

REPORT TO THE BOARD

October 6, 2026

The Board of Education
South Orangetown Central School District

Dear Board Members:

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

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2026. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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

For the year ended June 30, 2026, we evaluated the key factors and assumptions used by management in determining that accounting estimates were reasonable in relation to the financial statements taken as a whole.

Significant Disclosures

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

EFPR Group, CPAs, PLLC

EFPR GROUP, CPAs, PLLC

SOUTH ORANGETOWN CENTRAL
SCHOOL DISTRICT

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

June 30, 2026

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Education
South Orangetown Central School District:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Orangetown Central School District (the District), as of and for the year ended June 30, 2026, and the related notes to 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2026, and the respective changes in financial position and the budgetary comparison for the General Fund 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and 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 judgement, 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 Management's Discussion and Analysis and the schedules included under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 6, 2026

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2026

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a discussion and analysis of the South Orangetown Central School District's (the District) financial performance for the year ended June 30, 2026. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Basic Financial Statements

This annual report consists of four parts: management's discussion and analysis (MD&A) (this section), the basic financial statements, required supplementary information and other supplementary information. 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 operations in more detail than the District-Wide financial statements. The Fund financial statements tell how basic services such as instruction and support functions were financed in the short-term as well as what remains for future spending.

The notes to financial statements provide additional information about the basic financial statements and the balances reported. The basic financial statements are followed by a section of supplementary information.

District-Wide Financial Statements

The District-Wide financial 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 revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis, Continued

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

District-Wide financial statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position. Net position of the governmental activities differ from the governmental fund balances because:

- Capitalize current outlays for capital assets;
- Depreciate/amortize capital assets and allocate the depreciation/amortization to the proper program/activities;
- Report long-term financing activities as liabilities;
- Report other long-term items, including payroll items, as liabilities;
- Calculate revenue and expenses using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - Net investment in capital assets is the District's capital assets net of accumulated depreciation/amortization and any liabilities that the District has to finance its capital assets;
 - Restricted net position is those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation; and
 - Unrestricted net position is net position that does not meet any of the above restrictions.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York (the State).

Governmental Funds

Governmental fund statements include the Balance Sheet and the Statement of Revenue, Expenditures and Changes in Fund Balances. Most basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to spendable resources and (2) the balances left at year-end that are available for spending under the modified accrual basis of accounting. Consequently, the Governmental Fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources available in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide financial statements, additional information in a separate reconciliation schedules that explain the relationship (or differences) between them.

Fiduciary Fund

The fiduciary fund financial statement include the Statement of Changes in Fiduciary Net Position. The District collects and remits taxes to the local library. The District excludes these activities from the District-Wide financial statements because it cannot use these to finance its operations. The Fiduciary Fund accounts for its activities using the same basis of accounting as the District-Wide financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

FINANCIAL SUMMARY

Net Position

A summary of the Statements of Net Position as of June 30, 2026 and 2025 are as follows:

	<u>2026</u>	<u>2025</u>	<u>Change</u>
Assets:			
Other assets	\$ 96,858,190	73,196,237	23,661,953
Capital assets	<u>85,062,747</u>	<u>80,332,956</u>	<u>4,729,791</u>
Total assets	<u>181,920,937</u>	<u>153,529,193</u>	<u>28,391,744</u>
Deferred outflows of resources	<u>58,927,088</u>	<u>47,738,919</u>	<u>11,188,169</u>
Liabilities:			
Other liabilities	40,382,425	20,135,114	20,247,311
Long-term liabilities	<u>262,751,705</u>	<u>236,852,744</u>	<u>25,898,961</u>
Total liabilities	<u>303,134,130</u>	<u>256,987,858</u>	<u>46,146,272</u>
Deferred inflows of resources	<u>56,930,487</u>	<u>73,045,583</u>	<u>(16,115,096)</u>
Net position (deficit):			
Net investment in capital assets	76,544,059	74,759,764	1,784,295
Restricted	36,902,422	36,219,213	683,209
Unrestricted (deficit)	<u>(232,663,073)</u>	<u>(239,744,306)</u>	<u>7,081,233</u>
Total net position (deficit)	<u><u>\$ (119,216,592)</u></u>	<u><u>(128,765,329)</u></u>	<u><u>9,548,737</u></u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Changes in Net Position

A summary of these Statements of Activities for the years ended June 30, 2026 and 2025 are as follows:

	<u>2026</u>	<u>2025</u>	<u>Change</u>
Revenue:			
Program revenue:			
Charges for services	\$ 268,560	593,766	(325,206)
Operating grants and contributions	3,537,693	4,668,041	(1,130,348)
Capital grants and contributions	-	142,564	(142,564)
General revenue:			
Property and other taxes	91,192,001	89,158,908	2,033,093
State sources	18,607,045	17,973,810	633,235
Other	<u>7,150,640</u>	<u>5,565,044</u>	<u>1,585,596</u>
Total revenue	<u>120,755,939</u>	<u>118,102,133</u>	<u>2,653,806</u>
Expenses:			
General support	13,172,146	15,315,411	(2,143,265)
Instruction	87,723,210	94,680,239	(6,957,029)
Pupil transportation	7,233,037	6,684,435	548,602
Community service	128,601	122,620	5,981
Cost of food sales	1,620,648	1,291,477	329,171
Interest	856,248	8,086	848,162
Other	<u>473,312</u>	<u>544,104</u>	<u>(70,792)</u>
Total expenses	<u>111,207,202</u>	<u>118,646,372</u>	<u>(7,439,170)</u>
Change in net position	9,548,737	(544,239)	10,092,976
Net position (deficit) at beginning of year	<u>(128,765,329)</u>	<u>(128,221,090)</u>	<u>(544,239)</u>
Net position (deficit) at end of year	<u>\$ (119,216,592)</u>	<u>(128,765,329)</u>	<u>9,548,737</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

DETAILED ANALYSES

District-Wide Financial Analysis

Other assets increased by \$23,661,953 in 2026. Major contributors to the increase include:

- Investments increased by \$18,337,858 as a result of the investment of excess revenue over expenses.
- New York State Teachers' Retirement System pension asset increased by \$6,683,201. Pension assets and liabilities are actuarially determined and are subject to significant fluctuation from year to year based on estimations and assumptions.

Other liabilities increased by \$20,247,311 in 2026. Major contributors to the increase include:

- Bond anticipation notes payable increased by \$20,500,000 as result of a \$28,000,000 issuance made on August 5, 2025, offset by the retirement of the \$7,500,000 issuance on the same date.
- Accrued interest payable increased by \$907,545 as a result of accrued interest on the abovementioned \$28,000,000 bond anticipation note. This was offset by a \$1,134,851 decrease in accounts payable that resulted from the payoff of \$1,891,110 in capital projects payables.

Changes to capital assets and long-term liabilities are discussed in the Significant Capital Assets and Long-Term Financing Activities section below. Also included in long-term liabilities are the District's proportionate share of the State pension plans (pensions) and the total other postemployment benefits (OPEB) liability. The pensions and OPEB vary from the prior year due to changes in assumptions and differences in expected and actual experience. Traditionally, these liabilities are rarely consistent from year to year.

The changes in deferred outflows of resources and deferred inflows of resources are primarily related to the pensions and OPEB. Amortization of pensions and OPEB related items, contributions subsequent to the measurement dates, and changes in actuarial assumptions have resulted in variances from the prior year.

Changes to net position, including all three components, are discussed below in the analysis of the revenue and expenses below.

For the District's year ended June 30, 2026, revenue totaled \$120,755,939 which is an increase from the prior year of \$2,653,806. The most significant changes in revenue include:

- Property and other taxes increased \$2,033,093. This was driven by real property taxes as the District approved an increase in the real property tax levy of \$2,063,708 which is a 2.3% increase. The real property tax levy was increased to offset an expected increase in costs of \$4,694,049.
- Other revenue increased \$1,585,596 or 28%. This was primarily the result of an increase in interest revenue, itself caused by an increase in the investment base upon which interest was earned.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis, Continued

- Operating grants and contributions decreased \$1,130,348 or 24%, primarily due to the fact that the District received \$795,875 in State funding under the Smart Schools Bond Act during the year ended June 30, 2025, while no such funding was received under this Act during the year ended June 30, 2026.

For the District's year ended June 30, 2026, expenses totaled \$111,207,202 which is a decrease from the prior year of \$7,439,170. The most significant changes in expenses include:

- Instruction decreased \$6,957,029. The decrease was due to a decrease in pension and OPEB expense. Pension and OPEB expense are actuarially determined and are subject to significant fluctuation from year to year based on estimations and assumptions.
- General support decreased \$2,143,265. This decrease was also due to a decrease in pension and OPEB expense.
- Interest increased \$848,162. This increase was primarily the result of interest on the newly issued \$28,000,000 bond anticipation note.

Fund Financial Analysis

Governmental Funds Financial Analysis

Fund balance of the general fund increased \$4,749,821 for the year ended June 30, 2026 to a total fund balance of \$41,252,981. This increase was driven by the increase in the real property tax levy and the increase in State aid. State aid included increases in basic aid and excess cost aid. As of June 30, 2026, the general fund has \$34,706,497 and \$1,878,963 reported as restricted and assigned fund balance, respectively. These fund balances are reserved for future expenditures and commitments.

Fund balance of the capital projects fund decreased \$6,219,009 for the year ended June 30, 2026 to a total fund balance deficit of \$2,334,232. Capital outlay expenditures decreased by about 45% to \$8,219,009 with most expenditures attributable to ongoing classroom infrastructure upgrade projects across the District, including HVAC, lighting, ceiling, flooring, casework and plumbing, electrical, and security upgrades. The entire fund balance for the capital projects fund is typically restricted for future years' capital projects. However, due to a deficit fund balance for the year ended June 30, 2026, no amounts have been restricted. The deficit fund balance is expected to be funded by transfers from the general fund and future debt proceeds.

