

North Salem Central School District, New York

Financial Statements and
Supplementary Information

Year Ended June 30, 2026

North Salem Central School District, New York

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Independent Auditors' Report

**The Board of Education of the
North Salem Central School District, New York**

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Salem Central School District, New York ("School District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School 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 School District, as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("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 School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation of New Accounting Standard

As discussed in Note 2D to the financial statements, during the year ended June 30, 2026, the School District implemented Governmental Accounting Standards Board Statement No. 103, "*Financial Reporting Model Improvements*". The implementation of this standard resulted in changes to the presentation of certain financial statement information, including management's discussion and analysis, unusual or infrequent items, and other applicable financial reporting model presentation requirements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 School 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 2, 2026 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

October 2, 2026

North Salem Central School District, New York

Management's Discussion and Analysis June 30, 2026

The purpose of management's discussion and analysis ("MD&A") is to help North Salem Central School District, New York ("School District") residents and other readers understand what the financial statements and notes in this financial report say about the School District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by management's knowledge of the School District's finances.

Overview of the Financial Statements

The School District's financial report contains basic financial statements. Those financial statements present the School District's finances at both an overall and a detailed level. The Statement of Net Position and Statement of Activities (e.g. the *district-wide financial statements*) cover the School District's governmental activities. (See the diagram below)

- *Governmental activities* comprise the School District's most basic functions, such as instruction, pupil transportation, cost of food sales, and student support. Governmental activities primarily are financed by real property taxes and federal and state grants.

The remaining basic financial statements present the School District's finances in greater detail. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. Fund financial statements can be reported using up to three groups of funds as follows:

- *Governmental fund* financial statements report the School District's governmental activities on a current-financial-resources and modified-accrual basis. Accordingly, they focus on near-term inflows and outflows of spendable resources and on the fund balances available at year end. The governmental fund statements differ from the district-wide statements because they do not report capital assets, certain long-term liabilities, and certain deferred outflows and inflows of resources. Reconciliations accompanying the governmental fund statements explain the differences between the fund-level information and the governmental activities reported in the district-wide financial statements.
- *Proprietary fund financial statements* report all of the business-type activities (enterprise funds) and the services provided to School District departments (internal service funds). The School District had no such activity to report in this fund category.
- *Fiduciary fund* financial statements are used to account for resources held for the benefit of parties outside the School District. In accordance with the provisions of GASB Statement No. 84, "Fiduciary Activities", the School District had no such activity to report in this fund category.

Contents of the Basic Financial Statements

The next section of this financial report contains *notes to financial statements*, which delve deeper into the School District's finances as reported in the financial statements. The information in the notes is as important to understanding the School District's finances as the information in the financial statements. The School District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts

North Salem Central School District, New York

Management's Discussion and Analysis June 30, 2026

reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Types of Information in the Financial Statements

The district-wide financial statements use the *economic resources measurement focus* and *accrual basis of accounting*. (See table below) Accordingly, these statements generally report the following types of financial statement elements:

- *Assets* - resources the School District controls, from short-term assets like cash to long-term assets like capital assets.
- *Liabilities* - amounts the School District owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding debt, compensated absences, pension and postemployment benefit liabilities.
- *Deferred outflows/inflows of resources* - flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses* - inflows and outflows of economic resources, respectively, related to the current year.

The governmental fund financial statements use the *current financial resources measurement focus* and *modified accrual basis of accounting* to report on the sources, uses, and balances of current financial resources. (See table below)

The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on construction or acquisition of capital assets.

Types of Information Reported in the Financial Statements

	Financial Statements	
	District-Wide	Governmental Funds
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short-term and long-term	Only current financial resources, such as cash, taxes receivable, and accounts payable
Types of revenues/additions	All types of revenues/additions that flow into the entity during the year that relate to that year, regardless of when cash is received	Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/expenditures	All types of expenses/deductions that flow out of the entity during the year that relate to that year, regardless of when cash is paid	Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the entity during the year that relate to a future year	Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

North Salem Central School District, New York

Management's Discussion and Analysis June 30, 2026

More detail about the measurement focus and basis of accounting can be found in the summary of significant accounting policies in the notes to financial statements.

Financial Summary

Statement of Net Position

	June 30,		Total % Change
	2026	2025	2026-2025
ASSETS			
Current and Other Assets	\$ 21,332,598	\$ 15,322,380	39.2%
Net Pension Asset-Proportionate Share	6,087,839	3,144,637	93.6%
Capital Assets, net	43,235,589	40,259,160	7.4%
Total Assets	70,656,026	58,726,177	20.3%
DEFERRED OUTFLOWS OF RESOURCES	13,071,625	12,141,367	7.7%
LIABILITIES			
Current Liabilities	12,336,240	3,859,228	219.7%
Long-term Liabilities	37,974,351	37,958,313	0.0%
Total Liabilities	50,310,591	41,817,541	20.3%
DEFERRED INFLOWS OF RESOURCES	13,204,720	13,206,133	(0.0%)
NET POSITION			
Net Investment in Capital Assets	24,764,023	24,191,512	2.4%
Restricted	12,888,896	9,340,584	38.0%
Unrestricted	(17,440,579)	(17,688,226)	1.4%
Total Net Position	\$ 20,212,340	\$ 15,843,870	27.6%

The table above shows that as of June 30, 2026, the School District's total net position for governmental activities (assets and deferred outflows minus liabilities and deferred inflows) was \$20.2 million, an increase of \$4.4 million or 27.6% compared with 2025.

Governmental Activities

Current assets increased by \$6,010,218 primarily due to the issuance of the capital bond anticipation note ("BAN") in June of 2026 as well as the increase in the net pension asset – TRS of \$2,943,202.

Capital assets increased by \$2,976,429, primarily due to ongoing capital project activity, which is discussed further in the Significant Capital Asset and Long-Term Financing Activity section in this MD&A.

Current liabilities increased by \$8,477,012 primarily due to the BAN issued for the 2025 capital project and cost associated with these projects.

North Salem Central School District, New York

Management's Discussion and Analysis June 30, 2026

Deferred outflows of resources increased by \$930,258 primarily due to the increase of Other Postemployment Benefits ("OPEB") liability. Deferred inflows of resources decreased by \$1,413 primarily due to the increased Pension and decreased OPEB liabilities.

