the course of the budget year ensuring that sufficient funds exist for food products and supplies to accommodate increased volume along with revenue receipts from the federal and State governments. The District is optimistic that through wise management of the Universal Free Meals Program and increased State funding, the Food Service Fund will break even for the 25-26 school year. This would be a positive development given that the original budget for the Food Service Fund, which was prepared prior to the enactment of Universal Free Meals, called for a general fund subsidy of \$250,000 to balance its 25-26 budget.

Closing

The District will continue to monitor changes and developments impacting its budget and short and long term forecasting over the course of the 25-26 school year. The Business Office will provide timely updates to District Leadership, the Board of Education, and the community as needed and appropriate. While managing the District's financial plan is arguably more difficult this year and perhaps moving forward than it has been in recent past, the District remains in a comfortable position with available reserves and fund balance to manage financial disruptions for a fixed period of time.

Requests for Information

This financial report is designed to provide district residents, taxpayers, parents, students, investors 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 the following:

Bethlehem Central School District
Business Office
700 Delaware Avenue
Delmar, New York 12054
Or visit our website at <http://bethlehemschools.org>

BETHLEHEM CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2025

ASSETS

| | |
|--------------------------------------|------------------------------|
| Cash and cash equivalents | \$ 5,627,046 |
| Restricted cash and cash equivalents | 1,652,072 |
| Investments | 6,668,469 |
| Restricted investments | 29,697,786 |
| Accounts receivable | 5,200,156 |
| Inventories | 20,761 |
| Prepaid items | 172,338 |
| Net pension asset | 5,868,862 |
| Capital assets, net | 174,684,203 |
| Lease assets, net | 144,459 |
| TOTAL ASSETS | <u>\$ 229,736,152</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------|-----------------------------|
| Deferred outflows of resources | <u>\$ 43,876,810</u> |
|--------------------------------|-----------------------------|

LIABILITIES

| | |
|-------------------------------------|------------------------------|
| Accounts payable | \$ 1,259,330 |
| Accrued liabilities | 678,248 |
| Refundable advances | 79,346 |
| Due to other governments | 844 |
| Due to teachers' retirement system | 4,193,503 |
| Due to employees' retirement system | 669,542 |
| Bond anticipation notes payable | 2,266,330 |
| Other liabilities | 1,033,657 |
| Long-Term Obligations: | |
| Due in one year | 8,831,475 |
| Due in more than one year | 291,095,906 |
| TOTAL LIABILITIES | <u>\$ 310,108,181</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------|-----------------------------|
| Deferred inflows of resources | <u>\$ 80,604,658</u> |
|-------------------------------|-----------------------------|

NET POSITION

| | |
|--|--------------------------------|
| Net investment in capital and lease assets | \$ 118,954,932 |
| Restricted | 29,722,857 |
| Unrestricted | (265,777,666) |
| TOTAL NET POSITION | <u>\$ (117,099,877)</u> |

**BETHLEHEM CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|---------------------------------|------------------------------|---------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| General support | \$ 11,462,357 | \$ - | \$ - | \$ - | \$ (11,462,357) |
| Instruction | 85,558,519 | 694,057 | 2,102,229 | - | (82,762,233) |
| Pupil transportation | 9,612,740 | - | - | - | (9,612,740) |
| Community services | 76,323 | - | - | - | (76,323) |
| School lunch | 2,073,044 | 1,151,381 | 780,906 | - | (140,757) |
| Capital outlay | 168,901 | - | - | - | (168,901) |
| Interest | 1,727,771 | - | - | - | (1,727,771) |
| Total Functions/Programs | <u>\$ 110,679,655</u> | <u>\$ 1,845,438</u> | <u>\$ 2,883,135</u> | <u>\$ -</u> | <u>\$ (105,951,082)</u> |

General Revenues:

| | |
|--|--------------------------------|
| Property taxes | \$ 77,648,910 |
| State and federal aid | 34,038,627 |
| Investment earnings | 2,370,179 |
| Sale of property and compensation for loss | 283,160 |
| Miscellaneous | 846,531 |
| Total General Revenues | <u>\$ 115,187,407</u> |
| Changes in Net Position | \$ 9,236,325 |
| Net Position, Beginning of Year, As Originally Reported | <u>(126,099,702)</u> |
| Cumulative Effect of Change in Accounting Principle (Note 8) | <u>(236,500)</u> |
| Net Position, Beginning of Year, As Restated | <u>(126,336,202)</u> |
| Net Position, End of Year | <u>\$ (117,099,877)</u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2025

| | General Fund | Special Aid Fund | School Lunch Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|--|-------------------------|---------------------------------|----------------------------------|----------------------------------|--------------------------------------|---|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 5,542,572 | \$ 11,130 | \$ 73,344 | \$ - | \$ - | \$ 5,627,046 |
| Restricted cash and cash equivalents | 1,033,657 | - | - | - | 618,415 | 1,652,072 |
| Investments | 6,668,469 | - | - | - | - | 6,668,469 |
| Restricted investments | 27,232,884 | - | - | 2,464,902 | - | 29,697,786 |
| Receivables | 4,220,240 | 922,315 | 57,601 | - | - | 5,200,156 |
| Inventories | - | - | 20,761 | - | - | 20,761 |
| Due from other funds | 900,607 | 24,621 | - | - | 29,268 | 954,496 |
| Prepaid items | 162,025 | 10,313 | - | - | - | 172,338 |
| TOTAL ASSETS | \$ 45,760,454 | \$ 968,379 | \$ 151,706 | \$ 2,464,902 | \$ 647,683 | \$ 49,993,124 |
| LIABILITIES AND FUND EQUITY (DEFICIENCY) | | | | | | |
| Liabilities - | | | | | | |
| Accounts payable | \$ 1,199,129 | \$ 37,583 | \$ 22,618 | \$ - | \$ - | \$ 1,259,330 |
| Accrued liabilities | 423,300 | 921 | 7,041 | - | - | 431,262 |
| Notes payable - bond anticipation notes | - | - | - | - | 2,266,330 | 2,266,330 |
| Due to other funds | 24,621 | 929,875 | - | - | - | 954,496 |
| Due to other governments | - | - | 844 | - | - | 844 |
| Due to TRS | 4,193,503 | - | - | - | - | 4,193,503 |
| Due to ERS | 668,548 | - | 994 | - | - | 669,542 |
| Other liabilities | 1,033,657 | - | - | - | - | 1,033,657 |
| Refundable advances | - | - | 79,346 | - | - | 79,346 |
| TOTAL LIABILITIES | \$ 7,542,758 | \$ 968,379 | \$ 110,843 | \$ - | \$ 2,266,330 | \$ 10,888,310 |
| Deferred Inflows - | | | | | | |
| Deferred inflows of resources | \$ 2,777,019 | \$ - | \$ - | \$ - | \$ - | \$ 2,777,019 |
| Fund Equity (Deficiency) - | | | | | | |
| Nonspendable | \$ 162,025 | \$ 10,313 | \$ 20,761 | \$ - | \$ - | \$ 193,099 |
| Restricted | 27,232,884 | - | 2,312 | 2,464,902 | 22,759 | 29,722,857 |
| Assigned | 1,191,718 | - | 17,790 | - | - | 1,209,508 |
| Unassigned | 6,854,050 | (10,313) | - | - | (1,641,406) | 5,202,331 |
| TOTAL FUND EQUITY (DEFICIENCY) | \$ 35,440,677 | \$ - | \$ 40,863 | \$ 2,464,902 | \$ (1,618,647) | \$ 36,327,795 |
| TOTAL LIABILITIES DEFERRED INFLOWS AND FUND EQUITY (DEFICIENCY) | \$ 45,760,454 | \$ 968,379 | \$ 151,706 | \$ 2,464,902 | \$ 647,683 | |

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

| | |
|--|-------------------------|
| Capital assets/lease assets used in governmental activities are not financial resources and therefore are not reported in the funds. | \$ 174,828,662 |
| Receivables expected to be collected after the availability period are reported as deferred inflows on fund basis, while those amounts are recorded as revenue on the full accrual basis | 2,777,019 |
| Interest is accrued on outstanding bonds in the statement of net position but not in the funds. | (246,986) |
| The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds: | |
| Serial bonds payable | (48,920,000) |
| OPEB | (234,034,395) |
| Compensated absences | (3,485,000) |
| Unamortized premium | (3,029,204) |
| Installment purchase debt | (2,294,031) |
| Workers' compensation claims | (800,000) |
| Net pension asset | 5,868,862 |
| Deferred outflow | 17,420 |
| Deferred outflow - pension | 18,163,842 |
| Deferred outflow - OPEB | 25,695,548 |
| Net pension liability | (7,364,751) |
| Deferred inflow - pension | (7,671,440) |
| Deferred inflow - OPEB | (72,933,218) |
| Net Position of Governmental Activities | \$ (117,099,877) |