The special aid fund did not have any fund balance as of June 30, 2026. This fund never has an operating gain or loss as it primarily operates to oversee specific State, Federal, and local grants. Revenue is recognized as allowable expenditures are incurred. Overall total revenue and expenditures increased by about 5%.

Fund balance of the debt service fund increased \$217,843 as a result of an excess of interfund transfers in, interest revenue and premiums in excess of principal and interest payments on debt.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis, Continued

Custodial Fund

The custodial fund did not have any net position as of June 30, 2026. This fund collects and remits taxes to these five local libraries: Blauvelt Free Library, Orangeburg Library, Palisades Free Library, Piermont Public Library and Tappan Free Library. All funds were collected and remitted prior to year-end.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

Capital Assets

The District paid for equipment, and various building additions and renovations during the 2026 fiscal year. A summary of the District's capital assets are as follows:

	<u>2026</u>	<u>2025</u>	<u>Change</u>
Land	\$ 616,672	616,672	-
Construction in progress	31,919,846	23,700,837	8,219,009
Land improvements	7,658,780	7,658,780	-
Buildings and improvements	111,483,944	111,483,944	-
Furniture and equipment	2,793,695	2,779,236	14,459
Vehicles	678,796	678,796	-
Right-to-use asset	391,769	391,769	-
Accumulated depreciation/amortization	<u>(70,480,755)</u>	<u>(66,977,078)</u>	<u>(3,503,677)</u>
Total	<u>\$ 85,062,747</u>	<u>80,332,956</u>	<u>4,729,791</u>

Significant capital asset activity included:

- Renovations to 46 classrooms, including HVAC, lighting, ceiling, flooring, casework and plumbing, electrical, and security upgrades.
- HVAC upgrades to the cafeteria and gymnasium at both elementary schools.
- Replacement of two boilers at the Tappan Zee High School.
- 24 high-resolution safety cameras.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis, Continued

Long-Term Financing Activity

At June 30, 2026, the District had total long-term financing payable of \$1,202,445. A summary of outstanding long-term financing as of June 30, 2026 and 2025 is as follows:

	<u>2026</u>	<u>2025</u>	<u>Change</u>
Bonds payable	\$ 1,202,445	3,349,394	(2,146,949)
Lease payable	<u>-</u>	<u>61,495</u>	<u>(61,495)</u>
Total	<u>\$ 1,202,445</u>	<u>3,410,889</u>	<u>(2,208,444)</u>

Significant long-term financing activity included:

- Paid principal on debt of \$1,930,000 reducing the District's long-term obligations.
- Completed the lease term on two equipment leases.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The District's ability to raise revenue and levy enough real property taxes is highly dependent upon maintaining its population. According to the U.S. Census Bureau it is estimated that the State's population has decreased 1.7% from the period of April 1, 2020 to July 1, 2024. Enrollment and graduation rates determine the level of personnel the District requires and significant changes can alter the District's operating strategy. According to the New York State Department of Education, in 2024-2025, the District has enrollment of 2,791 and a graduation rate of 97%. A decade earlier, in 2014-2015, the District had enrollment of 3,278 and a graduation rate of 93%.

The District is subject to several State finance laws. Major laws include:

- Limiting the amount of unassigned and assigned fund balance, exclusive of encumbrances and amounts designated for the subsequent year's budget, that can be retained by the general fund, to 4% of the ensuing year's budget.
- A tax levy cap which limits the amount the District can raise its tax levy by. The annual increase in the property tax levy cannot exceed the lesser of 2% or the change in the consumer price index, unless approved by a 60% supermajority of the taxpayers.
- The District may not incur expenditures in excess of budgeted appropriations, except for legally authorized emergency expenditures.
- The District is subject to a constitutional debt limit, which is 10% of the full assessed value on the most recent tax roll.

On August 5, 2025, the District issued a BAN in the amount of \$28,000,000, at an interest rate of 4.00% with a maturity date of August 5, 2026.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis, Continued

The District's 2026-2027 adopted budget for the general fund includes anticipated expenditures of \$116,688,270. The expenditures are to be funded through \$92,874,019 of real property taxes, \$22,614,251 of other revenue, and \$1,200,000 of fund balance. Factors that have affected the 2026-2027 adopted budget include:

- The District's payroll expenditures in the general fund for the year ended June 30, 2026 were \$51,763,130. This amount is budgeted to increase by approximately 1% to \$52,252,506 to account for salary and wage rate raises. Employee benefits, including Social Security are also budgeted to increase, with the greatest increase in hospital, medical, and dental insurance expenditures, which are budgeted to increase by \$1,172,391 or 6%, largely as a result of significant nationwide increases in healthcare costs.
- Interest revenue was \$3,619,795 for the year ended June 30, 2026 but has been conservatively budgeted at \$2,200,000 in the 2026-2027 budget, an increase of \$200,000 from the 2025-2026 budget. Interest revenue is highly dependent on changes in market conditions. The prime rate has decreased steadily since 2023, but still remains higher than the 10-year average, with most economists predicting minimal change or only a slight increase in the near future. Any changes in interest rates, would also affect interest expenses on new financing arrangements.
- Real property taxes are budgeted to increase by \$1,682,018 to \$92,874,019, an increase of approximately 1.84%. This increase is intended to cover most of the budgeted increase in total expenditures.
- The District is also dependent on the State for a large portion of its revenue. Each annual State budget poses a substantial risk to the District as State funding could decrease. The District is also a member of the State's pension systems. Annual contributions to the State's pension systems are dependent upon how well funded the systems are. Poor market results or investing decisions can result in increases to District contributions. Included in the State's 2026-2027 budget is projected future State aid of:

<u>Year</u> <u>ending</u>	<u>Projected</u> <u>State aid</u> <u>(in millions)</u>	<u>Increase</u>
2028	\$ 40,897	4.18%
2029	42,494	3.90%
2030	43,818	3.12%

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Management's Discussion and Analysis, Continued

- The District is expected to face large increases in healthcare costs which has been a growing problem in the United States. The District has recognized a \$248,589,355 OPEB liability as of June 30, 2026 which represents projected future retirees' healthcare costs. This liability has been actuarially determined and changes to assumptions or other actuarial factors can significantly alter this estimate.
- Tariffs have resulted in increased costs for certain materials, supplies, and contracted services, which may affect the acquisition and construction costs of capital assets, as well as operating expenditures. There have been multiple judicial challenges to the tariffs and, as such, the effect and use of tariffs are currently unpredictable.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Statement of Net Position

Governmental Activities

June 30, 2026

Assets:

Cash and equivalents	\$ 4,366,091
Investments	72,420,754
Receivables:	
Accounts	88,585
State and Federal aid	2,454,650
Due from other governments	1,385,196
Leases	2,709,709
Inventories	4,273
Net pension asset - TRS	13,428,932
Capital assets:	
Not being depreciated	32,536,518
Being depreciated/amortized, net	<u>52,526,229</u>
Total current assets	<u>181,920,937</u>

Deferred outflows of resources:

Deferred charge on refunding bonds	43,352
Pensions	18,220,992
OPEB	<u>40,662,744</u>
Total deferred outflows of resources	<u>58,927,088</u>

Liabilities:

Accounts payable	5,484,588
Accrued liabilities	557,248
Bond anticipation notes payable	28,000,000
Due to other governments	54
Due to teachers' retirement system	4,983,597
Due to employees' retirement system	297,617
Unearned revenue	45,356
Accrued interest payable	1,013,965
Noncurrent liabilities:	
Due within one year	10,866,705
Due in more than one year	<u>251,885,000</u>
Total liabilities	<u>303,134,130</u>

Deferred inflows of resources:

Pensions	12,408,935
OPEB	42,084,404
Lease related	<u>2,437,148</u>
Total deferred inflows of resources	<u>56,930,487</u>

Net position (deficit):

Net investment in capital assets	76,544,059
Restricted	36,902,422
Unrestricted (deficit)	<u>(232,663,073)</u>
Total net position (deficit)	<u>\$ (119,216,592)</u>

See accompanying notes to financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Statement of Activities
Governmental Activities
Year ended June 30, 2026

		Program Revenue			Net
		Charges for	Operating	Capital	Expense and
		Services	Grants and	Grants and	Changes in
	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
Functions and programs:					
General support	\$ 13,172,146	-	-	-	(13,172,146)
Instruction	87,723,210	101,420	2,062,758	-	(85,559,032)
Transportation	7,233,037	-	-	-	(7,233,037)
Community service	128,601	-	-	-	(128,601)
Cost of food sales	1,620,648	167,140	1,474,935	-	21,427
Other	473,312	-	-	-	(473,312)
Interest	<u>856,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(856,248)</u>
Total functions and programs	<u>\$ 111,207,202</u>	<u>268,560</u>	<u>3,537,693</u>	<u>-</u>	<u>(107,400,949)</u>
General revenue:					
Real property taxes					87,991,441
Other tax items:					
School tax relief reimbursement					76,953
Payments in lieu of taxes					3,123,607
Use of money and property					5,403,955
Sale of property and compensation for loss					9,644
State sources					18,607,045
Federal sources					60,211
Miscellaneous					<u>1,676,830</u>
Total general revenue					<u>116,949,686</u>
Change in net position					9,548,737
Net position (deficit) at beginning of year					<u>(128,765,329)</u>
Net position (deficit) at end of year					<u>\$ (119,216,592)</u>