A large component of the School District's net position (\$24,764,023) reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to the students, and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position (\$12,888,896) reflects amounts restricted for specific purposes, i.e., payments of tax certiorari claims, capital projects, debt service, and retirement contributions, net pension asset – TRS, etc. There is a negative balance of unrestricted net position of (\$17,440,579), primarily results from the recognition of the School District's total OPEB liability of \$ 10,646,555 and Compensated Absences liability of \$10,882,670 required under GASB Statement No. 75 and 101.

North Salem Central School District, New York

Management's Discussion and Analysis June 30, 2026

Changes in Net Position

	June 30,		Total % Change
	2026	2025	2026-2025
REVENUES			
Program Revenue:			
Charges for Services	\$ 1,871,295	\$ 2,089,961	(10.5%)
Operating Grants and Contributions	1,989,214	1,714,697	16.0%
Capital Grants and Contributions	104,456	192,752	(45.8%)
Total Program Revenues	3,964,965	3,997,410	(0.8%)
General Revenue:			
Property Taxes and Tax Items	45,243,665	43,891,523	3.1%
Use of Money and Property	367,309	422,175	(13.0%)
Unrestricted State Aid	3,914,856	3,577,853	9.4%
Other	335,863	228,596	46.9%
Total General Revenues	49,861,693	48,120,147	3.6%
Total Revenues	53,826,658	52,117,557	3.3%
EXPENSES			
General support	7,193,276	7,491,826	(4.0%)
Instruction	37,725,567	38,511,065	(2.0%)
Pupil transportation	3,186,729	3,001,654	6.2%
Community services	99,418	82,210	20.9%
Cost of food sales	628,753	510,179	23.2%
Other	-	-	0.0%
Interest	624,445	604,426	3.3%
Total Expenses	49,458,188	50,201,360	(1.5%)
Change in Net Position	4,368,470	1,916,197	128.0%
Net position - Beginning	15,843,870	13,927,673	13.8%
Net position - Ending	\$ 20,212,340	\$ 15,843,870	27.6%

The table above shows that revenues exceeded expenses in the current year, resulting in an increase in net position. The total net position of the School District's governmental activities was \$20.2 million, an increase of \$4.4 million or 27.6% from 2025. The following detailed analyses explain the significant changes in the School District's financial position and results of operations from the prior year and the primary factors that affected those changes.

North Salem Central School District, New York

Management's Discussion and Analysis June 30, 2026

Detailed Analyses

Governmental Activities

Revenues:

The School District's total program revenues saw a decrease of \$32,445, general revenues increased by \$1,741,546 for a total increase of \$1,709,101. The primary drivers of these changes were:

- Charges for services decreased by \$218,666 due to the Universal Free School Meals program, parents no longer have to pay for their children's school meals. Instead, the state will reimburse school districts for all eligible meals served during the 2025–2026 school year.
- Operating grants and contributions increased by \$274,517 because of the Universal Free School Meals program, as noted above.
- Real property taxes increased by \$1,384,641. This is attributed to projected increased expenses related to instruction, employee benefits and transportation. The School District relies upon real property taxes as its primary source of revenue.
- Unrestricted State aid, which is formula driven and presented by the New York State budget, increased by \$337,003.

Expenses:

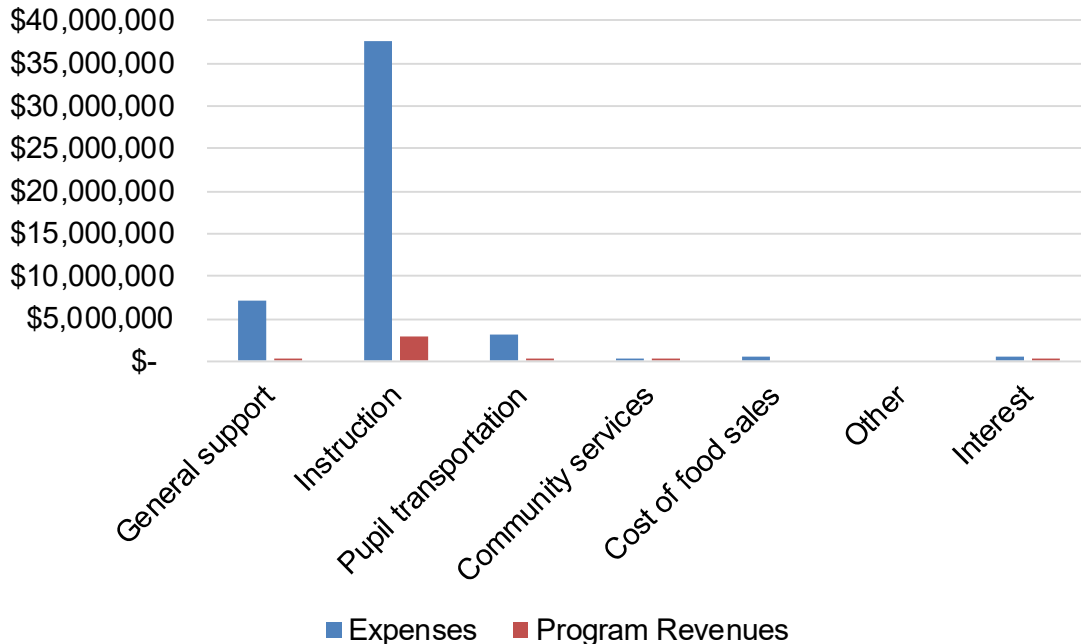
The School District's expenses decreased by \$743,172. Major factors contributing to the decrease included:

- General support decreased by \$298,550 during the period due to salary reductions for the 2025/2026 school year.
- Instruction decreased by \$785,498 during the period. This decline was driven by shifts in inflows and outflows related to OPEB. Additionally, changes in future liabilities to the Employees Retirement System ("ERS") and the Teachers Retirement System ("TRS") contributed to the overall reduction.
- Cost of food sales increased by \$118,574, primarily due to higher meal participation resulting from the Universal Free School Meals program.
- Pupil transportation increased by \$185,075, primarily reflecting higher salary costs and increased contracted transportation expenses.

North Salem Central School District, New York

Management's Discussion and Analysis
June 30, 2026

Governmental Activities - Expenses and Program Revenues



Governmental Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School District reports three major funds individually in the governmental fund financial statements, the General Fund, Capital Projects Fund and Special Aid Fund.