BETHLEHEM CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Equity
Governmental Funds
For The Year Ended June 30, 2025

| | <u>General Fund</u> | <u>Special Aid Fund</u> | <u>School Lunch Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|---------------------------------|----------------------------------|----------------------------------|--------------------------------------|---|
| REVENUES | | | | | | |
| Real property taxes and tax items | \$ 77,648,910 | \$ - | \$ - | \$ - | \$ - | \$ 77,648,910 |
| Charges for services | 694,057 | - | - | - | - | 694,057 |
| Use of money and property | 2,227,631 | - | - | 43,731 | 98,817 | 2,370,179 |
| Sale of property and compensation for loss | 284,672 | - | - | - | - | 284,672 |
| Miscellaneous | 834,565 | - | 2,014 | - | - | 836,579 |
| State sources | 32,093,213 | 681,252 | 69,662 | - | - | 32,844,127 |
| Federal sources | 210,095 | 1,420,977 | 709,230 | - | - | 2,340,302 |
| Sales | - | - | 1,151,381 | - | - | 1,151,381 |
| TOTAL REVENUES | \$ 113,993,143 | \$ 2,102,229 | \$ 1,932,287 | \$ 43,731 | \$ 98,817 | \$ 118,170,207 |
| EXPENDITURES | | | | | | |
| General support | \$ 8,513,826 | \$ - | \$ - | \$ - | \$ - | \$ 8,513,826 |
| Instruction | 55,844,135 | 2,210,730 | - | - | - | 58,054,865 |
| Pupil transportation | 5,674,645 | 188,806 | - | - | - | 5,863,451 |
| Community services | 76,323 | - | - | - | - | 76,323 |
| Employee benefits | 28,453,214 | - | 289,103 | - | - | 28,742,317 |
| Debt service - principal | 7,085,634 | - | - | - | - | 7,085,634 |
| Debt service - interest | 3,589,895 | - | - | - | - | 3,589,895 |
| Cost of sales | - | - | 1,783,941 | - | - | 1,783,941 |
| Other expenses | - | - | 86,923 | - | - | 86,923 |
| Capital outlay | - | - | - | - | 10,749,194 | 10,749,194 |
| TOTAL EXPENDITURES | \$ 109,237,672 | \$ 2,399,536 | \$ 2,159,967 | \$ - | \$ 10,749,194 | \$ 124,546,369 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ 4,755,471 | \$ (297,307) | \$ (227,680) | \$ 43,731 | \$ (10,650,377) | \$ (6,376,162) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers - in | \$ 1,444,663 | \$ 297,307 | \$ 227,449 | \$ 1,287,557 | \$ 100,000 | \$ 3,356,976 |
| Transfers - out | (624,756) | - | - | (515,507) | (2,216,713) | (3,356,976) |
| Proceeds from obligations | - | - | - | - | 23,055,000 | 23,055,000 |
| BAN's redeemed from appropriations | - | - | - | - | 1,025,276 | 1,025,276 |
| Premium on bond anticipation notes | - | - | - | 11,966 | - | 11,966 |
| Premium on obligations issued | - | - | - | 2,523 | 1,945,000 | 1,947,523 |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ 819,907 | \$ 297,307 | \$ 227,449 | \$ 786,539 | \$ 23,908,563 | \$ 26,039,765 |
| NET CHANGE IN FUND EQUITY | \$ 5,575,378 | \$ - | \$ (231) | \$ 830,270 | \$ 13,258,186 | \$ 19,663,603 |
| FUND EQUITY, BEGINNING OF YEAR | 29,865,299 | - | 41,094 | 1,634,632 | (14,876,833) | 16,664,192 |
| FUND EQUITY, END OF YEAR | \$ 35,440,677 | \$ - | \$ 40,863 | \$ 2,464,902 | \$ (1,618,647) | \$ 36,327,795 |

See accompanying notes to financial statements.

BETHLEHEM CENTRAL SCHOOL DISTRICT
Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Equity of the Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2025

NET CHANGE IN FUND EQUITY -
TOTAL GOVERNMENTAL FUNDS

\$ 19,663,603

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

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

| | |
|---------------------------|--------------------|
| Capital Outlay | \$ 9,829,714 |
| Gain on Disposal | (1,512) |
| Additions to Lease Assets | 63,697 |
| Amortization | (187,565) |
| Depreciation | <u>(7,543,507)</u> |

2,160,827

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

| | |
|-------------------------------|----------------|
| Debt Payments | \$ 6,937,717 |
| Proceeds from Bond Issuance | (23,055,000) |
| Proceeds from BAN Redemption | (1,025,276) |
| Amortization of Bond Premium | 741,439 |
| Amortization of Deferred Loss | (7,440) |
| Proceeds from Bond Premium | (1,947,523) |
| Lease Payments | <u>147,917</u> |

(18,208,166)

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

1,128,125

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

1,735,319

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

1,045,625

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

391,183

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

| | |
|------------------------------|---------|
| Teachers' Retirement System | 559,239 |
| Employees' Retirement System | 709,070 |

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

| | |
|------------------------------|-----------------|
| Compensated Absences | \$ 71,500 |
| Workers' Compensation Claims | <u>(20,000)</u> |

51,500

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 9,236,325

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Bethlehem Central School District ("the District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standards-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB. 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 review of an entity included in the District's reporting entity:

GASB Statement 84, Fiduciary Activities, provided clearer guidance on identifying fiduciary activities for accounting and reporting purposes. As a result of applying this guidance and due to the administrative involvement defined in footnote 1 to paragraph 8b of GASB 84, the District accounts for these student organization funds within the General Fund.

The Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions, and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office, located at 700 Delaware Ave, Delmar, NY.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Joint Venture

The District is a component district of the Capital Region Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share 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 Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

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

During the year ended June 30, 2025, Bethlehem Central School District was billed \$5,381,498 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,859,210. Financial statements for the BOCES are available from the BOCES administrative office.

C. Basis of Presentation

District-wide statements

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

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Employee benefits were charged to governmental functions as follows:

| | |
|-----------------------------|---------------------------------|
| General Support | \$ 2,904,568 |
| Instruction | 21,680,578 |
| Pupil Transportation | <u>2,435,874</u> |
| Total Employee Benefits | <u><u>\$ 27,021,020</u></u> |

See Note 2.A.IV for allocation of depreciation.

Fund statements

The funds statements provide information about the District's funds. The governmental fund statements present all governmental funds, each displayed in a separate column.

The District reports the following governmental funds:

I. Governmental Funds

Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds.

The 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.

Special Revenue Funds

Used to account for the proceeds of special revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Special revenue funds include the following funds:

a. Special Aid Fund

Used to account for special operating projects or programs supported in whole, or in part, with Federal funds or State or Local grants.

b. School Lunch Fund

This fund is used to account for transactions of the District's lunch and breakfast programs.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Fund statements

I. Governmental Funds

Debt Service Fund

This fund accounts for the accumulation of resources for the future payment of principal and interest on long-term general obligations debt of governmental activities.

Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources, to be used for the acquisition, construction or renovation of major capital facilities or equipment or the right-to-use capital facilities and other capital and intangible assets.

D. Measurement Focus and Basis of Accounting

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

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

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, 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.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Measurement Focus and Basis of Accounting

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 they are collected within 60 days after the end of the fiscal year.

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

E. Refundable Advances

Refundable advances arise when resources are received by the District before it has a legal claim to them, as when monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for refundable advances is removed and revenue is recognized.

F. Property Taxes

Real property taxes were levied by the Board of Education August 14, 2024. Taxes are collected during the period September 1 through October 31.

Uncollected real property taxes are subsequently enforced by the County of Albany, in which the District is located. An amount representing uncollected real property taxes, transmitted to Albany County for enforcement, is paid by the County to the District the following April.

G. Budgetary Procedures and Budgetary Accounting

I. Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Budgetary Procedures and Budgetary Accounting

I. Budgets

restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year:

From Additional Revenues:

| | |
|------------------------------------|------------------|
| Expenses associated with donations | \$ 11,542 |
| Total Supplemental Appropriations | <u>\$ 11,542</u> |

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

Budgets are established and used for individual capital 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.

The District is not required to formally adopt annual budgets for its special revenue funds. Accordingly, although the School Lunch Fund does have a management approved budget and each special aid fund project follows an approved project budget, no statement of budget and actual revenues and expenditures is presented for the special revenue funds.

II. Encumbrances

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

H. 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 date of acquisition. The District investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Cash and Investments

Collateral is required for demand and time deposits 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. Investments, if any, are stated at fair value.

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

I. 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.

J. Inventories and Prepaid Items

Inventories of food and 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.

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

A portion of the fund equity in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures if fund equity is available to reserve.

K. Interfund Transactions

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

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Interfund Transactions

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 2.A.III. for a detailed disclosure, by individual fund, of interfund receivables, payables, expenditures and revenues activity.

L. Equity Classifications

Net Position Flow Assumption:

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

Fund Equity Flow Assumption:

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

Order and Use of Fund Equity:

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

District-wide statements:

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

Net investment in capital and lease assets - consists of net capital assets (cost less accumulated depreciation) and net lease assets (cost less accumulated amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets, lease liabilities and retainage payable.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

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

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

Fund Statements:

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

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund equity includes the following:

| | <u>Total</u> |
|---------------------------------------|--------------------------|
| Inventory in School Lunch | \$ 20,761 |
| Prepaid Items in General Fund | 162,025 |
| Prepaid Items in Special Aid Fund | 10,313 |
| Total Nonspendable Fund Equity | <u>\$ 193,099</u> |

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

Reserve for Debt Service

The restricted funds are used to account for the advanced refunding of debt and unspent proceeds of debt, to be used only for the retirement of any outstanding obligations that were issued to finance the asset.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, this reserve must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Retirement Contributions

According to General Municipal Law §6-r, this reserve must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. During a fiscal year, a board may adopt a sub-fund for contributions to the Teachers Retirement System 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 salary during the preceding fiscal year. The sub-fund is separately administered but must comply with existing General Municipal Law §6-r.

Tax Certiorari

According to Education Law §3651.1-a, this reserve must be used to establish a reserve fund for tax certiorari 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.

Workers' Compensation

The District is self-insured for workers' compensation on a cost-reimbursement basis. According to General Municipal Law §6-j, this reserve 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.

Capital Reserve, 2022

This reserve was authorized by the voters May 17, 2022 and established under Education Law §3651(1). It is used to set aside funds for the purpose of paying the cost of future building projects. The authorization limits the funding of the reserve to \$20,000,000 and the reserve's authorization expires June 30, 2032.