See accompanying notes to financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2026

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and equivalents	\$ 1,987,886	2,412	11,630	1,571,596	792,567	4,366,091
Investments	53,670,754	-	18,750,000	-	-	72,420,754
Receivables:						
Accounts	88,585	-	-	-	-	88,585
State and Federal aid	600,907	1,471,791	165,637	-	216,315	2,454,650
Due from other governments	1,385,196	-	-	-	-	1,385,196
Due from other funds	1,599,647	-	7,264,917	339,645	-	9,204,209
Leases	2,709,709	-	-	-	-	2,709,709
Inventory	-	-	-	-	4,273	4,273
Total assets	<u>\$ 62,042,684</u>	<u>1,474,203</u>	<u>26,192,184</u>	<u>1,911,241</u>	<u>1,013,155</u>	<u>92,633,467</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
Liabilities:						
Accounts payable	5,249,176	95,347	-	-	140,065	5,484,588
Accrued liabilities	557,248	-	-	-	-	557,248
Bond anticipation notes payable	-	-	28,000,000	-	-	28,000,000
Due to other funds	7,264,917	1,377,035	360,779	132,762	68,716	9,204,209
Due to other governments	-	-	-	-	54	54
Due to teachers' retirement system	4,983,597	-	-	-	-	4,983,597
Due to employees' retirement system	297,617	-	-	-	-	297,617
Unearned revenue	-	1,821	-	-	43,535	45,356
Total liabilities	<u>18,352,555</u>	<u>1,474,203</u>	<u>28,360,779</u>	<u>132,762</u>	<u>252,370</u>	<u>48,572,669</u>
Deferred inflows of resources:						
Lease related	2,437,148	-	-	-	-	2,437,148
Unavailable revenue - State aid	-	-	165,637	-	-	165,637
Total deferred inflows of resources	<u>2,437,148</u>	<u>-</u>	<u>165,637</u>	<u>-</u>	<u>-</u>	<u>2,602,785</u>
Fund balances (deficit):						
Nonspendable	-	-	-	-	4,273	4,273
Restricted	34,706,497	-	-	1,778,479	417,446	36,902,422
Assigned	1,878,963	-	-	-	339,066	2,218,029
Unassigned (deficit)	<u>4,667,521</u>	<u>-</u>	<u>(2,334,232)</u>	<u>-</u>	<u>-</u>	<u>2,333,289</u>
Total fund balances (deficit)	<u>41,252,981</u>	<u>-</u>	<u>(2,334,232)</u>	<u>1,778,479</u>	<u>760,785</u>	<u>41,458,013</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 62,042,684</u>	<u>1,474,203</u>	<u>26,192,184</u>	<u>1,911,241</u>	<u>1,013,155</u>	<u>92,633,467</u>

See accompanying notes to financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Reconciliation of Balance Sheet - Governmental
Funds to the Statement of Net Position
June 30, 2026

Total governmental fund balances	\$ 41,458,013
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets - non-depreciable	32,536,518
Capital assets - depreciable/amortizable	123,006,984
Accumulated depreciation/amortization	(70,480,755)
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
Deferred outflows - pension related	18,220,992
Deferred outflows - OPEB related	40,662,744
Deferred inflows - pension related	(12,408,935)
Deferred inflows - OPEB related	(42,084,404)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are either deferred or not reported in the funds.	
Net pension asset - TRS	13,428,932
State and Federal aid receivables	165,637
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds payable	(1,100,000)
Claims payable	(459,385)
Compensated absences	(11,594,295)
Net pension liability - ERS	(906,225)
Total OPEB liability	(248,589,355)
Accrued interest payable	(1,013,965)
Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Deferred charge on refunding bonds	43,352
Premium on general obligation bonds	(102,445)
Net position of Governmental Activities	<u>\$ (119,216,592)</u>

See accompanying notes to financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds
Year ended June 30, 2026

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
Revenue:						
Real property taxes	\$ 87,991,441	-	-	-	-	87,991,441
Other tax items	3,200,560	-	-	-	-	3,200,560
Charges for services	101,420	-	-	-	-	101,420
Use of money and property	5,391,839	-	-	10,960	1,156	5,403,955
Sale of property and compensation for loss	9,644	-	-	-	-	9,644
Miscellaneous	728,995	-	-	339,645	608,190	1,676,830
State sources	18,607,045	1,025,228	-	-	923,319	20,555,592
Federal sources	60,211	1,037,530	-	-	551,616	1,649,357
Sales	-	-	-	-	167,140	167,140
Total revenue	<u>116,091,155</u>	<u>2,062,758</u>	<u>-</u>	<u>350,605</u>	<u>2,251,421</u>	<u>120,755,939</u>
Expenditures:						
General support	11,318,352	-	-	-	-	11,318,352
Instruction	61,031,999	1,781,647	-	-	-	62,813,646
Transportation	6,866,781	284,100	-	-	-	7,150,881
Community service	128,601	-	-	-	-	128,601
Employee benefits	27,842,446	125,781	-	-	-	27,968,227
Cost of food sales	-	-	-	-	1,620,648	1,620,648
Other	-	-	-	-	473,312	473,312
Debt service - principal	61,495	-	-	1,930,000	-	1,991,495
Debt service - interest	490	-	-	165,162	-	165,652
Capital outlay	-	-	8,219,009	-	-	8,219,009
Total expenditures	<u>107,250,164</u>	<u>2,191,528</u>	<u>8,219,009</u>	<u>2,095,162</u>	<u>2,093,960</u>	<u>121,849,823</u>
Excess (deficiency) of revenue over expenditures	<u>8,840,991</u>	<u>(128,770)</u>	<u>(8,219,009)</u>	<u>(1,744,557)</u>	<u>157,461</u>	<u>(1,093,884)</u>
Other financing sources (uses):						
Transfers in	-	128,770	2,000,000	1,962,400	-	4,091,170
Transfers (out)	<u>(4,091,170)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,091,170)</u>
Total other financing sources (uses)	<u>(4,091,170)</u>	<u>128,770</u>	<u>2,000,000</u>	<u>1,962,400</u>	<u>-</u>	<u>-</u>
Change in fund balances	4,749,821	-	(6,219,009)	217,843	157,461	(1,093,884)
Fund balances at beginning of year	<u>36,503,160</u>	<u>-</u>	<u>3,884,777</u>	<u>1,560,636</u>	<u>603,324</u>	<u>42,551,897</u>
Fund balances (deficit) at end of year	<u>\$ 41,252,981</u>	<u>-</u>	<u>(2,334,232)</u>	<u>1,778,479</u>	<u>760,785</u>	<u>41,458,013</u>

See accompanying notes to financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Reconciliation of Statement of Revenue, Expenditures and Changes
in Fund Balances - Governmental Funds to the Statement of Activities
Year ended June 30, 2026

Net change in fund balances	\$ (1,093,884)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital outlay expenditures	8,244,444
Depreciation/amortization expense	(3,514,653)

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized on the statement of activities.

Principal paid on general obligation bonds	1,930,000
Principal paid on leases	61,495

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(1,707,041)
Changes in pension liabilities and related deferred outflows and inflows of resources	4,993,143
Claims payable	116,843
Changes in OPEB liabilities and related deferred outflows and inflows of resources	1,208,986
Accrued interest	(907,545)
Amortization of premium and loss on refunding bonds	216,949

Changes in net position of governmental activities	\$ <u>9,548,737</u>
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See accompanying notes to financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year ended June 30, 2026

	Custodial <u>Fund</u>
Additions - real property taxes collected for other governments	\$ 750,000
Deductions - payments of real property taxes to other governments	<u>(750,000)</u>
Net change in fiduciary net position	-
Net position at beginning of year	<u>-</u>
Net position at end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements

June 30 2026

(1) Summary of Significant Accounting Policies

The South Orangetown Central School District (District), as presently constituted, operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the District and is elected by the voters of the District. The Superintendent serves as the chief executive officer. The District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below:

(a) Financial Reporting Entity

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The District participates in the Rockland County Board of Cooperative Educational Services (BOCES), a jointly governed entity. BOCES is a voluntary association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating districts' governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined in Education Law. Copies of BOCES' financial statement can be requested from Rockland County BOCES, 65 Parrott Road, West Nyack, New York 10994-0607.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(b) District-Wide Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

The Statement of Net Position presents the financial position of the District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenue is reported as general revenue. The District does not allocate indirect expenses to functions in the Statement of Activities.

While separate district-wide and fund financial statements are presented, they are interrelated. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(c) Fund Financial Statements

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenue and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Fund Financial Statements, Continued

Fund Categories:

Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the District's major governmental funds.

General Fund - The General Fund constitutes the primary fund of the District and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the District is the Special Aid Fund. The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal, State or local funds. The major revenue of this fund are State and Federal aid.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

The District also reports the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the breakfast and lunch programs of the District.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the District in accordance with grantor or contributor stipulations. Among the activities included in the Special Purpose Fund are extraclassroom activity funds.

Fiduciary Fund (Not Included in District-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the District on behalf of others. The Custodial Fund is used to account for real property taxes collected for other governments.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when they have been earned and they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenue from Federal and State grants are recognized as revenue when the expenditure is made and the amounts are expected to be collected within one year of the fiscal year end. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain claims, compensated absences, net pension liabilities and other postemployment benefit liability are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of long-term debt are reported as other financing sources.