General Fund - The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2.2 million, while total fund balance increased to \$10.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 4.5% of total General Fund expenditure, while total fund balance represents 22.1% of that same amount. Of the General Fund's \$10.7 million total fund balance, \$654,965 is non-spendable for prepaid expenditures, \$6.3 million is restricted and \$1.6 million is assigned for specific purposes. The remaining \$2.2 million is unassigned and available for general purposes, subject to applicable statutory limitations.

The fund balance of the School District's General Fund increased by \$1,138,777 during the current fiscal year. Significant factors affecting the change in fund balance included the following:

- Real property taxes increased by \$1,384,641. This is attributed to projected increased expenses related to instruction, employee benefits and transportation. The School District relies upon real property taxes as its primary source of revenue.

North Salem Central School District, New York

Management's Discussion and Analysis June 30, 2026

- General support expenditures decreased by \$542,184 due to reductions in the following areas: salaries, legal and contractual maintenance
- Instruction expenditures increased by \$756,511 due to increased salaries under collective bargaining units and increased staffing.
- Employee benefits increased by \$690,485. Cost of employee health insurance increased significantly.

Special Aid Fund - Revenues and expenditures in the Special Aid Fund decreased by \$103,016 and \$85,942, respectively from the prior year. The prior year amount was higher because in 24/25 school year The School District received American Rescue Plan funding and used carryover funds which were not available in 25/26. Activity in the fund may fluctuate from year to year based on the timing and availability of grant funding and related expenditures.

Capital Projects Fund - Fund balance in the Capital Projects Fund was a deficit of \$2,753,187 at year end, representing a decrease of \$3,668,782 from the prior year. The change was primarily attributable to the BAN issued to cover capital costs. The \$3.95M security project and the \$24.5M district wide improvements project were worked on over the year. Additional information regarding capital asset and long-term financing activity is included in the Significant Capital Asset and Long-Term Financing Activity section of this MD&A.

Another reason for the decrease in fund balance for the current year was the use of short-term debt. In the case of the Capital Projects Fund, BANS were issued to finance expenditures of certain capital projects. When issued, short-term BANS are reported as a liability on the balance sheet, with no effect on fund balance (i.e., proceeds = liability for debt). However, as the proceeds are spent, the related expenditure causes a decrease in fund balance. BANS in the amount of \$7.5 million remained outstanding and were reported as a liability in the Capital Projects Fund at year end, while only \$4.1 million of the proceeds remained unspent. The project is actively being worked on and the \$4.1 million will be used in the 2026/2027 school year.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets - The School District's investment in capital assets for its governmental activities as of June 30, 2026, amounts to \$43.2 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction-in-progress, buildings and improvements, machinery and equipment, and right-to-use leased equipment. The total increase in capital assets for the current fiscal year was \$3.0 million.

North Salem Central School District, New York

Management's Discussion and Analysis
June 30, 2026

Capital Assets (net of depreciation/amortization)

	June 30,	
	2026	2025
Land	\$ 110,000	\$ 110,000
Construction-in-progress	6,711,849	10,197,766
Buildings and Improvements	53,624,780	45,689,621
Machinery and Equipment	3,830,052	4,212,139
Right-to-use Leased Equipment	202,888	203,261
Right-to-use Subscription Assets	-	11,667
Total	64,479,569	60,424,454
Less: Accumulated Depreciation	(21,243,980)	(20,165,294)
Net Capital Assets	<u>\$ 43,235,589</u>	<u>\$ 40,259,160</u>

Significant capital asset activity during the current fiscal year included the following:

- Construction-in-progress additions totaled \$4,449,242.
- \$7,935,159 of construction in progress was transferred to buildings and improvements.

Leases are intangible right-to-use assets. The School District does not own the underlying assets but has the right to use them in operations as specified in the related contracts. A corresponding lease liability is recognized and included in the long-term financing discussion below.

Additional information on the School District's capital assets can be found in Note 3B of this report.

Long-term financing - At the end of the current fiscal year, the School District had outstanding principal of long-term financing arrangements of \$15,609,671, composed of general obligation bonds, unamortized bond premiums, installment purchase debt and leases liabilities. During the current year, the outstanding principal of long-term financing arrangements decreased by a net of \$998,379.

Long-Term Financings

	June 30,	
	2026	2025
General Obligation Bonds	\$ 15,310,000	\$ 16,208,016
Unamortized Premium on Bonds	150,404	161,545
Installment Purchase Debt	58,414	115,212
Lease Liabilities	90,853	123,277
Total	<u>\$ 15,609,671</u>	<u>\$ 16,608,050</u>

North Salem Central School District, New York

Management's Discussion and Analysis June 30, 2026

The \$15.3 million general obligation bonds are bonded debt, backed by the full faith and credit of the School District. During the current year, the School District issued \$620,000 in general obligation bonds to finance capital projects

As discussed in the changes in capital assets above, the School District entered into a new lease for equipment totaling \$8,667. The liability will be repaid over the term of the contract.

The School District issued a BAN for \$7,500,000 on June 25, 2026. The current financial plan assumes the School District will renew the BAN in June 2027 and pick up \$12,000,000 of new money with that borrowing. Based on the current financial plan, the School District may issue general obligation bonds for this Authorization in June 2028. The maximum amount of debt that can be issued under this authorization is \$24,411,610. This financial plan is subject to change based on changes to the monthly cash flow projections and timing of the completion of the project.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of the average full valuation of taxable property within the jurisdiction. The current debt limitation for the School District is \$271,010,844, which is significantly more than the School District's outstanding general obligation debt.

Additional information on the School District's long-term debt can be found in Note 3E of this report.

Currently Known Facts, Decisions or Conditions

At the end of the current fiscal year, the unassigned fund balance in the General Fund was \$2,153,452. The School District has designated \$900,000 of the assigned fund balance for spending in the 2026-2027 fiscal year budget. The School District utilizes fund balance to offset the burden on the taxpayers.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

North Salem Central School District
Attn: Mrs. Lindsay Eidel, Assistant Superintendent of Business and Operations
230 June Road
North Salem, New York 10560-1204.