Restricted fund equity includes the following:

| | <u>Total</u> |
|-------------------------------------|------------------------------------|
| <u>General Fund -</u> | |
| Workers' Compensation | \$ 800,000 |
| Retirement Contribution - ERS | 2,700,000 |
| Retirement Contribution - TRS | 3,325,000 |
| Tax Certiorari | 500,000 |
| Capital Reserves | 16,587,884 |
| Employee Benefit Accrued Liability | 3,320,000 |
| <u>Capital Fund -</u> | |
| Building Renovations | 22,759 |
| <u>School Lunch Fund -</u> | |
| Encumbrances | 2,312 |
| <u>Debt Service Fund -</u> | |
| Debt Service | 2,464,902 |
| Total Restricted Fund Equity | <u><u>\$ 29,722,857</u></u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

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

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

| | <u>Total</u> |
|---------------------------------------|----------------------------|
| General Fund - Encumbrances | \$ 476,504 |
| General Fund - Appropriated for Taxes | 715,214 |
| School Lunch Fund - Year End Equity | <u>17,790</u> |
| Total Assigned Fund Equity | <u>\$ 1,209,508</u> |

Encumbrances

Encumbrance accounting, under which purchase order, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations.

Purpose of Encumbrances:

General Fund -

| | |
|---------------------------|--------------------------|
| General Support | \$ 131,323 |
| Instruction | 303,802 |
| Pupil Transportation | <u>41,379</u> |
| Total Encumbrances | <u>\$ 476,504</u> |

School Lunch Fund -

| | |
|----------------|------------------------|
| Other Expenses | <u>\$ 2,312</u> |
|----------------|------------------------|

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Equity Classifications

Unassigned - Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District. Deficit fund equity in governmental funds is classified as unassigned.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school District can retain to no more than 4% of the district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund equity of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation. The District exceeded this 4% limit at June 30, 2025 by \$2,189,093.

M. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first is related to pensions reported in the District-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB and pension items reported in the District-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Capital and Lease Assets

Capital Assets

Capital assets are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Donated assets are reported at estimated fair market value at the time received.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

| <u>Class</u> | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|----------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Land improvements | \$ 25,000 | SL | 20 Years |
| Buildings and improvements | 50,000 | SL | 20-50 Years |
| Vehicles | 5,000 | SL | 8 Years |
| Machinery and equipment | 5,000 | SL | 5-20 Years |

Lease Assets

The District-wide financial statements, lease assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is 3-5 years based on the contract terms and/or estimated replacement of the assets.

O. Short-Term Debt

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

P. Payables, Accrued Liabilities and Long-Term Obligations

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

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. 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 District-wide statements, compared with the current financial resources focus of the governmental funds.

- a. Total fund equities of governmental funds vs. net position of governmental activities:

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

- b. Statement of Revenues, Expenditures and Changes in Fund Equities vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equities and the Statement of Activities fall into one of five broad categories. The differences represent:

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a 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 for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital or lease items in the governmental fund statements and an asset on the Statement of Net Position and depreciation or amortization expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are reported as a reduction of liabilities in the Statement of Net Position.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Explanation of Certain Differences between Governmental Fund Statements and District-wide Statements

Pension Differences

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

OPEB Differences

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

R. 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, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, net pension's asset/liabilities, deferred inflows/outflows, other post employment liabilities and useful lives of long-lived assets.

S. Employee Benefits – Compensated Absences

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.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in, first-out (LIFO) basis. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave, based on contractual provisions.

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. Employee Benefits - Compensated Absences

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

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

T. Implementation of New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2025, the District had implemented the following new standards issued by GASB.

GASB has issued Statement No. 101, *Compensated Absences*, effective for the year ending June 30, 2025, which had a significant impact, see Note 8.

GASB has issued Statement No. 102, *Certain Risk Disclosures*, effective for the year ending June 30, 2025. This statement does not have a significant impact on the District.

U. Future Changes in Accounting Standards

GASB has issued Statement No. 103, *Financial Reporting Model Improvements*, effective for the year ending June 30, 2026.

GASB has issued Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the year ending June 30, 2026.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

V. Restricted Resources

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Deposits

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the District's name, or (3) uncollateralized. At June 30, 2025, all deposits were fully insured and collateralized by the District's agent in the District's name.

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

- Interest bearing demand accounts
- Certificates of deposit
- Obligations of the United States Treasury and United States agencies
- Obligations of the New York State and its localities

Custodial Credit Risk

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

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Custodial Credit Risk

The District restricts the securities to the following eligible items:

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

Restricted Cash and Investments

Restricted cash and investments consist of the following:

| | <u>Total</u> |
|--|-----------------------------|
| <u>General Fund -</u> | |
| Workers' Compensation | \$ 800,000 |
| Retirement Contribution - ERS | 2,700,000 |
| Retirement Contribution - TRS | 3,325,000 |
| Tax Certiorari | 500,000 |
| Other liabilities - Extraclass and HRA | 1,033,657 |
| Capital Reserves | 16,587,884 |
| Employee Benefit Accrued Liability | 3,320,000 |
| <u>Capital Fund -</u> | |
| Building Renovations | 618,415 |
| <u>Debt Service Fund -</u> | |
| Debt Service | 2,464,902 |
| Total Restricted Cash and Investments | <u>\$ 31,349,858</u> |

Investments

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement:

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. All of the District's investments are valued based on Level 2 of the hierarchy.

The District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants.

At June 30, 2025, the District held \$36,366,255 in investments consisting of various investments in securities issued by the United States and its agencies. The following valuation inputs are included as investments:

Total investments of the NYCLASS cooperative as of June 30, 2025 based on unaudited numbers, are \$14,132,078,788, which consisted of \$3,825,553,728 in repurchase agreements, \$450,813,313 in collateralized bank deposits, \$128,601,917 in FDIC Insured Bank deposits and \$9,727,109,830 in U.S. Government Treasury Securities.

| | <u>Valuation Inputs</u> | | | |
|---|-------------------------|----------------------|----------------|----------------------|
| <u>Investments in</u> <u>Securities at Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| General Fund | \$ - | \$ 33,901,353 | \$ - | \$33,901,353 |
| Debt Service Fund | - | 2,464,902 | - | \$ 2,464,902 |
| Total | <u>\$ -</u> | <u>\$ 36,366,255</u> | <u>\$ -</u> | <u>\$ 36,366,255</u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

A. Assets

I. Cash and Investments

Investments

The above amounts represent the fair value of the investment pool shares. For the year ended June 30, 2025, the portfolio did not have significant unobservable inputs (Level 3) used in determining fair value. Thus, a reconciliation of assets in which significant unobservable inputs (Level 3) which were used in determining fair value is not applicable.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the period. The portfolio recognizes transfers between the levels as of the beginning of the fiscal year.

Risks and Uncertainties with Investments

The District invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the amounts reported in the Statement of Net Position and balance sheet.

II. Receivables

Receivable balances for the year ended June 30, 2025 are:

| <u>Description</u> | <u>Governmental Activities</u> | | | | <u>Total</u> |
|----------------------------|--------------------------------|-------------------------|------------------------------|--------------------------|---------------------|
| | <u>General Fund</u> | <u>Special Aid Fund</u> | <u>Capital Projects Fund</u> | <u>School Lunch Fund</u> | |
| Accounts Receivable | \$ 274,149 | \$ - | \$ - | \$ 2,105 | \$ 276,254 |
| Due From State and Federal | 3,495,995 | 922,315 | - | 55,496 | 4,473,806 |
| Due From Other Governments | 450,096 | - | - | - | 450,096 |
| Total Receivables | \$ 4,220,240 | \$ 922,315 | \$ - | \$ 57,601 | \$ 5,200,156 |

III. Inter-fund Transactions

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

During 24-25, the General Fund transferred \$297,307 to the Special Aid Fund for the District's share of summer programs for special education students, and \$227,449 to the School Lunch Fund to cover operating deficits. The General Fund transferred \$100,000 to the Capital Fund for the SED annual project. The Capital Fund transferred \$2,216,713 to the General Fund and Debt Service Fund to adjust interest revenue and unspent funds to the proper funds. The Debt Service Reserve Fund transferred \$515,507 to the General Fund for debt service payments.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

A. Assets

III. Inter-fund Transactions

Inter-fund balances at June 30, 2025 are as follows:

| | Interfund | | | |
|-----------------------|--------------------|-------------------|---------------------|---------------------|
| | <u>Receivables</u> | <u>Payables</u> | <u>Revenues</u> | <u>Expenditures</u> |
| General Fund | \$ 900,607 | \$ 24,621 | \$ 1,444,663 | \$ 624,756 |
| Special Aid Fund | 24,621 | 929,875 | 297,307 | - |
| School Lunch Fund | - | - | 227,449 | - |
| Debt Service Fund | - | - | 1,287,557 | 515,507 |
| Capital Projects Fund | 29,268 | - | 100,000 | 2,216,713 |
| Total | \$ 954,496 | \$ 954,496 | \$ 3,356,976 | \$ 3,356,976 |

IV. Capital Assets

| <u>Type</u> | <u>Balance 7/1/2024</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2025</u> |
|--|-----------------------------|----------------------|----------------------|------------------------------|
| Governmental Activities: | | | | |
| Capital Assets that are not Depreciated - | | | | |
| Land | \$ 246,072 | \$ - | \$ - | \$ 246,072 |
| Work in progress | 34,223,074 | 9,621,589 | 43,844,663 | - |
| Total Nondepreciable | \$ 34,469,146 | \$ 9,621,589 | \$ 43,844,663 | \$ 246,072 |
| Capital Assets that are Depreciated - | | | | |
| Land improvements | \$ 1,004,040 | \$ - | \$ - | \$ 1,004,040 |
| Buildings and improvements | 182,972,771 | 43,844,663 | - | 226,817,434 |
| Vehicles | 13,389,924 | - | - | 13,389,924 |
| Machinery and equipment | 6,595,085 | 208,125 | 8,000 | 6,795,210 |
| Total Depreciated Assets | \$ 203,961,820 | \$ 44,052,788 | \$ 8,000 | \$ 248,006,608 |
| Less Accumulated Depreciation - | | | | |
| Land improvements | \$ 380,600 | 45,951 | \$ - | \$ 426,551 |
| Buildings and improvements | 53,393,026 | 5,821,140 | - | 59,214,166 |
| Vehicles | 8,497,554 | 1,176,145 | - | 9,673,699 |
| Machinery and equipment | 3,760,278 | 500,271 | 6,488 | 4,254,061 |
| Total Accumulated Depreciation | \$ 66,031,458 | \$ 7,543,507 | \$ 6,488 | \$ 73,568,477 |
| Total Capital Assets Depreciated, Net of Accumulated Depreciation | \$ 137,930,362 | \$ 36,509,281 | \$ 1,512 | \$ 174,438,131 |
| Total Capital Assets | \$ 172,399,508 | \$ 46,130,870 | \$ 43,846,175 | \$ 174,684,203 |

Depreciation was charged to governmental functions as follows:

| | |
|-----------------------------------|---------------------|
| General Government Support | \$ 252,071 |
| Instruction | 5,932,857 |
| Pupil Transportation | 1,358,579 |
| Total Depreciation Expense | \$ 7,543,507 |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

General Information

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

Plan Description

Teachers' Retirement System

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

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (The Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System issues a publicly available financial report that includes financial statements and

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

required supplementary information. That report and additional information may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244 or found at www.osc.state.ny.us/retire/publications/index.php.