(e) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances Cash and Equivalents and Investments

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The District's deposits and investment policies are governed by State statutes. The District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances Cash and Equivalents and Investments, Continued

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

The District utilizes a pooled investment concept for all governmental funds to facilitate its investment program. Investment income from this pooling is allocated to the respective funds based upon the sources of funds invested.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The District follows the provisions of GASB Statement No. 72 - "Fair Value Measurement and Application," which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The District participates in the Cooperative Liquid Assets Securities System (CLASS), a cooperative investment pool, established pursuant to Articles 3A and 5G of General Municipal Law of the State of New York. CLASS has designated Public Trust Advisors, LLC as its registered investment advisor. Public Trust Advisors, LLC is registered with the Securities and Exchange Commission (SEC), and is subject to all of the rules and regulations of an investment advisor handling public funds. As such, the SEC provides regulatory oversight of CLASS.

The pool is authorized to invest in various securities issued by the United States and its agencies, obligations of the State of New York and repurchase agreements. These investments are reported at fair value. CLASS issues separately available audited financial statements with a year end of June 30th.

The District's position in the pool at June 30, 2026 of \$72,420,754 is equal to the value of the pool shares. The maximum maturity for any specific investment in the portfolio is 397 days.

Additional information concerning the cooperative is presented in the annual report of CLASS, which may be obtained from Public Trust Advisors, LLC, 717 17th Street, Suite 1850, Denver, Colorado 80202.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances Cash and Equivalents and Investments, Continued

CLASS are rated AAAM by Standard and Poor's Rating Service. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. CLASS invest in a high quality portfolio of investments legally permissible for municipalities and school districts in the State.

(f) Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the District does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40 - "Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3," directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the District's name. The District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2026.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The District's investment policy limits the amount on deposit at each of its banking institutions.

(g) Property Taxes Receivable

Real property taxes attach as an enforceable lien on real property as of July 1st and are payable on September 1st. The various towns which are included in the levy are responsible for the billing and collection of the taxes through November 1st of the tax year at which time collection responsibility is transferred to the County of Rockland, New York (the County). The County guarantees the full payment of the District warrant and assumes responsibility for uncollected taxes. The District has the fiduciary responsibility to collect library property taxes and turn them over to the five libraries: Blauvelt Free Library, Orangeburg Library, Palisades Free Library, Piermont Public Library and Tappan Free Library. The taxes are collected and remitted to the libraries in October.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Other Receivables

Other receivables include amounts due from other governments and individuals for services provided by the District. Receivables are recorded and revenue recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

(i) Due From/To Other Funds

During the course of its operations, the District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2026, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

(j) Inventories

Inventories in the School Lunch Fund consist of surplus food which is recorded at a stated value, which approximates market. The cost is recorded as inventory at the time individual inventory items are purchased. The District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

(k) Lease Receivable

The District is a lessor for noncancellable leases of building premises. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, 2) lease-term, and (3) lease receipts.

The District uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the leases. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Capital Assets

Capital assets are tangible and intangible assets, which include property, plant and equipment, and are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets (except intangible right-to-use assets, which is discussed in note 3(c)) are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible assets and are reported with tangible assets in the appropriate capital asset class.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. The other tangible and intangible property, plant and equipment and right-to-use assets of the District are depreciated/ amortized using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Land improvements	50
Buildings and improvements	50
Furniture and equipment	5 - 10
Vehicles	5 - 10
Right-to-use assets	5

The costs associated with the acquisition or construction of tangible and intangible capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheet.

(m) Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. In the district-wide financial statements, unearned revenue consist of revenue received in advance and/or grants received before the eligibility requirements have been met.

Unearned revenue in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The District has reported unearned revenue of \$1,821 for State and Federal aid received in advance in the Special Aid Fund and \$43,535 for student meal monies received in advance in the School Lunch Fund. Such amounts have been deemed to be measurable but not “available” pursuant to generally accepted accounting principles.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District has reported deferred inflows of resources in the Capital Projects Fund of \$165,637 for state and federal aid not expected to be collected within one year of the subsequent fiscal year. Those amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

The District has reported deferred inflows of resources in the General Fund of \$2,437,148 in relation to leases of a building premises for the fiscal year ended June 30, 2026. These amounts are being deferred and amortized over the term of the leases.

The District reported deferred amounts on refunding bonds resulting from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is being deferred and amortized over the shorter of the life of the refunded or refunding debt.

The District also reported deferred outflows of resources and deferred inflows of resources in relation to its pension and other postemployment benefit liabilities in the district-wide financial statements. These amounts are detailed in the discussion of the District's pension and other postemployment benefit liabilities in note 3(f).

(o) Long-term Liabilities

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

(p) Leases

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the district-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$10,000 or more.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(p) Leases, Continued

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right-to-use leased assets are reported with other capital assets and right-to-use lease liabilities are reported with long-term liabilities on the Statement of Net Position.

(q) Compensated Absences

The liability for compensated absences represents the sick time (leave/leave days) and salary related payments which have been earned for services previously rendered by employees in accordance with the District's various collective bargaining agreements, accumulates, is allowed to be carried over to subsequent year(s) and is deemed more likely than not (by management) to be used for time off or otherwise paid/settled in the future. The liability is calculated based on each employees' rate of pay and the number of unused leave days accumulated as of year-end, management's assumption that the likelihood of future use (either by use during employment or settlement/payment upon separation from service) is probable, and the salary related payments are directly and incrementally associated with payments for the leave. The District utilizes historical data of past usage patterns to estimate the expected usage and payment of compensated absences. The liability for compensated absences is reflected in the district-wide financial statements as current and long-term liabilities. In the fund financial statements, only the compensated absences liability that has matured through employee resignation or retirement and is expected to be payable from expendable available financial resources is reported. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 101 - "Compensated Absences."

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(r) Net Pension Liability (Asset)

The net pension liability (asset) represents the District's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68 - "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71 - "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68."

(s) Other Postemployment Benefit Liability (OPEB)

In addition to providing pension benefits, the District provides health care benefits for certain retired employees and their survivors. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions."

(t) Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, granters, or laws or regulations of other governments. Restricted net position for the District includes restricted for capital projects, future capital projects, debt service, tax certiorari, retirement contributions, liability, insurance, unemployment benefits and special purposes.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the District will fund outlays for a particular purpose from both restricted 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. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(u) Fund Balance

Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in the General Municipal Law or the Education Law of the State of New York.
- Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The School Board is the highest level of decision making authority for the District that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the School Board removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Education.
- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Education for amounts assigned for balancing the subsequent year's budget or delegated to the Assistant Superintendent for Business Operations for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive unassigned fund balance. For all governmental funds other than the General Fund, any deficit fund balance is reported as unassigned.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(u) Fund Balance, Continued

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District's policy to use fund balance in the following order: committed, assigned, and unassigned.

(v) Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

(w) Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(x) Subsequent Events

On July 21, 2026, the District issued bonds in the amount of \$14,700,000 and bond anticipation notes in the amount of \$16,932,000 both with an interest rate of 4.0%.

(2) Stewardship, Compliance and Accountability

(a) Budgetary Data

The District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- The voters are permitted to vote upon the General Fund budget at the annual meeting.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(2) Stewardship, Compliance and Accountability, Continued

(a) Budgetary Data, Continued

- If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.
- Formal budgetary integration is employed during the year as a management control device for the General Fund.
- The General Fund and Debt Service Fund budgets are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the Special Aid, School Lunch and Special Purpose funds since other means control the use of these resources (e.g., grants awards) and sometimes span a period of more than one fiscal year.
- The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- Appropriations in the General Fund lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the Board of Education.

(b) Limitation on Fund Balance

The District is limited to the amount of committed, assigned and unassigned fund balance, with certain exceptions, that can be retained. New York State law limits this amount of fund balance to 4% of the ensuing year's budget.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(2) Stewardship, Compliance and Accountability, Continued

(c) Property Tax Limitation

Chapter 97 of the Laws of 2011, as amended (Tax Levy Limitation Law), modified previous law by imposing a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the CPI subject to certain exclusions. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district's budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Tax Levy Limitation Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Tax Levy Limitation Law. However, such exclusion does not apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

(d) Capital Projects Fund Project Deficits

The deficit of \$2,334,232 in the 2025-26 Capital Projects Fund arises because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source." Liabilities for bond anticipation notes issued are accounting for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. Deficits in these projects will be reduced and eliminated as the bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing.

Deficits in other projects arise because of expenditures exceeding current financing on the project. These deficits will be eliminated with the subsequent receipt of with subsequent receipts or transfers of funds from the General Fund.

(e) New Accounting Pronouncement

GASB has issued Statement No. 105 - "Subsequent Events" effective for the fiscal year beginning after June 15, 2026. The effects of the implementation of this pronouncement are not known at this time.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(3) Detailed Notes on All Funds

(a) Interfund Receivables/Payables

The composition of due from/to other funds at June 30, 2026 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 1,599,647	7,264,917
Special aid	-	1,377,035
Capital projects	7,264,917	360,779
Debt service	339,645	132,762
Nonmajor governmental	<u>-</u>	<u>68,716</u>
	\$ <u>9,204,209</u>	<u>9,204,209</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

(b) Lease Receivable

During 2025, the District renewed into a lease agreement for the use of classrooms, offices and shared common places of Tappan Zee Elementary School. The lease is for a term of twenty four (24) months. The initial lease payment was \$323,000 annually. The total annual base rent payment will increase by 2% per year or by the increase in the Consumer Price Index for New York, New England and New Jersey for the month of May preceding the next payment, whichever is lower. As of June 30, 2026 the District recognized lease revenue and interest revenue of \$278,993 and \$44,007, respectively.