North Salem Central School DistrictStatement of Net Position
June 30, 2026

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 8,217,777
Investments	10,776,234
Receivables	
Accounts	411,758
State and Federal aid	1,138,474
Due from other governments	132,293
Inventory	238
Prepaid expenses	655,824
Net pension asset - TRS	6,087,839
Capital assets	
Not being depreciated	6,821,849
Being depreciated/amortized, net	36,413,740
Total Assets	<u>70,656,026</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	9,084,777
OPEB related	3,986,848
Total Deferred Outflows of Resources	<u>13,071,625</u>
LIABILITIES	
Accounts payable	2,096,473
Accrued liabilities	158,626
Bond anticipation notes payable	7,500,000
Due to other governments	51
Due to retirement systems	2,537,123
Unearned revenues	16,509
Accrued interest payable	27,458
Non-current liabilities	
Due within one year	3,318,202
Due in more than one year	34,656,149
Total Liabilities	<u>50,310,591</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	6,443,974
OPEB related	6,760,746
Total Deferred Inflows of Resources	<u>13,204,720</u>
NET POSITION	
Net investment in capital assets	24,764,023
Restricted	
Capital projects	108,708
Tax certiorari	746,285
Unemployment benefits	180,496
ERS retirement contributions	2,761,133
TRS retirement contributions	1,720,648
Property loss reserve and liability claims	321,010
Debt service	730,747
Special purposes	
Extraclassroom activity	80,242
Other	57,338
Permanent	
Nonspendable	43,888
Spendable	50,562
Net pension asset - TRS	6,087,839
Unrestricted	<u>(17,440,579)</u>
Total Net Position	<u><u>\$ 20,212,340</u></u>

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

North Salem Central School District

Statement of Activities Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General support	\$ 7,193,276	\$ -	\$ 159,976	\$ -	\$ (7,033,300)
Instruction	37,725,567	1,683,724	1,211,738	-	(34,830,105)
Pupil transportation	3,186,729	20,000	-	-	(3,166,729)
Community services	99,418	-	102,749	-	3,331
Cost of food sales	628,753	167,571	514,751	-	53,569
Interest	624,445	-	-	104,456	(519,989)
Total Governmental Activities	<u>\$ 49,458,188</u>	<u>\$ 1,871,295</u>	<u>\$ 1,989,214</u>	<u>\$ 104,456</u>	<u>(45,493,223)</u>
General revenues					
Real property taxes					43,289,298
Other tax items					
School tax relief reimbursement					1,287,656
Interest and penalties on real property taxes					5,258
Non-property taxes					
Non-property tax distribution from County					661,453
Unrestricted use of money and property					367,309
Sale of property and compensation for loss					6,399
Unrestricted State aid					3,914,856
Miscellaneous					329,464
Total General Revenues					<u>49,861,693</u>
Change in Net Position					4,368,470
Net Position - Beginning					<u>15,843,870</u>
Net Position - Ending					<u>\$ 20,212,340</u>

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

North Salem Central School District

Balance Sheet
Governmental Funds
June 30, 2026

	General	Capital Projects	Special Aid
ASSETS			
Cash and equivalents	\$ 6,540,430	\$ 1,477,584	\$ 14,256
Investments	4,965,247	4,943,317	-
Receivables			
Accounts	406,956	-	4,802
State and Federal aid	674,596	-	380,688
Due from other governments	132,293	-	-
Due from other funds	382,195	-	-
Inventories	-	-	-
Prepaid expenditures	655,824	-	-
Total Assets	<u>\$ 13,757,541</u>	<u>\$ 6,420,901</u>	<u>\$ 399,746</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 396,827	\$ 1,671,401	\$ 17,551
Accrued liabilities	158,626	-	-
Bond anticipation notes payable	-	7,500,000	-
Due to other funds	-	2,687	382,195
Due to other governments	-	-	-
Due to retirement systems	2,537,123	-	-
Unearned revenues	-	-	-
Total Liabilities	<u>3,092,576</u>	<u>9,174,088</u>	<u>399,746</u>
Fund balances			
Nonspendable	655,824	-	-
Restricted	6,256,270	-	-
Assigned	1,599,419	-	-
Unassigned	2,153,452	(2,753,187)	-
Total Fund Balances	<u>10,664,965</u>	<u>(2,753,187)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 13,757,541</u>	<u>\$ 6,420,901</u>	<u>\$ 399,746</u>

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

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 185,507	\$ 8,217,777
867,670	10,776,234
-	411,758
83,190	1,138,474
-	132,293
2,687	384,882
238	238
-	655,824
<u>\$ 1,139,292</u>	<u>\$ 21,717,480</u>

\$ 10,694	\$ 2,096,473
-	158,626
-	7,500,000
-	384,882
51	51
-	2,537,123
16,509	16,509
<u>27,254</u>	<u>12,693,664</u>

44,126	699,950
918,889	7,175,159
149,023	1,748,442
-	(599,735)
<u>1,112,038</u>	<u>9,023,816</u>
<u>\$ 1,139,292</u>	<u>\$ 21,717,480</u>

North Salem Central School District

Reconciliation of Governmental Funds Balance Sheet to the District-Wide Statement of Net Position June 30, 2026

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because

Fund Balances - Total Governmental Funds	\$ 9,023,816
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets - non-depreciable	6,821,849
Capital assets - depreciable/amortizable	57,657,720
Accumulated depreciation/amortization	<u>(21,243,980)</u>
	43,235,589
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	9,084,777
Deferred outflows - OPEB related	3,986,848
Deferred inflows - pension related	(6,443,974)
Deferred inflows - OPEB related	<u>(6,760,746)</u>
	(133,095)
Other long-term assets that are not available to pay for the current-period expenditures and, therefore, are either deferred or not reported in the funds	
Net pension asset - TRS	<u>6,087,839</u>
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(27,458)
General obligation bonds payable	(15,310,000)
Financed purchase debt payable	(58,414)
Leases payable	(90,853)
Compensated absences	(10,882,670)
Net pension liability - ERS	(835,455)
Total OPEB liability	<u>(10,646,555)</u>
	(37,851,405)
Governmental funds report the effect of premiums, discounts, and refundings and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	
Premium on general obligation bonds	<u>(150,404)</u>
Net Position of Governmental Activities	<u>\$ 20,212,340</u>