Contributions

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

The District is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

| <u>Contributions</u> | <u>ERS</u> | <u>TRS</u> |
|----------------------|--------------|--------------|
| 2025 | \$ 2,366,696 | \$ 3,665,627 |
| 2024 | 1,976,089 | 3,755,471 |
| 2023 | 1,743,773 | 3,457,282 |

The District contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Pension Liabilities

At June 30, 2025, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2025 for ERS and June 30, 2024 for TRS. The total net pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation as of that date. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS systems in reports provided to the District.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

| | <u>ERS</u> | <u>TRS</u> |
|--|-------------------|-------------------|
| Measurement date | March 31, 2025 | June 30, 2024 |
| Net pension assets/(liability) | \$ (7,364,751) | \$ 5,868,862 |
| District's portion of the Plan's total net pension asset/(liability) | 0.043% | 0.197% |

Pension Expense

For the year ended June 30, 2025, the District recognized its proportionate share of pension expense of \$1,612,115 for ERS and \$3,227,993 for TRS.

Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|--|-----------------------------|---|----------------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> |
| Differences between expected and actual experience | \$ 1,827,981 | \$ 6,319,686 | \$ 86,227 | \$ - |
| Changes of assumptions | 308,863 | 3,510,768 | - | 590,544 |
| Net difference between projected and actual earnings on pension plan investments | 577,818 | - | - | 6,520,805 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 522,932 | 233,743 | 354,685 | 119,179 |
| Subtotal | <u>\$ 3,237,594</u> | <u>\$ 10,064,197</u> | <u>\$ 440,912</u> | <u>\$ 7,230,528</u> |
| District's contributions subsequent to the measurement date | 668,548 | 4,193,503 | - | - |
| Grand Total | <u><u>\$ 3,906,142</u></u> | <u><u>\$ 14,257,700</u></u> | <u><u>\$ 440,912</u></u> | <u><u>\$ 7,230,528</u></u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Deferred Outflows and Inflows of Resources Related to Pensions

The District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended March 31, 2026 for ERS and June 30, 2025 for TRS. Other amounts reported as deferred outflows of resources, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year</u> | <u>ERS</u> | <u>TRS</u> |
|--------------|----------------------------|----------------------------|
| 2025 | \$ - | \$ (2,970,252) |
| 2026 | 1,382,864 | 7,199,201 |
| 2027 | 1,950,710 | (1,171,583) |
| 2028 | (591,428) | (1,294,700) |
| 2029 | 54,536 | 772,054 |
| Thereafter | - | 298,949 |
| Total | <u>\$ 2,796,682</u> | <u>\$ 2,833,669</u> |

Actuarial Assumptions

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

| | <u>ERS</u> | <u>TRS</u> |
|--------------------------|---|---|
| Measurement date | March 31, 2025 | June 30, 2024 |
| Actuarial valuation date | April 1, 2024 | June 30, 2023 |
| Interest rate | 5.90% | 6.95% |
| Salary scale | 4.30% | 5.18%-1.95% |
| Decrement tables | April 1, 2015- March 31, 2020 System's Experience | July 1, 2015- June 30, 2020 System's Experience |
| Inflation rate | 2.90% | 2.40% |
| COLA's | 1.50% | 1.30% |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Actuarial Assumptions

For ERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2021. For TRS, annuitant mortality rates are based on System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

For ERS, the actuarial assumptions used in the April 1, 2025 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020. For TRS, actuarial assumptions were computed by the TRS Office of the Actuary and summarized in the Recommended Actuarial Assumptions 2021 report. The actuarial assumptions are based on recent TRS member experience. Detailed assumption information may be found in the TRS annual Actuarial Valuation Report.

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

| Long Term Expected Rate of Return | | |
|--|-------------------|-------------------|
| | <u>ERS</u> | <u>TRS</u> |
| Measurement date | March 31, 2025 | June 30, 2024 |
| <u>Asset Type -</u> | | |
| Domestic equity | 3.54% | 6.60% |
| International equity | 6.57% | 7.40% |
| Global equity | 0.00% | 6.90% |
| Private equity | 7.25% | 10.00% |
| Real estate | 4.95% | 6.30% |
| Opportunistic/ARS portfolio | 5.25% | 0.00% |
| Real assets | 5.55% | 0.00% |
| Cash equivalents | 0.25% | 0.50% |
| Private debt | 0.00% | 5.90% |
| Real estate debt | 0.00% | 3.90% |
| High-yield fixed income securities | 0.00% | 4.80% |
| Domestic fixed income securities | 0.00% | 2.60% |
| Global fixed income securities | 0.00% | 2.50% |
| Credit | 5.40% | 0.00% |
| Fixed income | 2.00% | 0.00% |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, as actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

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

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

| | 1% Decrease | Current | 1% Increase |
|---|-----------------------|-----------------------|-----------------------|
| <u>ERS</u> | <u>(4.90%)</u> | <u>(5.90%)</u> | <u>(6.90%)</u> |
| Employer's proportionate share of the net pension asset (liability) | \$ (21,314,517) | \$ (7,364,751) | \$ 4,283,312 |
| | | | |
| | 1% Decrease | Current | 1% Increase |
| <u>TRS</u> | <u>(5.95%)</u> | <u>(6.95%)</u> | <u>(7.95%)</u> |
| Employer's proportionate share of the net pension asset (liability) | \$ (27,108,610) | \$ 5,868,862 | \$ 33,603,800 |

Changes of Assumptions

Changes of assumptions about future economic or demographic factors or other inputs are amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits for the period during which the changes occurred. Differences between projected and actual earnings on pension plan investments are amortized over a closed five-year period.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

I. Pension Plans

Collective Pension Expense

Collective pension expenses include certain current period changes in the collective net pension asset/(liability), projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the year ended June 30, 2025 is \$1,734,500 for ERS and \$3,312,052 for TRS.

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2025 represent the projected employer contribution for the period of April 1, 2025 through June 30, 2025 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2025 amounted to \$669,542.

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 wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2025 amounted to \$4,193,503.

II. Indebtedness

Short-Term Debt

Bond Anticipation Notes

Notes issued in anticipation of proceeds from the subsequent sale of bonds are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of the bonds. Such notes may be classified as part of the General Long-Term Debt Account Group when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance-sheet issuance of long-term debt or by an acceptable financing agreement. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

| | |
|--|--------------------------|
| Interest Paid | \$ 1,286,314 |
| Less: Interest Accrued in the Prior Year | (1,247,490) |
| Plus: Interest Accrued in the Current Year | 99,750 |
| Total Short-Term Interest Expense | <u>\$ 138,574</u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Short-Term Debt

Bond Anticipation Notes

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

| | <u>Maturity</u> | <u>Interest Rate</u> | <u>Balance 7/1/2024</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2025</u> |
|------------------------------|-----------------|----------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|
| BAN-2021 Capital Project | 7/12/2024 | 5.00% | \$ 2,703,456 | \$ - | \$ 2,703,456 | \$ - |
| BAN-2021 Capital Project | 7/12/2024 | 4.75% | 24,310,000 | - | 24,310,000 | - |
| BAN-2021 Capital Project | 7/8/2025 | 4.50% | - | 2,266,330 | - | 2,266,330 |
| Total Short-Term Debt | | | <u>\$ 27,013,456</u> | <u>\$ 2,266,330</u> | <u>\$ 27,013,456</u> | <u>\$ 2,266,330</u> |

Long-Term Debt

Serial Bonds and Installment Purchase Debt

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these installment purchase debts to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities. During the current year, the District's expenditures for long-term debt interest included \$2,243,780 for serial bonds, \$57,090 for an installment purchase debt and \$2,711 for leases.