During 2025, the District renewed into a lease agreement for the use of classrooms, offices and shared common places of Tappan Zee Elementary School. The lease is for a term of twenty four (24) months. The initial lease payment was \$225,297 annually. The total annual base rent payment will increase by 3% per year or by the increase in the Consumer Price Index for New York, New England and New Jersey for the month of May preceding the next payment, whichever is lower. As of June 30, 2026 the District recognized lease revenue and interest revenue of \$212,430 and \$12,867, respectively.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(3) Detailed Notes on All Funds, Continued

(b) Lease Receivable, Continued

During 2025, the District entered into a lease agreement for the use of Casey Hall and Cook Hall. The lease term is for forty eight (48) months. The initial lease payment was \$693,963 annually. The total annual base rent payment will increase by 3% per year or by the increase in the Consumer Price Index for New York/Northeast and New Jersey for the month of May preceding the next payment, whichever is lower. As of June 30, 2026 the District recognized lease revenue and interest revenue of \$641,101 and \$73,679, respectively.

During 2025, the District renewed into a lease agreement for the use of the Palisades School Building. The lease term is for twelve (12) months. The lease payments are \$146,256 per year and will be paid in twelve installments annually, payable each month. As of June 30, 2026 the District recognized lease revenue and interest revenue of \$106,991 and \$2,701, respectively.

As of June 30, 2026, the District's lease receivable for the building lease payments in the General Fund was \$2,709,709. Also, the District has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term. As of June 30, 2026, the balance of the deferred inflow of resources in the General Fund was \$2,437,148.

(c) Capital Assets

Changes in the District's capital assets are as follows:

	Balance at July 1, 2025	Additions	Deletions	Balance at June 30, 2026
Capital assets, not being depreciated:				
Land	\$ 616,672	-	-	616,672
Construction-in-progress	23,700,837	8,219,009	-	31,919,846
Total capital assets, not being depreciated	24,317,509	8,219,009	-	32,536,518
Capital assets, being depreciated/amortized:				
Land improvements	7,658,780	-	-	7,658,780
Buildings and improvements	111,483,944	-	-	111,483,944
Furniture and equipment	2,779,236	25,435	(10,976)	2,793,695
Vehicles	678,796	-	-	678,796
Right-to-use leased equipment	391,769	-	-	391,769
Total capital assets, being depreciated/amortized	122,992,525	25,435	(10,976)	123,006,984
Less accumulated depreciation/amortization:				
Land improvements	5,694,469	346,977	-	6,041,446
Buildings and improvements	58,802,611	2,894,025	-	61,696,636
Furniture and equipment	1,792,794	150,450	(10,976)	1,932,268
Vehicles	400,318	57,213	-	457,531
Right-to-use leased equipment	286,886	65,988	-	352,874
Total accumulated depreciation/amortization	66,977,078	3,514,653	(10,976)	70,480,755
Total capital assets, being depreciated/amortized, net	56,015,447	(3,489,218)	-	52,526,229
Capital assets, net	\$ 80,332,956	4,729,791	-	85,062,747

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(3) Detailed Notes on All Funds, Continued

(c) Capital Assets, Continued

Depreciation/Amortization expense was charged to District functions and programs as follows:

General support	\$ 193,720
Instruction	<u>3,320,933</u>
Total depreciation/amortization expense	\$ <u>3,514,653</u>

(d) Accrued Liabilities

Accrued liabilities at June 30, 2026 were as follows:

Payroll and employee benefits	\$ 347,574
Other	<u>209,674</u>
	\$ <u>557,248</u>

(e) Short-Term Capital Borrowings

The schedule below details the changes in short-term capital borrowings.

<u>Purpose</u>	<u>Year of Original Issue</u>	<u>Rate of Interest</u>	<u>Maturity Date</u>	<u>Balance July 1, 2025</u>	<u>New Issues</u>	<u>Redemptions</u>	<u>Balance June 30, 2026</u>
Various capital projects	2025	3.75%	8/6/2025	\$ 7,500,000	-	(7,500,000)	-
Various capital projects	2026	4.00%	8/5/2026	<u>-</u>	<u>28,000,000</u>	<u>-</u>	<u>28,000,000</u>
				<u>\$ 7,500,000</u>	<u>28,000,000</u>	<u>(7,500,000)</u>	<u>28,000,000</u>

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund.

Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within seven years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Interest expense of \$1,034,549 was recorded in the district-wide financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(3) Detailed Notes on All Funds, Continued

(f) Long-Term Liabilities

The following table summarizes changes in the District's long-term liabilities for the year ended June 30, 2026:

	Balance as reported <u>July 1, 2025</u>	New issues/ <u>additions</u>	Maturities and/or <u>payments</u>	Balance as reported <u>June 30, 2026</u>	Due within <u>one year</u>
General obligation bonds payable	\$ 3,030,000	-	(1,930,000)	1,100,000	1,100,000
Unamortized premium on bonds	319,394	-	(216,949)	102,445	102,445
	<u>3,349,394</u>	<u>-</u>	<u>(2,146,949)</u>	<u>1,202,445</u>	<u>1,202,445</u>
Leases payable	61,495	-	(61,495)	-	-
Other noncurrent liabilities:					
Claims payable	576,228	35,227	(152,070)	459,385	46,000
Compensated absences	9,887,254	1,707,041	-	11,594,295	1,154,000
Net pension liability - ERS	2,795,757	-	(1,889,532)	906,225	-
Other postemployment benefit liability	220,182,616	28,406,739	-	248,589,355	8,464,260
Total other noncurrent liabilities	<u>233,441,855</u>	<u>30,149,007</u>	<u>(2,041,602)</u>	<u>261,549,260</u>	<u>9,664,260</u>
Total long-term liabilities	<u>\$ 236,852,744</u>	<u>30,149,007</u>	<u>(4,250,046)</u>	<u>262,751,705</u>	<u>10,866,705</u>

Each governmental fund's liability leases, claims payable, compensated absences, net pension liabilities and other postemployment benefit liability is liquidated by the General Fund. The District's indebtedness for general obligation bonds is satisfied by the Debt Service Fund, which is funded primarily by the General Fund.

General obligation bonds payable at June 30, 2026 are comprised of the following individual issues:

<u>Purpose</u>	<u>Year of Issue</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding at June 30, 2026</u>
Serial bonds	2011	\$ 3,750,000	08/2026	5.00%	300,000
Refunding bonds	2016	13,530,000	12/2026	2.00%	<u>800,000</u>
					<u>\$ 1,100,000</u>

Interest expenditures of \$47,975 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$856,248 was recorded in the district-wide financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(3) Detailed Notes on All Funds, Continued

(g) Leases Payable

As of June 30, 2026, leases payable have been fully paid. Interest expenditures/expense of \$2,055 were recorded in the fund financial statements in the General Fund and in the district-wide financial statements.

(h) Payments to Maturity

The annual requirements to amortize all outstanding bonded and leases as of June 30, 2026 including interest payments of \$13,250 are as follows:

Year ending <u>June 30,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	<u>\$ 1,100,000</u>	<u>13,250</u>	<u>1,113,250</u>

The above general obligation bonds are direct borrowings of the District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the District.

(i) Legal Debt Margin

The District is subject to legal limitations on the amount of debt that it may issue. The District's legal debt margin is 10% of the most recent full valuation of taxable real property.

(j) Workers' Compensation Claims Payable

The District participates in a risk sharing pool, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The District's share of the liability for unbilled and open claims is \$459,385. Claims activity is summarized below:

	<u>2025-26</u>
Unpaid claims at beginning of year	\$ 576,228
Incurred claims and claim adjustment expenses	35,227
Claim payments	<u>(152,070)</u>
Unpaid claims at year end	\$ <u>459,385</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(3) Detailed Notes on All Funds, Continued

(k) Compensated Absences

Pursuant to collective bargaining agreements, certain employees may accumulate sick leave. Upon separation of service or retirement, these employees will be compensated for accumulated sick leave based upon the terms of their respective agreement. The value of the compensated absences has been reflected in the district-wide financial statements.

(l) Revenue and Expenditures Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

	<u>Transfers In</u>			<u>Total</u>
	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	
<u>Transfers out</u>				
General Fund	\$ <u>128,770</u>	<u>2,000,000</u>	<u>1,962,400</u>	<u>4,091,170</u>

Transfers are used to 1) move funds from the operating funds to the Debt Service Fund and Capital Projects Fund as debt service principal and interest payments become due and 2) move amounts earmarked in the operating funds to fulfill commitments for Special Aid Fund expenditures.

(m) Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Capital Projects - the component of net position that reports the amounts restricted for capital projects, less unexpended bond proceeds and unrestricted interest earnings.

Restricted for Future Capital Projects - the component of net position that has been established in accordance with the Education Law of the State of New York to set aside funds to be used for future capital projects.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities of the Debt Service Fund with constraints placed on their use by Local Finance Law.

Restricted for Tax Certiorari - the component of net position that has been established in accordance with the Education Law of the State of New York to provide funding for court ordered tax refunds which are currently in process.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(3) Detailed Notes on All Funds, Continued

(m) Net Position, Continued

Restricted for ERS Retirement System Contributions - the component of net position that reports the amounts set aside to be used for ERS retirement costs in accordance with Section 6-r of the General Municipal Law of the State of New York.

Restricted for TRS Retirement Contributions - the component of net position that reports the amounts set aside to be used for TRS retirement costs in accordance with Section 6-r of the General Municipal Law of the State of New York.

Restricted for Insurance - the component of net position that has been established to set aside funds for the deductible provisions of the District's insurance policies in accordance with Section 6-n of the General Municipal Law of the State of New York.

Restricted for Liability - the component of net position that has been established to set aside funds to cover property loss and liability claims in accordance with Section 1709(8)(c) of the Education Law of the State of New York.