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

North Salem Central School District

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2026

	General	Capital Projects	Special Aid
REVENUES			
Real property taxes	\$ 43,289,298	\$ -	\$ -
Other tax items	1,292,914	-	-
Non-property taxes	661,453	-	-
Charges for services	1,703,724	-	-
Use of money and property	527,285	-	-
Sale of property and compensation for loss	6,399	-	-
State aid	4,099,688	-	567,198
Federal aid	-	-	362,370
Food sales	-	-	-
Miscellaneous	332,464	-	90,823
Total Revenues	51,913,225	-	1,020,391
EXPENDITURES			
Current			
General support	5,749,363	-	-
Instruction	27,414,275	-	1,179,237
Pupil transportation	2,191,006	-	-
Community services	-	-	-
Employee benefits	12,930,127	-	-
Cost of food sales	-	-	-
Other	-	-	-
Capital outlay	-	4,477,449	-
Debt service			
Principal	-	-	-
Interest	32,000	-	-
Total Expenditures	48,316,771	4,477,449	1,179,237
Excess (Deficiency) of Revenues Over Expenditures	3,596,454	(4,477,449)	(158,846)
OTHER FINANCING SOURCES (USES)			
General obligation bonds issued	-	620,000	-
Leases issued	-	8,667	-
Transfers in	125,000	180,000	158,846
Transfers out	(2,582,677)	-	-
Total Other Financing Sources (Uses)	(2,457,677)	808,667	158,846
Net Change in Fund Balances	1,138,777	(3,668,782)	-
FUND BALANCES (DEFICITS)			
Beginning of Year	9,526,188	915,595	-
End of Year	\$ 10,664,965	\$ (2,753,187)	\$ -

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

Non-Major Governmental	Total Governmental Funds
\$ -	\$ 43,289,298
-	1,292,914
-	661,453
-	1,703,724
111,636	638,921
-	6,399
339,610	5,006,496
173,393	535,763
160,541	160,541
107,862	531,149
893,042	53,826,658
-	5,749,363
1,000	28,594,512
-	2,191,006
11,400	11,400
-	12,930,127
628,753	628,753
88,018	88,018
-	4,477,449
1,615,905	1,615,905
617,926	649,926
2,963,002	56,936,459
(2,069,960)	(3,109,801)
-	620,000
-	8,667
2,243,831	2,707,677
(125,000)	(2,707,677)
2,118,831	628,667
48,871	(2,481,134)
1,063,167	11,504,950
\$ 1,112,038	\$ 9,023,816

North Salem Central School District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2026

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (2,481,134)</u>
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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	4,457,909
Depreciation/amortization expense	<u>(1,481,480)</u>
	<u>2,976,429</u>

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 principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bonds issued	(620,000)
Principal paid on general obligation bonds	1,518,016
Principal paid on financed purchase debt	56,798
Leases issued	(8,667)
Principal paid on leases	<u>41,091</u>
	<u>987,238</u>

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.

Accrued interest	14,340
Compensated absences	(1,020,992)
Changes in pension assets, liabilities and related deferred outflows and inflows of resources	2,262,124
Changes in OPEB liabilities and related deferred outflows and inflows of resources	1,619,324
Amortization of premium on general obligation bonds	<u>11,141</u>
	<u>2,885,937</u>

Change in Net Position of Governmental Activities	<u><u>\$ 4,368,470</u></u>
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The notes to financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The North Salem Central School District, New York ("School District"), as presently constituted, was established in 1926 and 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 School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School 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 School 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 School 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 School District, b) organizations for which the School District is financially accountable and c) other organizations for which the nature and significance of their relationship with the School 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 School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School 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 School District participates in the Putnam-Northern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative 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 district's 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 the ratio which the component school district's full value of taxable properties in effect at the time of adoption bears to the total full value of taxable properties of all component school districts within the BOCES as defined by Education Law. Copies of BOCES' financial statements can be requested from Putnam-Northern Westchester BOCES, 200 BOCES Drive, Yorktown Heights, New York 10598.

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 School District 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the School 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 revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (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 revenues are reported as general revenues. The School 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 School 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, revenues 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 School 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 government-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 School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. 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 School District's major governmental funds.

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Special Revenue Funds - Special revenue funds are established to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the School 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 or State funds. The major revenues of this fund are Federal and State aid.

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

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

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

Permanent Fund - The Permanent Fund is used to account for assets that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the School District's programs.

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.

- b. Fiduciary Funds (Not Included in District-Wide Financial Statements) - Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. In accordance with the provisions of GASB Statement No. 84, "*Fiduciary Activities*", the School District had no such activity to report in this fund category.

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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are

Note 1 - Summary of Significant Accounting Policies (Continued)

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*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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, revenues from Federal and State grants are recognized as revenues 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 revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, 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, Investments and Risk Disclosure

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 School District's deposits and investment policies are governed by State statutes. The School 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 School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

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 School 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.

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 School 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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 School District participates in the New York Cooperative Liquid Assets Securities System ("NYCLASS"), a cooperative investment pool organized under a municipal cooperation agreement pursuant to Articles 3-A and 5-G of General Municipal Law of the State of New York. NYCLASS is administered by a governing board elected by its participants. The governing board has retained PTMA Investment Advisors as its investment adviser. PTMA Investment Advisors is registered with the Securities and Exchange Commission ("SEC") and is subject to applicable federal securities laws and SEC oversight in its capacity as investment adviser. The SEC registration and oversight apply to the investment adviser and do not constitute SEC registration, approval, or direct regulation of NYCLASS.

NYCLASS is authorized to invest in obligations issued or guaranteed by the United States and certain of its agencies, obligations of the State of New York and repurchase agreements, in accordance with its investment policies. These investments are reported at fair value. NYCLASS issues separate audited financial statements for its fiscal year ending June 30th.

At June 30, 2026, the School District's investment in NYCLASS was \$10,776,234, which equaled the value of its pool shares. NYCLASS's investment policy limits the maximum remaining maturity of any individual investment to 397 days and the maximum weighted-average maturity of the portfolio to 60 days.

NYCLASS is rated AAAM by S&P Global Ratings. An AAAM principal stability fund rating indicates S&P Global Ratings' opinion that the pool has an extremely strong capacity to maintain principal stability and limit exposure to principal losses due to credit risk. The rating is not a guarantee of performance or principal and is subject to change. An investment in NYCLASS is not insured or guaranteed by the FDIC or any other governmental agency.

Additional information, including NYCLASS's annual report and audited financial statements, is available at www.newyorkclass.org.

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 School District's formal investment policy does not address limits of investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the School 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 School 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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 School District's name. The School 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 School 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 School District's investment policy limits the amount on deposit at each of its banking institutions.

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st and are payable in two installments in September and January. The various towns which are included in the levy are responsible for the billing and collection of taxes. In Westchester County, the towns guarantee the full payment of the School District warrant on March 31st and assume responsibility for the uncollected taxes. For taxes collected from residents of Putnam County, the towns transfer collection responsibility to the County on November 1st. On or about April 1st, Putnam County remits to the School District the balance of all uncollected taxes thus making the School District whole.