Interest on long-term debt was comprised of:

| | |
|--|----------------------------|
| Interest Paid | \$ 2,303,581 |
| Less: Interest Accrued in the Prior Year | (127,621) |
| Plus: Interest Accrued in the Current Year | 147,236 |
| Plus: Amortization of Deferred Loss | 7,440 |
| Less: Amortization of Bond Premium | (741,439) |
| Total Long-Term Interest Expense | <u>\$ 1,589,197</u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Changes

The changes in indebtedness during the year ended June 30, 2025 are summarized as follows:

| | <u>Restated Balance</u> <u>7/1/2024</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/2025</u> | <u>Due Within</u> <u>One Year</u> |
|---|--|----------------------|----------------------|------------------------------------|--------------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| <u>Bonds and Notes Payable -</u> | | | | | |
| Serial Bonds | \$ 31,490,000 | \$ 23,055,000 | \$ 5,625,000 | \$ 48,920,000 | \$ 5,815,000 |
| Deferred Loss on Refunding* | (24,860) | - | (7,440) | (17,420) | - |
| Unamortized Premium | 1,823,120 | 1,947,523 | 741,439 | 3,029,204 | 652,943 |
| Energy Performance Contracts | 2,581,472 | - | 287,441 | 2,294,031 | 344,532 |
| Total Bonds and Notes Payable | \$ 35,869,732 | \$ 25,002,523 | \$ 6,646,440 | \$ 54,225,815 | \$ 6,812,475 |
| <u>Other Liabilities -</u> | | | | | |
| Net Pension Liability | \$ 9,100,155 | \$ 524,401 | \$ 2,259,805 | \$ 7,364,751 | \$ - |
| OPEB | 223,934,218 | 30,954,601 | 20,854,424 | 234,034,395 | - |
| Workers' Compensation Claims | 780,000 | 20,000 | - | 800,000 | - |
| Lease Liability | 147,917 | - | 147,917 | - | - |
| Retainage Payable | 1,045,625 | - | 1,045,625 | - | - |
| Compensated Absences | 3,556,500 | - | 71,500 | 3,485,000 | 2,019,000 |
| Total Other Liabilities | \$ 238,564,415 | \$ 31,499,002 | \$ 24,379,271 | \$ 245,684,146 | \$ 2,019,000 |
| Total Long-Term Obligations | \$ 274,434,147 | \$ 56,501,525 | \$ 31,025,711 | \$ 299,909,961 | \$ 8,831,475 |

The above liabilities are liquidated by the general fund.

*This item is recorded as a deferred outflow on the statement of net position.

Addition and deletions to compensated absences is shown net since it is impractical to determine these amounts separately.

Defeased Debt

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$5,545,000 of bonds outstanding are considered defeased.

Energy Performance Contract

On June 30, 2016, the District entered into an Energy Performance Contract which is accounted for as installment purchase debt. The leased assets and related obligations are accounted for in Capital Assets and Long-Term Debt, respectively. The following is a schedule of future minimum installment purchase debt payments under this installment purchase debt, together with the net present value of the minimum installment purchase debt payments as of June 30, 2025:

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Energy Performance Contract

| <u>Year</u> | <u>Total</u> |
|--|-----------------------------------|
| 2026 | \$ 344,532 |
| 2027 | 344,532 |
| 2028 | 344,532 |
| 2029 | 344,532 |
| 2030 | 344,532 |
| Thereafter | 775,195 |
| Minimum installment purchase debt payments | 2,497,855 |
| Less: amount representing interest | 203,824 |
| Present Value of minimum installment purchase debt payments | <u><u>\$ 2,294,031</u></u> |

Maturity

The following is a summary of maturity of indebtedness:

| <u>Description</u> | <u>Original Amount</u> | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Interest Rate</u> | <u>Amount Outstanding 6/30/2025</u> |
|--|-----------------------------------|------------------------------|----------------------------------|---------------------------------|--|
| Advanced refunding | \$ 16,070,000 | 2015 | 2035 | 3-5% | \$ 4,475,000 |
| Construction | 18,374,224 | 2016 | 2030 | 2-5% | 7,120,000 |
| Advanced refunding | 1,610,000 | 2020 | 2030 | 5.00% | 525,000 |
| Construction | 23,005,000 | 2022 | 2030 | 3-5% | 14,990,000 |
| Construction | 23,055,000 | 2024 | 2039 | 4-5% | 21,810,000 |
| Total Serial Bonds | | | | | <u><u>\$ 48,920,000</u></u> |
| Energy Performance Contract | 4,241,984 | 2016 | 2033 | 2.30% | \$ 2,294,031 |
| Total Installment Purchase Debt | | | | | <u><u>\$ 2,294,031</u></u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

II. Indebtedness

Maturity

The following is a summary of maturing debt service requirements for general obligation bonds:

| <u>Year</u> | <u>Principal</u> | <u>Serial Bonds</u> | |
|--------------|----------------------|----------------------|---------------------|
| | | <u>Interest</u> | <u>Premium</u> |
| 2026 | \$ 5,815,000 | \$ 2,045,300 | \$ 652,943 |
| 2027 | 6,060,000 | 1,776,675 | 561,049 |
| 2028 | 6,315,000 | 1,524,100 | 465,089 |
| 2029 | 6,590,000 | 1,258,800 | 364,854 |
| 2030 | 6,805,000 | 982,975 | 260,071 |
| 2031-35 | 11,135,000 | 2,559,175 | 595,062 |
| 2036-40 | 6,200,000 | 506,800 | 130,136 |
| 2040-44 | - | - | - |
| Total | \$ 48,920,000 | \$ 10,653,825 | \$ 3,029,204 |

In addition to the outstanding debt listed above, voters have authorized and approved a 2021 Capital Project expenditure in an amount not to exceed \$40,693,106 to be used for facilities improvements, and \$1,225,000 to be used for Bus purchases. Note of the \$40,693,106, \$4,238,106 represents the unissued portion.

III. Constitutional Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the District. Basically, the District may issue indebtedness to the extent that the aggregate outstanding debt issues which are subject to such limit does not exceed 10% of the full valuation of taxable real estate within the District. At June 30, 2025, the District has exhausted 14.61% of its constitutional debt limit.

IV. Deferred Inflows of Resources

Deferred inflows of resources on the Balance Sheet - Governmental Funds arise when a potential revenue does not match both the measurable and available criteria for recognition in the current period. The District has established a sixty-day availability period.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DETAIL NOTES ON ALL FUNDS

B. Liabilities

V. Deferred Outflows and Inflows of Resources

The deferred outflows and inflows reported on the statement of net position consist of the following:

| | <u>Deferred Outflows</u> | <u>Deferred Inflows</u> |
|--------------|-------------------------------------|------------------------------------|
| Pension | \$ 18,163,842 | \$ 7,671,440 |
| Bonds | 17,420 | - |
| OPEB | 25,695,548 | 72,933,218 |
| Total | <u>\$ 43,876,810</u> | <u>\$ 80,604,658</u> |

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

General Information

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

Workers' Compensation Insurance

The District is self-insured for workers' compensation costs, electing to pay 100% of claims incurred and related medical and administrative costs. The District has contracted with Glacier Bay LLC for third party administration. The Workers' Compensation Reserve, \$800,000 at June 30, 2025 is maintained for the purpose of funding future claims. Claims and claims adjustment expenses are summarized below for the past two years:

| | <u>2025</u> | <u>2024</u> |
|---|----------------------------|--------------------------|
| Unpaid claims and claim adjustment expenses beginning of year | \$ 888,429 | \$ 869,288 |
| Incurred claims and claim adjustment expenses: | | |
| Provision for incurred claims expenditures for events of the current year | 377,311 | 171,738 |
| Increase (decrease) in provision for incurred events of the prior years | <u>727,199</u> | <u>306,159</u> |
| Total incurred claims and claim adjustment expenses | 1,992,939 | 1,347,185 |
| Payments made for claims during the year | <u>(657,883)</u> | <u>(458,756)</u> |
| Total unpaid claims and claim adjustment expenses, end of year | <u>\$ 1,335,056</u> | <u>\$ 888,429</u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

3. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

Health Insurance

The District is a member of the Capital Area Schools Health Insurance Consortium (the “Consortium”), which is a trust formed under New York State Law on May 1, 1994. The Consortium is considered a public entity risk pool which is defined as a cooperative group of governmental entities joining together to finance an exposure, liability or risk, and is tax-exempt under Section 501(c)(9) of the Internal Revenue Code. The Consortium is governed by a trust agreement and a board of trustees who execute the provisions of the Trust, as set forth in the agreement. The Consortium has contracted with Amsure Associates for third party administration.

The Consortium was formed to allow its member school districts to obtain health insurance and prescription drug benefits at lower cost through a pooled purchasing arrangement. The Consortium procures group insurance contracts with insurance carriers for medical, prescription drug and dental benefits, in which the Consortium is not liable for any medical, prescription drug or dental claims. However, the Consortium also maintains a self-insured prescription drug plan for which the individual Consortium members are liable for any claims in excess of the balances maintained by the Consortium. As of June 30, 2025, the District’s prescription drug plan account balance maintained by the Consortium is approximately \$3.144 million. The Consortium also maintains an account balance for the District of approximately \$3.353 million to fund supplemental premium payments that may be required under the retrospective funding arrangement in place for one of the insurance contracts.

The District has chosen to establish a self-funded prescription drug benefit program for all eligible employees. The pharmacy benefit manager, Blue Shield of Northeastern New York, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the District. At year-end, the District has a liability of \$-0-. With electronic claims submissions, all incurred claims are reported within two weeks, and have been included within the fiscal year’s claims, effectively representing reported and unreported claims which were incurred on or before year-end, but which were not paid by the District as of that date. Claims activity is summarized below for the past two fiscal years:

| | <u>2025</u> | <u>2024</u> |
|---|--------------------|--------------------|
| Claims and Administration Fees | \$ 10,298,322 | \$ 8,972,813 |
| Claim Payments | (10,298,322) | (8,972,813) |
| Estimated Incurred but not reported as of June 30 | <u>-</u> | <u>-</u> |
| Balance at End of Year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

3. COMMITMENTS AND CONTINGENCIES

B. Collective Bargaining Units

Bethlehem Central School District employees are represented by collective bargaining agents. Those agents which represent them and the dates of expiration of their agreements are as follows:

| | |
|--|---------------|
| Bethlehem Central Teachers Association | June 30, 2025 |
| Bethlehem Central United Employees Association | June 30, 2029 |
| Bethlehem Central Administrators Association | June 30, 2027 |

C. Other Items

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 audits, the District's administration believes disallowances, if any, will be immaterial.

4. POSTEMPLOYMENT BENEFITS OBLIGATION

Plan Description

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

Funding Policy

The obligations of the Plan members and employers are established by action of the District pursuant to applicable collective bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. Employees are required to reach age 55 and have 8 to 15 years of service to qualify for other postemployment benefits. The District currently funds the Plan to satisfy current obligations on a pay-as-you-go basis. During the year ended June 30, 2025 approximately \$6,900,000 was paid on behalf of 486 retirees.