Restricted for Unemployment Benefits - the component of net position that has been established to set aside funds to be used for a specific purpose in accordance with Section 6-m of the General Municipal Law of the State of New York.

Restricted for Special Purposes - the component of net position that has been established to set aside funds to be used for extraclassroom activities and other purposes with constraints placed on their use by either external parties and/or statute.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

(n) Fund Balances

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Nonspendable - inventories	\$ -	-	-	4,273	4,273
Restricted:					
Tax certiorari	6,420,722	-	-	-	6,420,722
ERS retirement contributions	3,107,288	-	-	-	3,107,288
TRS retirement contributions	3,403,442	-	-	-	3,403,442
Property and loss liability insurance	1,459,030	-	-	-	1,459,030
Unemployment benefits	57,269	-	-	-	57,269
Employee benefits	1,363,533	-	-	-	1,363,533
Future capital projects	17,895,213	-	-	-	17,895,213
Repair reserve	1,000,000	-	-	-	1,000,000
Debt service	-	-	1,778,479	-	1,778,479
Special purposes - extraclassroom activities	-	-	-	172,311	172,311
Special purposes - other	-	-	-	245,135	245,135
Total restricted	<u>34,706,497</u>	<u>-</u>	<u>1,778,479</u>	<u>417,446</u>	<u>36,902,422</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Notes to Financial Statements, Continued

(3) Detailed Notes on All Funds, Continued

(n) Fund Balances, Continued

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Assigned:					
Purchases on order:	\$ 678,963	-	-	-	678,963
General government support for subsequent year's expenditures	1,200,000	-	-	-	1,200,000
School Lunch Fund	<u>-</u>	<u>-</u>	<u>-</u>	339,066	<u>339,066</u>
Total assigned	<u>1,878,963</u>	<u>-</u>	<u>-</u>	<u>339,066</u>	<u>2,218,029</u>
Unassigned (deficit)	<u>4,667,521</u>	<u>(2,334,232)</u>	<u>-</u>	<u>-</u>	<u>2,333,289</u>
Total fund balances (deficit)	<u>\$ 41,252,981</u>	<u>(2,334,232)</u>	<u>1,778,479</u>	<u>760,785</u>	<u>41,458,013</u>

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Inventories in the School Lunch Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditures because the asset is in the form of commodities and the District anticipates utilizing them in the normal course of operations.

Purchases on order are assigned and represent the District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Assigned for School Lunch Fund represents the component of fund balance that reports the difference between assets and liabilities in the School Lunch Fund.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted, committed or assigned.

(4) Summary Disclosure of Significant Contingencies

(a) Litigation

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(4) Summary Disclosure of Significant Contingencies, Continued

(a) Litigation, Continued

The District is also a defendant in actions in which, on occasion, parents seek reimbursement for tuition paid by them to private schools where they have unilaterally placed (enrolled) their children. If the parents' were successful in these claims, they could receive reimbursement for both tuition and attorneys' fees. The District rigorously contests any liability for these claims, as it feels: a) it had provided an appropriate placement for the children at issue; and b) the parents' unilateral placement are not consistent with the Individuals with Educational Disabilities Act.

(b) Contingencies

The District participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Uniform Guidance. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, to be immaterial.

The District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the District which may be disallowed cannot be determined at this time, although the District anticipates such amounts, if any, to be immaterial.

(c) Risk Management

The District purchases various insurance coverages, including general liability, school board legal liability, auto liability, excess insurance, equipment floaters, boilers and machinery, all risk building and contents, and cyber liability, to reduce its exposure to loss. The District maintains general liability insurance coverage with policy limits of \$1 million per occurrence and general aggregate limit of \$3 million and an excess liability policy which provides coverage up to \$15 million. The District also maintains liability for school board members with policy limits of \$1 million. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District participates in a risk sharing pool, the Rockland County Workers' Compensation Plan, in order to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The Plan's actuary projects that there are sufficient assets in the workers' compensation pool to offset any potential liability.

For its employee health and hospitalization insurance coverage, the District is a participant in the New York State Employees Health Insurance Plan, a public entity risk pool operated for the benefit of New York State employers and employees of all local governments and public school districts. The Plan is considered a self-sustaining risk pool, to which the District has essentially transferred all related risk.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(5) Pension Plans

(a) Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

Employees' Retirement System (ERS)

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

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 6% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(5) Pension Plans

(a) Plan Descriptions and Benefits Provided, Continued

Employees' Retirement System (ERS), Continued

For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

(b) Pension Asset/Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pensions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
Actuarial valuation date	April 1, 2025	June 30, 2024
Net pension asset (liability)	\$ (906,225)	13,428,932
District's proportion of the Plan's net pension liability	0.0160628%	0.226800%
Change in proportionate share	(0.0002431%)	0.000707%

For the year ended June 30, 2026, the District recognized pension expense of \$1,051,384 for ERS and a reduction in expense of \$672,147 for TRS in the statement of activities. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to the 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	\$ 518,595	7,039,755	-	-
Changes of assumptions	155,559	5,316,096	-	144,786
Net difference between projected and actual investment earnings on pension plan investments	-	-	1,624,911	10,487,962
Changes in proportion and differences between the District's contributions and proportionate share of contributions	206,211	341,462	52,142	99,134
District's contributions subsequent to the measurement date	<u>297,617</u>	<u>4,345,697</u>	<u>-</u>	<u>-</u>
Total	\$ <u>1,177,982</u>	<u>17,043,010</u>	<u>1,677,053</u>	<u>10,731,882</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(5) Pension Plans, Continued

(b) Pension Asset/Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pensions, Continued

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

<u>Year ending</u>	<u>ERS</u>	<u>TRS</u>
2027	\$ 404,057	6,858,429
2028	(549,685)	(2,801,783)
2029	(304,034)	(2,956,613)
2030	(347,026)	(578,921)
2031	-	1,195,707
Thereafter	-	248,612
	<u>\$ (796,688)</u>	<u>1,965,431</u>

(c) Actuarial Assumptions

The total pension asset/liability as of the measurement date was determined by using a rollforward procedure to advance the asset/liability calculated using system assumptions and member demographics from the previous actuarial valuation. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Investment rate of return (net of investment expense, including inflation)	5.90%	6.95%
Salary scale	5.20%	2.04% - 5.80%
Cost of living adjustments	1.50%	1.40%
Inflation rate	2.90%	2.50%

For ERS, demographic assumptions used in the April 1, 2025 actuarial valuation are based on the results of an actuarial experience study completed March 31, 2025. Demographic assumptions are primarily based on System experience over the period April 1, 2020 - March 31, 2025. Annuitant mortality rates are adjusted to incorporate mortality improvements under the Society of Actuaries' Scale MP-2021. For TRS, annuitant and active mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021, applied on a generational basis. The demographic actuarial assumptions and the salary scale are based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2024. TRS runs one-year and five-year experience studies annually in order to gauge the appropriateness of the assumptions.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(5) Pension Plans, Continued

(c) Actuarial Assumptions, Continued

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

The long-term expected real rates of return are presented by asset allocation classification. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date are summarized in the following table:

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

* For ERS, the real rate of return are net of a long-term inflation assumption of 2.9%. For TRS, the real rates of return are net of pension plan investment expenses and long-term inflation expectations.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(5) Pension Plans, Continued

(d) 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 assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

(e) 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 ERS and TRS net pension liabilities calculated using the discount rates referred to above, 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 or 1-percentage point higher than the current discount rates referred to above:

ERS	1% Decrease (4.9%)	Current Discount (5.9%)	1% Increase (6.9%)
District's proportionate share of the net pension asset (liability)	\$ (6,189,268)	(906,225)	3,510,633
TRS	1% Decrease (5.95%)	Current Discount (6.95%)	1% Increase (7.95%)
District's proportionate share of the net pension asset (liability)	\$ (25,803,863)	13,428,932	46,441,288

(f) Pension Plan Fiduciary Net Position

The components of the current year net pension asset/liability of the participating employers as of the respective measurement dates, were as follows:

	(Dollars in Millions)	
	ERS	TRS
Employers' total pension liability	\$ (253,773)	(148,272)
Plan net position	248,131	154,193
Employers' net pension asset (liability)	\$ (5,642)	5,921
Ratio of plan net position to the employers' total pension liability	97.78%	104.00%

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(5) Pension Plans, Continued

(f) Pension Plan Fiduciary Net Position

ERS employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2026 represent the projected employer contribution for the period of April 1, 2026 through June 30, 2026 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to \$297,617. This amount has been recorded as a liability in the governmental fund statements and in the statement of net position. Retirement contributions paid to ERS for the year ended June 30, 2026 were \$1,001,467.

TRS employer and employee contributions for the year ended June 30, 2026 are paid to the TRS in September, October and November 2026 through a state aid intercept. Accrued retirement contributions as of June 30, 2026 represent employee and employer contributions for the fiscal year ended June 30, 2026 based on paid TRS wages multiplied by the employer's contribution rate, by tier, and employee contributions for the fiscal year as reported to the TRS system. Accrued employer retirement contributions to TRS as of June 30, 2026 amounted to \$4,983,597, including employees' share. The accrued contributions have been recorded as a liability in the governmental fund statements and in the statement of net position. Retirement contributions paid to TRS for the year ended June 30, 2026 were \$4,345,697.

(6) Other Postemployment Benefits (OPEB)

(a) Plan Description

In addition to providing pension benefits, the District provides certain health care benefits for retired employees through a single employer defined benefit OPEB plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the District may vary according to length of service. The cost of providing postemployment health care benefits is shared between the District and the retired employee as noted below. Substantially all of the District's employees may become eligible for those benefits if they reach normal retirement age while working for the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," so the net OPEB liability is equal to the total OPEB liability. Separate financial statements are not issued for the plan.