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

Due From/To Other Funds - During the course of its operations, the School 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.

Inventory - Inventory in the School Lunch Fund consists of surplus food at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School 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.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using consumption method in both the government-wide and fund financial statements. Prepaid expenses/expenditures consist of employee retirement and other costs which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent year's budget and/or will benefit such periods. Reported amounts in governmental funds are equally offset by nonspendable

Note 1 - Summary of Significant Accounting Policies (Continued)

fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are component of current assets.

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 School District as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets (except intangible right-to-use assets, which are discussed in note 3B) 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. 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, right-to-use subscription assets, and right-to-use leased assets of the School District are depreciated/amortized using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Buildings and Improvements	20-50
Machinery and Equipment	8-20
Right-to-use Leased Equipment	3-5
Right-to-use Subscription Assets	3-5

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 sheets.

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

Unearned revenues 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 School District has reported unearned revenues of \$16,509 in the School Lunch Fund for student lunch card money received in advance. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

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 (expenditures/expense) 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

Note 1 - Summary of Significant Accounting Policies (Continued)

assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The School District has 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 statement. These amounts are detailed in the discussion of the School District's pension and other postemployment benefit liabilities in Note 3E.

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 Debt Service or Capital Projects funds expenditures.

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

At the commencement of a lease, the School 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 School 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 School 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 School 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 School District is reasonably certain to exercise. The School 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences - The liability for compensated absences represents sick time ("leave"/"leave days"), vacation time and salary related payments which have been earned for services previously rendered by employees in accordance with the School 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 School 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*".

Net Pension Liability (Asset) - The net pension liability (asset) represents the School 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*".

Other Postemployment Benefit Liability ("OPEB") - In addition to providing pension benefits, the School 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*".

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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position for the School District includes restricted for capital projects, tax certiorari, unemployment benefits, ERS and TRS retirement contributions, property loss reserve and liability claims, debt service, special purposes, permanent funds and net pension asset - TRS.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 School 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 School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 School 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 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 Board of Education is the highest level of decision making authority for the School 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 entity 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 by delegated authority to the Assistant Superintendent for Business Administration 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 School 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 School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. 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 revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Subsequent Events Evaluation by Management

The School District has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 2, 2026.

Note 2 - Stewardship, Compliance and Accountability

A. Limitation on Fund Balance

The School 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. The School District is within this statutory limit.

B. 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.

Note 2 - Stewardship, Compliance and Accountability (Continued)

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.

C. Capital Projects Fund Project Deficits

The deficits in various capital projects arise 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 payable are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. The 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.

D. New Accounting Pronouncement

The School District has implemented GASB Statement No. 103, "*Financial Reporting Model Improvements*", for the fiscal year ended June 30, 2026. This Statement improves key components of the financial reporting model to enhance the effectiveness of information provided for decision-making and assessing a government's accountability. As a result of implementing this Statement, the School District revised the presentation of certain financial statement information, including updates to the Management's Discussion and Analysis, budgetary presentations and other reporting elements, to conform with the new requirements.

Note 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	\$ 382,195	\$ -
Capital Projects	-	2,687
Special Aid	-	382,195
Non-Major Governmental	2,687	-
	<u>\$ 384,882</u>	<u>\$ 384,882</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.

North Salem Central School District, New York

Notes to Financial Statements (Continued)
June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

B. Capital Assets

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

Class	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Capital Assets, not being depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Construction-in-progress	10,197,766	4,449,242	7,935,159	6,711,849
Total Capital Assets, not being depreciated	<u>\$ 10,307,766</u>	<u>\$ 4,449,242</u>	<u>\$ 7,935,159</u>	<u>\$ 6,821,849</u>
Capital Assets, being depreciated/amortized:				
Buildings and Improvements	\$ 45,689,621	\$ 7,935,159	\$ -	\$ 53,624,780
Machinery and Equipment	4,212,139	-	382,087	3,830,052
Right-to-use Leased Equipment	203,261	8,667	9,040	202,888
Right-to-use Subscription Assets	11,667	-	11,667	-
Total Capital Assets, being depreciated/amortized	<u>50,116,688</u>	<u>7,943,826</u>	<u>402,794</u>	<u>57,657,720</u>
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	\$ 17,887,651	\$ 1,121,890	\$ -	\$ 19,009,541
Machinery and Equipment	2,182,840	317,232	382,087	2,117,985
Right-to-use Leased Equipment	84,918	40,576	9,040	116,454
Right-to-use Subscription Assets	9,885	1,782	11,667	-
Total Accumulated Depreciation/Amortization	<u>20,165,294</u>	<u>1,481,480</u>	<u>402,794</u>	<u>21,243,980</u>
Total Capital Assets, being depreciated/amortized, net	<u>\$ 29,951,394</u>	<u>\$ 6,462,346</u>	<u>\$ -</u>	<u>\$ 36,413,740</u>
Capital Assets, net	<u>\$ 40,259,160</u>	<u>\$ 10,911,588</u>	<u>\$ 7,935,159</u>	<u>\$ 43,235,589</u>

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

General Support	\$ 40,005
Instruction	1,172,440
Pupil Transportation	<u>269,035</u>
Total Depreciation/Amortization Expense	<u>\$ 1,481,480</u>

C. Accrued Liabilities

Accrued liabilities at June 30, 2026 were as follows:

	General Fund
Payroll and Employee Benefits	<u>\$ 158,626</u>

North Salem Central School District, New York

Notes to Financial Statements (Continued)
June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

D. Short-Term Capital Borrowings – Bond Anticipation Notes

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

Purpose	Original Issue Date	Maturity Date	Rate of Interest	Balance July 1, 2025	New Issues	Redemptions	Balance June 30, 2026
Reconstruction of Various School Buildings	6/18/2025	6/18/2026	4.00 %	\$ 800,000	\$ -	\$ 800,000	\$ -
Improvements of Various School Buildings and Water System	6/25/2026	6/25/2027	3.750	-	7,500,000	-	7,500,000
				<u>\$ 800,000</u>	<u>\$ 7,500,000</u>	<u>\$ 800,000</u>	<u>\$ 7,500,000</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 five 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 expenditures of \$32,000 were recorded in the fund financial statements in the General Fund. Interest expense of \$34,801 was recorded in the district-wide financial statements.