Benefits Provided

The District provides for continuation of medical and/or Medicare Part B benefits for certain retirees and their spouses. The benefit terms are dependent on which contract each employee falls under. Retirees and their spouses receive benefits for the lifetime of the retired employee. The specifics of each contract are on file at the District offices and are available upon request.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

4. POSTEMPLOYMENT BENEFITS OBLIGATION

Employees Covered by Benefit Terms

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

| | |
|--|----------------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 486 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active Employees | <u>715</u> |
| Total | <u><u>1,201</u></u> |

Net OPEB Liability

The District's total OPEB liability of \$234,034,395 was measured as of June 30, 2025; the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions and Other Inputs

The total OPEB liability at 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 | 2.60 percent |
| Salary Increases | Varied by years of service and retirement system |
| Discount Rate | 4.81% (based on the S&P 20-year Municipal Bond Index) |
| Healthcare Cost Trend Rates | 6.75% for 2024 decreasing to an ultimate rate of 4.04% by 2075 |
| Retirees' Share of Benefit-Related Costs | Varies depending on contract |

Mortality rates were based on Pub-2010 Headcount-Weighted Table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2021.

Changes in the Net OPEB Liability

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

| | |
|--|-------------------------------------|
| Balance at June 30, 2024 | <u>\$ 223,934,218</u> |
| <u>Changes for the Year -</u> | |
| Service cost | \$ 6,995,992 |
| Interest | 9,577,984 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | 14,380,625 |
| Changes in assumptions or other inputs | (13,933,781) |
| Benefit payments | <u>(6,920,643)</u> |
| Net Changes | <u>\$ 10,100,177</u> |
| Balance at June 30, 2025 | <u><u>\$ 234,034,395</u></u> |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

4. POSTEMPLOYMENT BENEFITS OBLIGATION

Changes in the Net OPEB Liability

The differences between expected and actual experience and the changes in assumptions are a result of the change in the discount rate from 4.21% to 4.81%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.81%) or 1 percentage point higher (5.81%) than the current discount rate:

| | 1% Decrease (3.81%) | Discount Rate (4.81%) | 1% Increase (5.81%) |
|----------------------|--------------------------------|--------------------------------------|--------------------------------|
| Total OPEB Liability | \$ 274,149,317 | \$ 234,034,395 | \$ 201,946,374 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.04%) or 1 percentage point higher (7.75% decreasing to 5.04%) than the current healthcare cost trend rate:

| | 1% Decrease (5.75% Decreasing to 3.04%) | Healthcare Cost Trend Rates (6.75% Decreasing to 4.04%) | 1% Increase (7.75% Decreasing to 5.04%) |
|----------------------|--|--|--|
| Total OPEB Liability | \$ 197,057,613 | \$ 234,034,395 | \$ 281,712,230 |

OPEB Expense, 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 \$6,529,460. 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 | \$ 12,436,268 | \$ 14,164,428 |
| Changes of assumptions | 13,259,280 | 58,768,790 |
| Total | \$ 25,695,548 | \$ 72,933,218 |

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

4. POSTEMPLOYMENT BENEFITS OBLIGATION

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

| <u>Year</u> | |
|--------------|-------------------------------|
| 2026 | \$ (9,026,299) |
| 2027 | (22,201,307) |
| 2028 | (12,507,922) |
| 2029 | (3,213,689) |
| 2030 | (352,287) |
| Thereafter | 63,834 |
| Total | <u>\$ (47,237,670)</u> |

5. TAX ABATEMENTS

The Town of Bethlehem enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced \$146,967. The District received Payment in Lieu of Taxes (PILOT) payments totaling \$4,472,225.

6. DEFICIT FUND EQUITY

The Capital Projects Fund had a deficit fund equity of \$1,618,647 for the year ended June 30, 2025. The deficit will be relieved when the project obtains permanent financing.

7. LEASE ASSETS AND LEASE LIABILITIES

Lease Asset

A summary of the lease asset activity during the year ended June 30, 2025 is as follows:

| <u>Type</u> | <u>Balance</u> <u>7/1/2024</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/2025</u> |
|---|-----------------------------------|----------------------------|--------------------|------------------------------------|
| <u>Lease Assets:</u> | | | | |
| Furniture and Equipment | \$ 1,459,297 | \$ 63,697 | \$ - | \$ 1,522,994 |
| <i>Total Lease Assets</i> | <u>\$ 1,459,297</u> | <u>\$ 63,697</u> | <u>\$ -</u> | <u>\$ 1,522,994</u> |
| <u>Less Accumulated Amortization -</u> | | | | |
| Furniture and Equipment | \$ 1,190,970 | \$ 187,565 | \$ - | \$ 1,378,535 |
| <i>Total Accumulated Amortization</i> | <u>\$ 1,190,970</u> | <u>\$ 187,565</u> | <u>\$ -</u> | <u>\$ 1,378,535</u> |
| <i>Total Lease Assets, Net</i> | <u>\$ 268,327</u> | <u>\$ (123,868)</u> | <u>\$ -</u> | <u>\$ 144,459</u> |

Amortization expense is charged to instruction on the Statement of Activities.

BETHLEHEM CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

7. LEASE ASSETS AND LEASE LIABILITIES

Lease Liabilities

Lease agreements are summarized as follows:

| <u>Describe</u> | <u>Date</u> | <u>Payment Terms</u> | <u>Payment Amount</u> | <u>Interest Rate</u> | <u>Total Lease Liability</u> | <u>Balance June 30, 2025</u> |
|-------------------------|-------------|--------------------------|---------------------------|--------------------------|----------------------------------|--------------------------------------|
| Furniture and equipment | 3/19/2021 | 3 years | \$ 24,760 | 2.25% | \$ 355,180 | \$ - |
| Furniture and equipment | 4/19/2022 | 3 years | 19,087 | 4.01% | 214,840 | - |
| | | | | | | <u>\$ -</u> |

The computer equipment was leased for the District with the terms noted above. This lease is not renewable and the District will not acquire the equipment at the end of the 3-5 years. No lease liabilities existed at June 30, 2025.

8. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. The implementation of the statement changes the calculation of compensated absences based on estimates and rates defined in the standard. The adjustment recorded to the opening net position is summarized below:

| | <u>Government-Wide Statements</u> |
|--|---------------------------------------|
| Net position beginning of year, as originally reported | \$ (126,099,702) |
| Adjustments for compensated absences | <u>(236,500)</u> |
| Net position beginning of year, as restated | <u>\$ (126,336,202)</u> |

9. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 20, 2025, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of June 30, 2025 have been incorporated into these financial statements.

Required Supplementary Information
BETHLEHEM CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Equity -
Budget and Actual - General Fund
For The Year Ended June 30, 2025

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Current Year's Revenues</u> | <u>Over (Under) Revised Budget</u> |
|--|------------------------------|------------------------------|--|--|
| REVENUES | | | | |
| Local Sources - | | | | |
| Real property taxes | \$ 73,128,537 | \$ 70,321,688 | \$ 70,338,992 | \$ 17,304 |
| Real property tax items | 3,885,000 | 6,691,849 | 7,309,918 | 618,069 |
| Charges for services | 484,419 | 484,419 | 694,057 | 209,638 |
| Use of money and property | 1,605,000 | 1,605,000 | 2,227,631 | 622,631 |
| Sale of property and compensation for loss | 200,000 | 200,000 | 284,672 | 84,672 |
| Miscellaneous | 652,000 | 663,165 | 834,565 | 171,400 |
| State Sources - | | | | |
| Basic formula | 31,334,250 | 24,236,018 | 22,709,347 | (1,526,671) |
| Lottery aid | - | 7,098,609 | 7,035,608 | (63,001) |
| BOCES | 1,640,306 | 1,640,306 | 1,808,071 | 167,765 |
| Textbooks | 344,356 | 344,356 | 259,338 | (85,018) |
| All Other Aid - | | | | |
| Computer software | 62,648 | 62,648 | 127,593 | 64,945 |
| Library loan | - | - | 26,137 | 26,137 |
| Handicapped students | - | - | 111,082 | 111,082 |
| Other aid | - | - | 16,037 | 16,037 |
| Federal Sources | <u>200,000</u> | <u>200,000</u> | <u>210,095</u> | <u>10,095</u> |
| TOTAL REVENUES | <u>\$ 113,536,516</u> | <u>\$ 113,548,058</u> | <u>\$ 113,993,143</u> | <u>\$ 445,085</u> |
| Other Sources - | | | | |
| Transfer - in | <u>\$ 501,018</u> | <u>\$ 501,018</u> | <u>\$ 1,444,663</u> | <u>\$ 943,645</u> |
| TOTAL REVENUES AND OTHER SOURCES | <u>\$ 114,037,534</u> | <u>\$ 114,049,076</u> | <u>\$ 115,437,806</u> | <u>\$ 1,388,730</u> |
| Appropriated reserves | <u>\$ -</u> | <u>\$ -</u> | | |
| Appropriated fund equity | <u>\$ -</u> | <u>\$ -</u> | | |
| Prior year encumbrances | <u>\$ 342,442</u> | <u>\$ 342,442</u> | | |
| TOTAL REVENUES AND APPROPRIATED RESERVES/ FUND EQUITY | <u><u>\$ 114,379,976</u></u> | <u><u>\$ 114,391,518</u></u> | | |