(b) Employees covered by benefit terms

At July 1, 2025, the valuation date, the following employees were covered by the benefit terms:

Current retirees	420
Active employees	<u>455</u>
	<u>875</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(6) Other Postemployment Benefits (OPEB), Continued

(c) Total OPEB Liability

The District's total OPEB liability of \$248,589,355 was measured as of June 30, 2026, and was determined by an actuarial valuation as of July 1, 2025.

(d) Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Discount rate	4.26%
Healthcare cost trend rates	7.00% for 2026, decreasing 0.25% per year to an ultimate rate of 4.50% for 2037 and later years
Retirees' share of benefit-related costs	Retiree contribution rates vary by employee class and date of retirement

(e) Changes in the Total OPEB Liability

Total OPEB liability as of July 1, 2025	\$ <u>220,182,616</u>
Changes for the year:	
Service cost	4,600,400
Interest on total OPEB liability	9,199,491
Changes of assumptions or other inputs	23,071,108
Benefit payments	<u>(8,464,260)</u>
Total changes	<u>28,406,739</u>
Total OPEB liability as of June 30, 2026	\$ <u>248,589,355</u>

(f) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease (3.26%)	Current Discount Rate (4.26%)	1% Increase (5.26%)
Total OPEB Liability	\$ <u>291,647,943</u>	<u>248,589,355</u>	<u>214,684,523</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Financial Statements, Continued

(6) Other Postemployment Benefits (OPEB), Continued

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Trend Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	\$ <u>210,931,471</u>	<u>248,589,355</u>	<u>297,527,625</u>

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

For the year ended June 30, 2026, the District recognized OPEB expense of \$7,255,274. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes of assumption or other inputs	\$ <u>40,662,744</u>	<u>42,084,404</u>

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

<u>Year ending</u> <u>June 30,</u>	
2027	\$ (9,473,962)
2028	(3,626,573)
2029	5,080,269
2030	3,348,707
2031	1,348,183
Thereafter	<u>1,901,716</u>
	\$ <u>(1,421,660)</u>

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year ended June 30, 2026

	Original Budget	Variance	Final Budget	Variance	Actual (Budgetary Actual)
Revenue:					
Real property taxes	\$ 91,103,847	(3,123,607)	87,980,240	11,201	87,991,441
Other real property tax items	79,272	3,123,607	3,202,879	(2,319)	3,200,560
Charges for services	65,600	-	65,600	35,820	101,420
Use of money and property	3,878,494	-	3,878,494	1,513,345	5,391,839
Sale of property and compensation for loss	-	-	-	9,644	9,644
State sources	50,000	17,714,376	17,764,376	842,669	18,607,045
Federal sources	461,275	(411,275)	50,000	10,211	60,211
Miscellaneous	17,764,376	(17,191,445)	572,931	156,064	728,995
Total revenue	113,402,864	111,656	113,514,520	2,576,635	116,091,155
Expenditures:					
General support:					
Board of education	91,950	48	91,902	9,764	82,138
Central administration	426,725	(7,379)	434,104	11,365	422,739
Finance	1,137,296	(44,050)	1,181,346	35,799	1,145,547
Staff	1,061,564	(62,748)	1,124,312	50,676	1,073,636
Central services	7,632,123	(94,197)	7,726,320	589,027	7,137,293
Special items	1,317,151	(156,712)	1,473,863	16,864	1,456,999
Instruction:					
Instruction, administration	4,010,926	(136,873)	4,147,799	185,560	3,962,239
Teaching - regular school	28,988,114	26,611	28,961,503	194,512	28,766,991
Programs for students with disabilities	19,363,399	269,716	19,093,683	525,859	18,567,824
Teaching - special schools	80,000	-	80,000	36,942	43,058
Instructional media	4,717,781	88,166	4,629,615	642,099	3,987,516
Pupil services	5,809,383	(141,895)	5,951,278	246,907	5,704,371
Pupil transportation	6,896,402	(67,378)	6,963,780	96,999	6,866,781
Community services	131,623	205	131,418	2,817	128,601
Employee benefits	29,316,259	(81,165)	29,397,424	1,554,978	27,842,446
Debt service:					
Principal	-	-	-	(61,495)	61,495
Interest	117,188	101,384	15,804	15,314	490
Total expenditures	111,097,884	(306,267)	111,404,151	4,153,987	107,250,164
Excess (deficiency) of revenue over expenditures	2,304,980	(194,611)	2,110,369	6,730,622	8,840,991
Other financing sources and (uses) - operating transfers (out)	4,191,200	17,384	4,208,584	(117,414)	4,091,170
Net change in fund balance	\$ (1,886,220)	(211,995)	(2,098,215)	6,848,036	4,749,821
Fund balance at beginning of year					36,503,160
Fund balance at end of year					\$ 41,252,981

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
June 30, 2026

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability									
Service cost	\$ 4,600,400	3,767,835	4,534,542	4,427,255	4,622,731	8,803,744	7,573,030	6,892,711	6,691,952
Interest	9,199,491	11,114,496	7,780,108	7,699,456	10,428,567	5,235,961	4,412,983	5,878,622	5,656,457
Differences between expected and actual experience	-	-	-	-	-	-	-	-	(479,419)
Changes of assumptions or other inputs	23,071,108	(24,200,775)	38,749,140	(7,364,672)	(92,783,283)	18,346,955	63,917,221	(15,324,355)	-
Benefit payments	<u>(8,464,260)</u>	<u>(7,993,507)</u>	<u>(7,583,818)</u>	<u>(6,467,696)</u>	<u>(6,335,181)</u>	<u>(6,247,364)</u>	<u>(6,230,164)</u>	<u>(5,029,410)</u>	<u>(4,304,359)</u>
Net change in total OPEB liability	28,406,739	(17,311,951)	43,479,972	(1,705,657)	(84,067,166)	26,139,296	69,673,070	(7,582,432)	7,564,631
Total OPEB liability - beginning	<u>220,182,616</u>	<u>237,494,567</u>	<u>194,014,595</u>	<u>195,720,252</u>	<u>279,787,418</u>	<u>253,648,122</u>	<u>183,975,052</u>	<u>191,557,484</u>	<u>183,992,853</u>
Total OPEB liability - ending	<u>\$ 248,589,355</u>	<u>220,182,616</u>	<u>237,494,567</u>	<u>194,014,595</u>	<u>195,720,252</u>	<u>279,787,418</u>	<u>253,648,122</u>	<u>183,975,052</u>	<u>191,557,484</u>
Covered payroll	\$ 45,791,403	45,767,708	45,767,708	42,572,062	42,572,062	42,591,388	42,591,388	38,922,412	38,922,412
Total OPEB liability as a percentage of covered payroll	542.87%	481.09%	518.91%	455.73%	459.74%	656.91%	595.54%	472.67%	492.15%
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Discount rate	4.26%	4.76%	4.09%	4.00%	3.77%	2.09%	2.44%	3.50%	3.70%

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2026

NYSTRS Pension Plan

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net pension asset/liability	0.2268000%	0.2260930%	0.2323020%	0.2337720%	0.2374990%	0.2299180%	0.2328370%	0.2313260%	0.2301870%	0.2351360%
District's proportionate share of the net pension asset (liability)	\$ 13,428,932	6,745,731	(2,656,574)	(4,485,839)	41,156,304	(6,353,249)	6,049,128	4,182,987	1,749,649	(2,518,400)
District's covered payroll	\$ 45,314,880	43,163,319	41,831,900	41,469,417	41,469,417	40,311,199	39,073,117	38,983,729	37,824,904	36,633,540
District's proportionate share of the net pension asset/liability as a percentage of its covered payroll	29.63%	15.63%	6.35%	10.82%	99.24%	15.76%	15.48%	10.73%	4.63%	6.87%
Plan fiduciary net position as a percentage of the total pension liability	104.00%	102.09%	99.17%	98.57%	113.20%	97.76%	102.17%	101.53%	100.66%	99.01%

NYSERS Pension Plan

District's proportion of the net pension asset/liability	0.0160628%	0.0163059%	0.0166281%	0.0682330%	0.0163401%	0.0159793%	0.0150100%	0.0157293%	0.0140296%	0.0159894%
District's proportionate share of the net pension asset (liability)	\$ (906,225)	(2,795,757)	(2,448,323)	(3,607,602)	1,335,737	(15,911)	(3,974,746)	(1,114,469)	(452,798)	(1,502,402)
District's covered payroll	\$ 6,448,683	6,435,196	6,087,670	5,474,983	5,196,914	5,041,043	4,835,525	4,749,517	4,456,780	4,644,510
District's proportionate share of the net pension asset/liability as a percentage of its covered payroll	14.05%	43.44%	40.22%	65.89%	25.70%	0.32%	82.20%	23.46%	10.16%	32.35%
Plan fiduciary net position as a percentage of the total pension liability	97.78%	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of District's Pension Contributions
June 30, 2026

NYSTRS Pension Plan

	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 4,345,697	4,513,843	4,212,740	4,058,515	3,841,657	3,836,978	4,127,391	3,692,683	4,275,109	4,811,000
Contributions in relation to the contractually required contribution	<u>4,345,697</u>	<u>4,513,843</u>	<u>4,212,740</u>	<u>4,058,515</u>	<u>3,841,657</u>	<u>3,836,978</u>	<u>4,127,391</u>	<u>3,692,683</u>	<u>4,275,109</u>	<u>4,811,000</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 45,314,880	44,647,309	43,163,319	41,831,900	41,469,417	40,311,199	39,073,117	38,983,729	37,824,904	36,633,540
Contributions as a percentage of covered payroll	9.59%	10.11%	9.76%	9.70%	9.26%	9.52%	10.56%	9.47%	11.30%	13.13%

NYSERS Pension Plan

Contractually required contribution	\$ 1,001,467	890,910	716,001	612,157	802,309	699,035	690,743	692,612	685,994	725,000
Contributions in relation to the contractually required contribution	<u>1,001,467</u>	<u>890,910</u>	<u>716,001</u>	<u>612,157</u>	<u>802,309</u>	<u>699,035</u>	<u>690,743</u>	<u>692,612</u>	<u>685,994</u>	<u>725,000</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 6,448,683	6,607,646	6,128,235	5,876,467	5,196,914	5,041,043	4,835,525	4,749,517	4,456,780	4,644,510
Contributions as a percentage of covered payroll	15.53%	13.48%	11.68%	10.42%	15.44%	13.87%	14.28%	14.58%	15.39%	15.61%

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Required Supplementary Information

June 30, 2026

(1) Required Information

The budgetary comparison schedules present comparisons of the original and final adopted budget and comparisons of the final budget and actual results for the General Fund and each major special revenue fund with a legally adopted annual budget. The budgetary basis of accounting is substantially the same as the basis of accounting used in preparing the fund financial statements.