E. Long-Term Liabilities

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

	Balance Balance July 1, 2025	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2026	Due Within One-Year
General Obligation Bonds Payable Plus - Unamortized Premium on Bonds	\$ 16,208,016	\$ 620,000	\$ 1,518,016	\$ 15,310,000	\$ 1,645,000
	<u>161,545</u>	<u>-</u>	<u>11,141</u>	<u>150,404</u>	<u>-</u>
	<u>16,369,561</u>	<u>620,000</u>	<u>1,529,157</u>	<u>15,460,404</u>	<u>1,645,000</u>
Installment Purchase Debt Payable	<u>115,212</u>	<u>-</u>	<u>56,798</u>	<u>58,414</u>	<u>58,414</u>
Leases Payable	<u>123,277</u>	<u>8,667</u>	<u>41,091</u>	<u>90,853</u>	<u>42,388</u>
Other Non-current Liabilities:					
Compensated Absences	9,861,678	1,020,992 *	-	10,882,670	1,088,000
Net Pension Liability - ERS	2,519,039	-	1,683,584	835,455	-
Other Post Employment Benefit Liability	<u>8,969,546</u>	<u>2,161,407</u>	<u>484,398</u>	<u>10,646,555</u>	<u>484,400</u>
Total Non-current Liabilities	<u>21,350,263</u>	<u>3,182,399</u>	<u>2,167,982</u>	<u>22,364,680</u>	<u>1,572,400</u>
Total Long-Term Liabilities	<u>\$ 37,958,313</u>	<u>\$ 3,811,066</u>	<u>\$ 3,795,028</u>	<u>\$ 37,974,351</u>	<u>\$ 3,318,202</u>

*The change in the compensated absences liability is presented as a net change.

North Salem Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

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

General Obligation Bonds Payable

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

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2026
District-Wide Improvements	2012	\$ 1,300,000	June, 2027	3.125 %	\$ 90,000
HS/MS Boiler Plant	2014	730,000	June, 2030	3.250-3.375	205,000
District-Wide Improvements	2018	2,700,000	June, 2033	3.000	650,000
District-Wide Improvements	2019	6,500,000	June, 2033	3.000-3.250	3,060,000
District-Wide Improvements	2022	1,300,000	June, 2033	3.000	875,000
District-Wide Improvements	2023	6,045,000	June, 2039	4.000	4,760,000
Capital Projects	2025	4,920,000	June, 2040	4.000	4,640,000
Buses	2025	513,016	June, 2029	4.000-4.250	410,000
Capital Projects	2026	620,000	June, 2041	3.750-4.000	620,000
					<u>\$ 15,310,000</u>

Interest expenditures of \$611,755 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$583,473 was recorded in the district-wide financial statements.

Installment Purchase Debt Payable

In 2024, the School District entered into a lease agreement for the acquisition of certain computer equipment. The terms of the agreement provide for the repayment of principal amount of \$224,135 in yearly installments, including interest of 2.85%. The balance due at June 30, 2026 is \$58,414.

Interest expenditures/expense of \$3,279 were recorded in the fund financial statements in the Debt Service Fund and in the district-wide financial statements.

Leases Payable

Leases payable at June 30, 2026 are comprised of the following individual agreements:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2026
Equipment	2024	\$ 189,307	June, 2028	2.736 %	\$ 80,087
Equipment	2025	4,913	June, 2028	2.709	2,523
Equipment	2026	8,667	June, 2031	2.712	8,243
					<u>\$ 90,853</u>

North Salem Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

Interest expenditures/expense of \$2,892 were recorded in the fund financial statements in the Debt Service Fund and in the district-wide financial statements.

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt, lease and installment purchase debt as of June 30, 2026 including interest payments of \$3,596,371 is as follows:

Year Ending June 30,	General Obligation Bonds		Leases	
	Principal	Interest	Principal	Interest
2027	\$ 1,645,000	\$ 566,678	\$ 42,388	\$ 1,954
2028	1,615,000	507,712	43,563	782
2029	1,480,000	449,388	1,740	111
2030	1,380,000	396,606	1,789	64
2031	1,375,000	348,355	1,373	15
2032-2036	5,005,000	1,059,243	-	-
2037-2041	2,810,000	263,800	-	-
	<u>\$ 15,310,000</u>	<u>\$ 3,591,782</u>	<u>\$ 90,853</u>	<u>\$ 2,926</u>

Year Ending June 30,	Installment Purchase Debt		Total	
	Principal	Interest	Principal	Interest
2027	\$ 58,414	\$ 1,663	\$ 1,745,802	\$ 570,295
2028	-	-	1,658,563	508,494
2029	-	-	1,481,740	449,499
2030	-	-	1,381,789	396,670
2031	-	-	1,376,373	348,370
2032-2036	-	-	5,005,000	1,059,243
2037-2041	-	-	2,810,000	263,800
	<u>\$ 58,414</u>	<u>\$ 1,663</u>	<u>\$ 15,459,267</u>	<u>\$ 3,596,371</u>

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

Legal Debt Margin

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

Note 3 - Detailed Notes on All Funds (Continued)

Compensated Absences

Vacation time is earned at the completion of one year of service. It has been the School District's practice to compensate administrators and all other employees for unused vacation time upon separation of service. The School District will either pay for the retiree's portion of health insurance based on the number of accrued sick days at year-end or allow the employee to contribute their unused sick days to the retirement system. The value of the compensated absences has been reflected in the district-wide financial statements.

Pension Plans

New York State and Local Retirement System and Teachers' Retirement System

The School District participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all assets and record changes in fiduciary net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the 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 School District also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.ny.gov/retirement/resources/financial-reports#financial or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The School District also participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The TRS issues a stand-alone financial report which may be found at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

North Salem Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

ERS and TRS are noncontributory for employees who joined the systems before July 27, 1976. Employees who joined the systems after July 27, 1976 and before January 1, 2010 contribute 3% of their salary for the first ten years of membership. Employees who joined the systems after January 1, 2010 generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rates for the ERS plan year ended March 31, 2026 and TRS Plan year ended June 30, 2026:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	4 A15	19.60%
	5 A15	16.60
	6 A15	12.80
TRS	1-6	9.59 %

At June 30, 2026, the School District reported the following for its proportionate share of the net pension liability for ERS and TRS:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
Net pension liability (asset)	\$ 835,455	\$ (6,087,839)
School District's proportion of the net pension liability (asset)	0.0148084 %	0.102817 %
Change in proportion since the prior measurement date	0.0001165 %	(0.002580) %

The net pension liability was measured as of March 31, 2026 for ERS and June 30, 1899 for TRS and the total pension liability used to calculate the net pension liability were determined by actuarial valuations as of those dates. The School District's proportion of the net pension liability for ERS was based on a computation of the actuarially determined indexed present value of future compensation by employer relative to the total of all participating members. The School District's proportion of the net pension liability for TRS was based on the School District's contributions to the pension plan relative to the contributions of all participating members.