Required Supplementary Information
BETHLEHEM CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Equity -
Budget and Actual - General Fund
For The Year Ended June 30, 2025

| | <u>Original</u> <u>Budget</u> | <u>Amended</u> <u>Budget</u> | <u>Current</u> <u>Year's</u> <u>Expenditures</u> | <u>Encumbrances</u> | <u>Unencumbered</u> <u>Balances</u> |
|---|--|---|---|----------------------------|--|
| EXPENDITURES | | | | | |
| General Support - | | | | | |
| Board of education | \$ 69,795 | \$ 67,176 | \$ 60,737 | \$ - | \$ 6,439 |
| Central administration | 333,214 | 329,539 | 320,764 | - | 8,775 |
| Finance | 841,734 | 810,967 | 759,897 | (1) | 51,071 |
| Staff | 1,177,262 | 1,159,754 | 883,572 | - | 276,182 |
| Central services | 5,870,517 | 6,353,876 | 5,800,684 | 131,324 | 421,868 |
| Special items | 788,506 | 750,459 | 688,172 | - | 62,287 |
| Instructional - | | | | | |
| Instruction, administration and improvement | 4,296,789 | 4,308,161 | 4,171,809 | 6,994 | 129,358 |
| Teaching - regular school | 28,023,011 | 28,004,717 | 27,623,895 | - | 380,822 |
| Programs for children with handicapping conditions | 12,506,611 | 12,615,993 | 11,944,257 | 188,992 | 482,744 |
| Occupational education | 1,364,042 | 1,472,768 | 1,468,691 | - | 4,077 |
| Teaching - special schools | 40,500 | 93,498 | 86,925 | - | 6,573 |
| Instructional media | 5,163,667 | 5,104,757 | 4,513,717 | 107,816 | 483,224 |
| Pupil services | 6,527,228 | 6,571,261 | 6,034,841 | - | 536,420 |
| Pupil Transportation | 6,574,520 | 6,509,020 | 5,674,645 | 41,379 | 792,996 |
| Community Services | 79,625 | 79,625 | 76,323 | - | 3,302 |
| Employee Benefits | 29,666,688 | 28,856,269 | 28,453,214 | - | 403,055 |
| Debt service - principal | 8,004,610 | 7,085,634 | 7,085,634 | - | - |
| Debt service - interest | 2,617,657 | 3,589,895 | 3,589,895 | - | - |
| TOTAL EXPENDITURES | <u>\$ 113,945,976</u> | <u>\$ 113,763,369</u> | <u>\$ 109,237,672</u> | <u>\$ 476,504</u> | <u>\$ 4,049,193</u> |
| Other Uses - | | | | | |
| Transfers - out | \$ 434,000 | \$ 628,149 | \$ 624,756 | \$ - | \$ 3,393 |
| TOTAL EXPENDITURES AND OTHER USES | <u>\$ 114,379,976</u> | <u>\$ 114,391,518</u> | <u>\$ 109,862,428</u> | <u>\$ 476,504</u> | <u>\$ 4,052,586</u> |
| NET CHANGE IN FUND EQUITY | \$ - | \$ - | \$ 5,575,378 | | |
| FUND EQUITY, BEGINNING OF YEAR | <u>29,865,299</u> | <u>29,865,299</u> | <u>29,865,299</u> | | |
| FUND EQUITY, END OF YEAR | <u>\$ 29,865,299</u> | <u>\$ 29,865,299</u> | <u>\$ 35,440,677</u> | | |

Required Supplementary Information
BETHLEHEM CENTRAL SCHOOL DISTRICT
Schedule of Changes in Total OPEB Liability
For The Year Ended June 30, 2025

| | TOTAL OPEB LIABILITY | | | | | | | |
|---|-----------------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|-----------------------|-----------------------|
| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| Measurement date | 6/30/2025 | 6/30/2024 | 6/30/2023 | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2019 | 6/30/2018 |
| Service cost | \$ 6,995,992 | \$ 6,877,102 | \$ 8,480,631 | \$ 12,475,424 | \$ 14,774,650 | \$ 9,549,710 | \$ 6,195,169 | \$ 6,458,575 |
| Interest | 9,577,984 | 9,122,772 | 8,206,387 | 6,212,605 | 7,534,232 | 8,820,211 | 8,365,137 | 7,516,564 |
| Changes in benefit terms | - | - | - | - | (446,344) | - | (2,096,330) | - |
| Differences between expected and actual experiences | 14,380,625 | (47,326) | (3,850,380) | 239,918 | (41,436,270) | 50,390 | (731,754) | - |
| Changes of assumptions or other inputs | (13,933,781) | (2,865,534) | (16,179,409) | (65,299,558) | (26,417,421) | 70,947,059 | 24,991,866 | (10,550,427) |
| Benefit payments | <u>(6,920,643)</u> | <u>(6,268,689)</u> | <u>(5,709,448)</u> | <u>(5,183,243)</u> | <u>(4,827,035)</u> | <u>(5,085,275)</u> | <u>(4,800,963)</u> | <u>(2,097,317)</u> |
| Net Change in Total OPEB Liability | \$ 10,100,177 | \$ 6,818,325 | \$ (9,052,219) | \$ (51,554,854) | \$ (50,818,188) | \$ 84,282,095 | \$ 31,923,125 | \$ 1,327,395 |
| Total OPEB Liability - Beginning | \$ 223,934,218 | \$ 217,115,893 | \$ 226,168,112 | \$ 277,722,966 | \$ 328,541,154 | \$ 244,259,059 | \$ 212,335,934 | \$ 211,008,539 |
| Total OPEB Liability - Ending | \$ 234,034,395 | \$ 223,934,218 | \$ 217,115,893 | \$ 226,168,112 | \$ 277,722,966 | \$ 328,541,154 | \$ 244,259,059 | \$ 212,335,934 |
| Covered Employee Payroll | \$ 56,086,441 | \$ 51,629,334 | \$ 50,375,802 | \$ 50,425,272 | \$ 45,548,998 | \$ 48,711,047 | \$ 41,021,071 | \$ 44,827,947 |
| Total OPEB Liability as a Percentage of Covered Employee Payroll | 417.27% | 433.73% | 430.99% | 448.52% | 609.72% | 674.47% | 595.45% | 473.67% |

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

Required Supplementary Information
BETHLEHEM CENTRAL SCHOOL DISTRICT
Schedules of Proportionate Share of the Net Pension Liability (Asset)
For The Year Ended June 30, 2025

NYSERS Pension Plan

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Proportion of the net pension liability (assets) | 0.0429539% | 0.0464570% | 0.0462342% | 0.0469428% | 0.0470967% | 0.0497145% | 0.0500938% | 0.0518951% | 0.0492385% | 0.0492035% |
| Proportionate share of the net pension liability (assets) | \$ 7,364,751 | \$ 6,840,350 | \$ 9,914,475 | \$ (3,837,383) | \$ 46,896 | \$ 13,164,687 | \$ 3,549,299 | \$ 1,674,886 | \$ 4,626,556 | \$ 7,897,294 |
| Covered-employee payroll | \$ 17,874,556 | \$ 15,926,408 | \$ 15,575,943 | \$ 15,526,285 | \$ 15,232,755 | \$ 15,748,111 | \$ 16,003,093 | \$ 15,544,511 | \$ 14,850,244 | \$ 14,129,297 |
| Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll | 41% | 43% | 64% | -25% | 0% | 84% | 22% | 11% | 31% | 56% |
| Plan fiduciary net position as a percentage of the total pension liability | 93.08% | 93.88% | 90.78% | 103.65% | 99.95% | 86.39% | 96.27% | 98.24% | 94.70% | 90.71% |

NYSTRS Pension Plan

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Proportion of the net pension liability (assets) | 0.196703% | 0.197607% | 0.199141% | 0.201445% | 0.193338% | 0.194331% | 0.198306% | 0.202106% | 0.201328% | 0.200866% |
| Proportionate share of the net pension liability (assets) | \$ (5,868,862) | \$ 2,259,805 | \$ 3,821,301 | \$ (34,908,495) | \$ 5,342,449 | \$ (5,048,738) | \$ (3,585,897) | \$ (1,536,208) | \$ 2,156,307 | \$ (20,863,576) |
| Covered-employee payroll | \$ 38,211,885 | \$ 37,560,572 | \$ 36,496,312 | \$ 34,191,682 | \$ 32,815,569 | \$ 32,437,037 | \$ 32,301,838 | \$ 32,027,182 | \$ 31,066,941 | \$ 30,172,800 |
| Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll | -15% | 6% | 10% | -102% | 16% | -16% | -11% | -5% | 7% | -69% |
| Plan fiduciary net position as a percentage of the total pension liability | 102.10% | 99.20% | 98.60% | 113.20% | 97.80% | 102.20% | 101.53% | 100.66% | 99.01% | 110.46% |

Required Supplementary Information
BETHLEHEM CENTRAL SCHOOL DISTRICT
Schedules of District Contributions
For The Year Ended June 30, 2025

NYSERS Pension Plan

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contributions | \$ 2,366,696 | \$ 1,976,089 | \$ 1,743,773 | \$ 2,429,297 | \$ 2,346,534 | \$ 2,270,565 | \$ 2,217,768 | \$ 2,244,547 | \$ 2,193,332 | \$ 2,360,540 |
| Contributions in relation to the contractually required contribution | <u>(2,366,696)</u> | <u>(1,976,089)</u> | <u>(1,743,773)</u> | <u>(2,429,297)</u> | <u>(2,346,534)</u> | <u>(2,270,565)</u> | <u>(2,217,768)</u> | <u>(2,244,547)</u> | <u>(2,193,332)</u> | <u>(2,360,540)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 17,874,556 | \$ 15,926,408 | \$ 15,575,943 | \$ 15,526,285 | \$ 15,232,755 | \$ 15,748,111 | \$ 16,003,093 | \$ 15,544,511 | \$ 14,850,244 | \$ 14,129,297 |
| Contributions as a percentage of covered-employee payroll | 13.24% | 12.41% | 11.20% | 15.65% | 15.40% | 14.42% | 13.86% | 14.44% | 14.77% | 16.71% |