The budgetary comparison schedules are required supplementary information under Governmental Accounting Standards Board Statement No. 34 and are not required part of the basic financial statements. The schedules are intended to demonstrate compliance with the legally adopted budget.

(2) Significant Budgetary Changes

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenue:			
Real property taxes	\$ 91,103,847	87,980,240	87,991,441
Other real property tax items	79,272	3,202,879	3,200,560
Use of money and property	3,878,494	3,878,494	5,391,839
State sources	50,000	17,764,376	18,607,045
Miscellaneous	17,764,376	572,931	728,995
Expenditures:			
General support - central services	7,632,123	7,726,320	7,137,293
Instruction - instructional media	4,717,781	4,629,615	3,987,516
Employee benefits	29,316,259	29,397,424	27,842,446

- The final budget of real property taxes/other real property tax items was adjusted to reflect a reclassification of tax levy between real property tax and other property tax items. Actual collections were consistent with the revised budget.
- Actual revenue from use of money and property exceeded budgeted amounts due to interest rate increases.
- The final budget of state sources/miscellaneous revenue was adjusted to reflect a budgetary reclassification to better describe the source of funding. Actual state sources of revenue exceeded the final budget due to unexpected additional state aid.
- Central services actual expenditures were less than budget across multiple categories as actual invoices were lower than expected.
- Instructional media expenditures were less than budget due to a portion of budgeted costs not occurring before year end.
- Employee benefits actual expenditures were less than budgeted as the district experienced savings from actual pension and insurance invoices.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT

Notes to Required Supplementary Information

(3) Schedule of Changes in the District's Total OPEB Liability and Related Ratios

The Schedule of Changes in the District's Total OPEB Liability and Related Ratios is required to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

Changes of assumptions reflect the effects of changes in the discount rate each period.

There are no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4.

OTHER SUPPLEMENTARY INFORMATION

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Other Supplementary Information
Schedule of Project Expenditures - Capital Projects Fund
Year ended June 30, 2026

<u>Project title</u>	<u>Original Appropriation</u>	<u>Expenditures and Obligations to Date</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>				<u>Fund Balance 6/30/2026</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		<u>Interfund Transfers</u>	<u>State Aid</u>	<u>Local Sources</u>	<u>Total</u>	
2018-19 Minor Capital Project	\$ 1,455,739	718,369	-	718,369	737,370	1,455,739	-	-	1,455,739	737,370
2021-22 Minor Capital Project	3,866,418	4,484,197	-	4,484,197	(617,779)	3,866,418	-	28,120	3,894,538	(589,659)
Smart School Bond	1,029,143	961,512	-	961,512	67,631	-	795,875	-	795,875	(165,637)
2022-23 District Wide Renovations	49,932,000	18,893,912	6,999,049	25,892,961	24,039,039	18,000,000	-	579,367	18,579,367	(7,313,594)
2022-23 Minor Capital Project	2,061,413	1,919,554	28,264	1,947,818	113,595	2,000,000	-	61,413	2,061,413	113,595
2022-23 Playground Project	310,496	310,496	-	310,496	-	310,496	-	-	310,496	-
TZHS Boilers Project	1,700,000	791,625	320,583	1,112,208	587,792	1,700,000	-	-	1,700,000	587,792
WOS Classrooms	1,700,000	1,045,843	449,272	1,495,115	204,885	1,700,000	-	-	1,700,000	204,885
2023-24 Minor Capital Project	2,000,000	1,379,673	18,453	1,398,126	601,874	2,000,000	-	-	2,000,000	601,874
2024-25 Minor Capital Project	2,000,000	107,470	59,348	166,818	1,833,182	2,000,000	-	-	2,000,000	1,833,182
2025-26 Minor Capital Project	2,000,000	-	344,040	344,040	1,655,960	2,000,000	-	-	2,000,000	1,655,960
Totals	<u>\$ 68,055,209</u>	<u>30,612,651</u>	<u>8,219,009</u>	<u>38,831,660</u>	<u>29,223,549</u>	<u>35,032,653</u>	<u>795,875</u>	<u>668,900</u>	<u>36,497,428</u>	<u>(2,334,232)</u>

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

	<u>School Lunch</u>	<u>Special Purpose</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and equivalents	\$ 372,573	419,994	792,567
Receivables - State and Federal aid	216,315	-	216,315
Inventories	<u>4,273</u>	<u>-</u>	<u>4,273</u>
Total assets	<u>\$ 593,161</u>	<u>419,994</u>	<u>1,013,155</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities:			
Accounts payable	138,468	1,597	140,065
Due to other funds	67,765	951	68,716
Due to other governments	54	-	54
Unearned revenue	<u>43,535</u>	<u>-</u>	<u>43,535</u>
Total liabilities	<u>249,822</u>	<u>2,548</u>	<u>252,370</u>
Fund balances:			
Nonspendable	4,273	-	4,273
Restricted	-	417,446	417,446
Assigned	<u>339,066</u>	<u>-</u>	<u>339,066</u>
Total fund balances	<u>343,339</u>	<u>417,446</u>	<u>760,785</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 593,161</u>	<u>419,994</u>	<u>1,013,155</u>

See accompanying notes to financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Combining Statement of Revenue, Expenditures and Changes in Fund
Balances - Nonmajor Governmental Funds
Year ended June 30, 2026

	<u>School Lunch</u>	<u>Special Purpose</u>	Total Nonmajor Governmental <u>Funds</u>
Revenue:			
Use of money and property	\$ -	1,156	1,156
State sources	923,319	-	923,319
Federal sources	551,616	-	551,616
Food sales	167,140	-	167,140
Miscellaneous	5	608,185	608,190
Total revenue	<u>1,642,080</u>	<u>609,341</u>	<u>2,251,421</u>
Expenditures:			
Cost of food sale	1,620,648	-	1,620,648
Other	-	473,312	473,312
Total expenditures	<u>1,620,648</u>	<u>473,312</u>	<u>2,093,960</u>
Excess (deficiency) of revenue over expenditures	21,432	136,029	157,461
Other financing sources (uses) - transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	21,432	136,029	157,461
Fund balances at beginning of year	<u>321,907</u>	<u>281,417</u>	<u>603,324</u>
Fund balances at end of year	<u><u>\$ 343,339</u></u>	<u><u>417,446</u></u>	<u><u>760,785</u></u>

See accompanying notes to financial statements.

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Other Supplementary Information
Schedule of Change from Adopted Budget to Final Budget and
the Real Property Tax Limit - General Fund
Year ended June 30, 2026

Change from original budget to final budget:

Original budget	\$ 113,402,864
Add prior year's encumbrances	<u>81,684</u>
Adopted Budget	113,484,548
Additional budget amendments	<u>111,656</u>
Final budget	<u>\$ 113,596,204</u>

Section 1318 of Real Property Tax Law Limit Calculation

2026-2027 voter approved expenditure budget	\$ 116,688,270
Maximum allowed 4% of 2026-2027 budget	4,667,531

General fund fund balance subject to Section 1318 of
Real Property Tax Law*:

Unrestricted fund balance:

Appropriated fund balance	\$ 1,240,000
Encumbrances	638,963
Unassigned fund balance	<u>4,667,521</u>
Total unrestricted fund balance	6,546,484

Less:

Appropriated fund balance	1,240,000
Encumbrances	<u>638,963</u>
Total adjustments	<u>1,878,963</u>

General fund fund balance subject to Section 1318 of
Real Property Tax Law

\$ 4,667,521

Actual percentage 4.000%

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

SOUTH ORANGETOWN CENTRAL SCHOOL DISTRICT
Other Supplementary Information
Net Investment in Capital Assets
June 30, 2026

Capital assets, net		\$ 85,062,747
Add:		
Unspent bond proceeds	20,686,405	
Unamortized portion of loss on refunding bonds	<u>43,352</u>	20,729,757
Deduct:		
Bond anticipation notes payable	\$ (28,000,000)	
Short-term leases payable	(46,000)	
Unamortized portion of issuance premium on bonds	(102,445)	
Bonds payable	<u>(1,100,000)</u>	<u>(29,248,445)</u>
Net investment in capital assets		<u><u>\$ 76,544,059</u></u>

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

The Board of Education of the
South Orangetown Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Orangetown Central School District (the District) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 6, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

EFPR Group, CPAs, PLLC

Williamsville, New York
October 6, 2026