NYSTRS Pension Plan

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required contributions | \$ 3,665,627 | \$ 3,755,471 | \$ 3,457,282 | \$ 3,258,467 | \$ 3,263,277 | \$ 2,897,620 | \$ 3,453,848 | \$ 3,168,114 | \$ 3,691,368 | \$ 4,083,988 |
| Contributions in relation to the contractually required contribution | <u>(3,665,627)</u> | <u>(3,755,471)</u> | <u>(3,457,282)</u> | <u>(3,258,467)</u> | <u>(3,263,277)</u> | <u>(2,897,620)</u> | <u>(3,453,848)</u> | <u>(3,168,114)</u> | <u>(3,691,368)</u> | <u>(4,083,988)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 38,211,885 | \$ 37,560,572 | \$ 36,496,312 | \$ 34,191,682 | \$ 32,815,569 | \$ 32,437,037 | \$ 32,301,838 | \$ 32,027,182 | \$ 31,066,941 | \$ 30,172,800 |
| Contributions as a percentage of covered-employee payroll | 9.59% | 10.00% | 9.47% | 9.53% | 9.94% | 8.93% | 10.69% | 9.89% | 11.88% | 13.54% |

Supplementary Information
BETHLEHEM CENTRAL SCHOOL DISTRICT
Schedule of Changes From Adopted Budget To Final Budget
And Schedule of Real Property Tax Limit
For The Year Ended June 30, 2025

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET:

| | |
|---------------------------|-------------------------------------|
| Adopted budget | \$ 114,037,534 |
| Prior year's encumbrances | <u>342,442</u> |
| Original Budget | \$ 114,379,976 |
| Budget revisions - | |
| Donations | <u>11,542</u> |
| FINAL BUDGET | <u><u>\$ 114,391,518</u></u> |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION:

| | |
|--|----------------------------|
| 2025-26 voter approved expenditure budget | \$ 116,623,936 |
| <u>Unrestricted fund equity:</u> | |
| Assigned fund equity | \$ 1,191,718 |
| Unassigned fund equity | <u>6,854,050</u> |
| Total Unrestricted fund equity | <u>\$ 8,045,768</u> |
| <u>Less adjustments:</u> | |
| Appropriated fund equity | \$ 715,214 |
| Encumbrances included in assigned fund equity | <u>476,504</u> |
| Total adjustments | <u>\$ 1,191,718</u> |
| General fund fund balance subject to Section 1318 of | |
| Real Property Tax Law | <u>6,854,050</u> |
| ACTUAL PERCENTAGE | <u><u>5.88%</u></u> |

Supplementary Information
BETHLEHEM CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures - Capital Projects Fund
For The Year Ended June 30, 2025

| Project Title | SED Project # | Original Appropriation | Revised Appropriation | Expenditures | | | Unexpended Balance | Methods of Financing | | | | Fund Balance |
|-------------------------------------|------------------|---------------------------|--------------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| | | | | Prior Years | Current Year | Total | | State Sources | Local Sources | Financed Sources | Total | |
| 2016 Capital Project | | | | | | | | | | | | |
| Eagle Elementary | 0026005 | \$ 692,411 | \$ - | \$ 608,779 | - | \$ 608,779 | \$ 83,632 | \$ - | \$ 39,500 | \$ 569,279 | \$ 608,779 | \$ - |
| Elsmere Elementary | 0008019 | 2,618,642 | - | 2,685,986 | - | 2,685,986 | (67,344) | - | - | 2,685,986 | 2,685,986 | - |
| Glenmont Elementary | 0002015 | 1,368,704 | - | 1,218,134 | - | 1,218,134 | 150,570 | - | - | 1,218,134 | 1,218,134 | - |
| Hamagrael Elementary | 0003018 | 195,340 | - | 158,327 | - | 158,327 | 37,013 | - | - | 158,327 | 158,327 | - |
| Slingerlands Elementary | 0009014 | 1,275,893 | - | 1,201,264 | - | 1,201,264 | 74,629 | - | - | 1,201,264 | 1,201,264 | - |
| Middle School | 0005024 | 2,820,905 | - | 5,149,879 | - | 5,149,879 | (2,328,974) | - | - | 5,149,879 | 5,149,879 | - |
| High School | 0006034 | 20,737,539 | - | 18,504,638 | - | 18,504,638 | 2,232,901 | - | 5,190,000 | 13,314,638 | 18,504,638 | - |
| Operations & Maintenance | 3012008 | 84,955 | - | 67,469 | - | 67,469 | 17,486 | - | - | 67,469 | 67,469 | - |
| Bus Garage | 5010011 | 975,385 | - | 1,107,105 | - | 1,107,105 | (131,720) | - | - | 1,107,105 | 1,107,105 | - |
| Toilet/storage building at HS field | 7051001 | 335,498 | - | 311,438 | - | 311,438 | 24,060 | - | - | 311,438 | 311,438 | - |
| HS varsity baseball dugout 1st base | 7054001 | 34,400 | - | 32,614 | - | 32,614 | 1,786 | - | - | 32,614 | 32,614 | - |
| HS varsity baseball dugout 3rd base | 7055001 | 34,403 | - | 32,617 | - | 32,617 | 1,786 | - | - | 32,617 | 32,617 | - |
| HS press box new | 7056001 | 949,243 | - | 696,620 | - | 696,620 | 252,623 | - | - | 696,620 | 696,620 | - |
| HS press box demo | 7023002 | 9,821 | - | 7,275 | - | 7,275 | 2,546 | - | - | 7,275 | 7,275 | - |
| HS masonry shed | 2018001 | 16,206 | - | 15,018 | - | 15,018 | 1,188 | - | - | 15,018 | 15,018 | - |
| HS concession stand | 7028002 | 16,206 | - | 15,018 | - | 15,018 | 1,188 | - | - | 15,018 | 15,018 | - |
| Total 2016 Capital Project | | 32,165,551 | - | 31,812,181 | - | 31,812,181 | 353,370 | - | 5,229,500 | 26,582,681 | 31,812,181 | - |
| MS Elevator upgrade | 0005025 | 100,000 | 99,708 | 99,708 | - | 99,708 | - | - | 99,708 | - | 99,708 | - |
| Senior High School | 0006038 | 100,000 | 100,000 | 99,357 | - | 99,357 | 643 | - | 100,000 | - | 100,000 | 643 |
| Capital Outlay Project | 0006039 | 100,000 | 100,000 | 99,984 | - | 99,984 | 16 | - | 99,356 | - | 99,356 | (628) |
| Capital Outlay Project 24-25 | 005027 | 100,000 | 100,000 | - | 77,241 | 77,241 | 22,759 | - | 100,000 | - | 100,000 | 22,759 |
| Smart Schools Bond Act | Various | 1,157,105 | 1,157,105 | 1,711,483 | - | 1,711,483 | (554,378) | 1,151,436 | 560,047 | - | 1,711,483 | - |
| 2021 Capital Project | Various | 40,693,106 | - | 32,976,876 | 10,671,953 | 43,648,829 | (2,955,723) | 2,328,698 | 16,320,130 | 25,000,000 | 43,648,828 | (1) |
| School Bus Purchases | Various | 5,022,756 | 5,839,939 | 7,359,480 | - | 7,359,480 | (1,519,541) | 1,000,000 | - | 4,718,060 | 5,718,060 | (1,641,420) |
| TOTAL | | \$ 79,438,518 | \$ 7,396,752 | \$ 74,159,069 | \$ 10,749,194 | \$ 84,908,263 | \$ (4,652,854) | \$ 4,480,134 | \$ 22,508,741 | \$ 56,300,741 | \$ 83,289,616 | \$ (1,618,647) |

Supplementary Information
BETHLEHEM CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital and Lease Assets
June 30, 2025

| | | |
|---|------------------|-------------------------------------|
| Capital and lease assets, net | | \$ 174,828,662 |
| Add: | | |
| Cash | \$ 618,415 | |
| Uamortized deferred loss | <u>17,420</u> | |
| | | 635,835 |
| Deduct: | | |
| Bond payable | \$ 48,920,000 | |
| Bond anticipation notes | 2,266,330 | |
| Retainage payable | - | |
| Unamortized bond premium | 3,029,204 | |
| Energy Performance Contracts | <u>2,294,031</u> | |
| | | <u>56,509,565</u> |
| Net Investment in Capital and Lease Assets | | <u><u>\$ 118,954,932</u></u> |



BUSINESS
ADVISORS
AND CPAS

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

To the President and Members
of the Board of Education of the
Bethlehem 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 (*Government Auditing Standards*), the financial statements of the governmental activities and each major fund of the Bethlehem 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, and have issued our report thereon dated October 20, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2025-001.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings 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.

Mengel, Metzger, Barw & Co. LLP

Latham, NY
October 20, 2025

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes X no
- Significant deficiency(ies) identified? _____yes X none reported

Noncompliance material to financial statements noted?

 X yes _____no

Section II: Financial Statement Findings

Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards:

Noncompliance Material to the Financial Statements

2025-001 Compliance with New York State Real Property Tax Law

Statement of Condition: The unassigned fund balance of the general fund exceeds 4% of the 25/26 general fund budget by \$2,189,093.

Criteria: NYS Real Property Tax Law (RPTL) Section 1318 limits the amount of unassigned fund balance a District can have to no more than 4% of the general fund budget for the ensuing fiscal year.

Cause: The cumulative effect of expenditures being significantly under budget in the current and prior years.

Effect of Condition: The District was not in compliance with RPTL.

Context: As part of audit procedures compliance with RPTL is reviewed.

Recommendation: The District should develop a plan regarding how to address and use the excess in future years.

View of Responsible Officials and Planned Corrective Actions: Given the current, anticipated, and potential financial pressures confronting the Bethlehem Central School District including, but not limited, to the uncertainty of federal and State Aid allocations, inflationary increases in goods and services, changes in the federal funds rate, etc., all of which have a significant impact to the District operationally and instructionally, on August 13, 2025, the Board of Education authorized a resolution calling for an undesignated fund balance not exceed 6% of the District's operating budget.

**BETHLEHEM CENTRAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

Finding 2024-001

Audit Adjustments

Condition: Adjusting entries were proposed as a result of audit procedures to properly reflect year-end balances.

Current Status

Comment was corrected and therefore not repeated.