For the year ended June 30, 2026, the School District recognized its proportionate share of pension expense in the district-wide financial statements of \$715,880 (\$1,019,785 for ERS and (\$303,905) for TRS). Pension expenditures for ERS of \$983,455 and TRS of \$1,994,549 were reported in the fund financial statements and were charged to the General Fund.

North Salem Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

At June 30, 2026, the School District reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	ERS		TRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 478,096	\$ -	\$ 3,191,385	\$ -
Changes of assumptions	143,411	-	2,409,986	65,637
Net difference between projected and actual earnings on pension plan investments	-	1,498,017	-	4,754,587
Changes in proportion and differences between School District contributions and proportionate share of contributions	326,888	77,375	239,894	48,358
School District contributions subsequent to the measurement date	282,636	-	2,012,481	-
	<u>\$ 1,231,031</u>	<u>\$ 1,575,392</u>	<u>\$ 7,853,746</u>	<u>\$ 4,868,582</u>
Total				
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 3,669,481	\$ -		
Changes of assumptions	2,553,397	65,637		
Net difference between projected and actual earnings on pension plan investments	-	6,252,604		
Changes in proportion and differences between School District contributions and proportionate share of contributions	566,782	125,733		
School District contributions subsequent to the measurement date	2,295,117	-		
	<u>\$ 9,084,777</u>	<u>\$ 6,443,974</u>		

\$282,636 reported as deferred outflows of resources related to ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the plan's year ended March 31, 2027. The \$2,012,481 reported as deferred outflows of resources related to TRS will be recognized as a decrease of the net pension liability in the plan's year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ERS and TRS will be recognized in pension expense as follows:

Year Ended	March 31, ERS	June 30, TRS
2026	\$ -	\$ 3,122,830
2027	425,090	(1,253,819)
2028	(479,702)	(1,320,327)
2029	(268,957)	(249,029)
2030	(303,428)	554,292
Thereafter	-	118,736
	<u>\$ (626,997)</u>	<u>\$ 972,683</u>

Note 3 - Detailed Notes on All Funds (Continued)

The total pension liability for the ERS and TRS measurement dates were determined by using actuarial valuation dates as noted below, with update procedures used to roll forward the total pension liabilities to those measurement dates. Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2026	June 30, 2025
Actuarial valuation date	April 1, 2025	June 30, 2024
Investment rate of return	5.9% *	6.95% *
Salary scale	5.2%	2.04%-5.80%
Inflation rate	2.9%	2.5%
Cost of living adjustments	1.5%	1.4%

*Compounded annually, net of pension plan investment expenses, including inflation.

For ERS, annuitant mortality rates are based on the ERS's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021. For TRS, annuitant 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. Active member mortality rates are based on plan member experience.

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

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

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. 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.

North Salem Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation is summarized in the following table:

Asset Type	ERS March 31, 2026		TRS June 30, 2025	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	25 %	3.29 %	33 %	6.7 %
International Equity	14	5.85	15	7.4
Private Equity	15	7.00	9	9.8
Real Estate	12	5.20	11	6.5
Domestic Fixed Income Securities	-	-	16	2.6
Global Bonds	-	-	2	2.4
High Yield Bonds	-	-	1	4.7
Global Equities	-	-	4	7.0
Private Debt	-	-	2	6.1
Real Estate Debt	-	-	6	3.8
Opportunistic Portfolio/ARS Portfolio	3	5.13	-	-
Credit	4	5.10	-	-
Real Assets	4	5.54	-	-
Fixed Income	22	1.75	-	-
Cash	1	0.25	1	0.6
	<u>100 %</u>		<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5% for ERS and TRS.

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

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

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
School District's proportionate share of the ERS net pension liability (asset)	<u>\$ 5,705,927</u>	<u>\$ 835,455</u>	<u>\$ (3,236,476)</u>

North Salem Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
School District's proportionate share of the TRS net pension liability (asset)	<u>\$ 11,697,860</u>	<u>\$ (6,087,839)</u>	<u>\$ (21,053,579)</u>

The components of the collective net pension liability (asset) as of the March 31, 2026 ERS measurement date and the June 30, 1899 TRS measurement date were as follows:

	ERS	TRS
Total pension liability	\$ 253,773,040,000	\$ 148,272,068,018
Fiduciary net position	<u>248,131,290,000</u>	<u>154,193,125,241</u>
Employers' net pension liability (asset)	<u>\$ 5,641,750,000</u>	<u>\$ (5,921,057,223)</u>
Fiduciary net position as a percentage of total pension liability	<u>97.78%</u>	<u>103.99%</u>

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2026 represent the projected employer contribution for the period April 1, 2026 through June 30, 2026 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Employee contributions are remitted monthly.

Employer and employee contributions for the year ended June 30, 2026 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. 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 employers' contribution rate plus employee contributions for the fiscal year as reported to TRS.

Accrued retirement contributions as of June 30, 2026 were \$282,636 to ERS and \$2,254,487 to TRS, inclusive of \$242,006 of employee contributions.

Voluntary Defined Contribution Plan

The School District can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 5% depending on salary and the School District will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

Other Postemployment Benefit Liability ("OPEB")

In addition to providing pension benefits, the School 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 School District may vary according to length of service. The cost of providing postemployment health care benefits is shared between the School District and the retired employee as noted below. Substantially all of the School District's employees may become eligible

North Salem Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

for those benefits if they reach normal retirement age while working for the School 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.

At June 30, 2026, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	77
Active participants	<u>246</u>
	<u><u>323</u></u>

The School District's total OPEB liability of \$10,646,555 was measured as of June 30, 2026, and was determined by an actuarial valuation as of July 1, 2025.

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	1.25%, average, including inflation
Discount rate	4.19%
Healthcare cost trend rates	8.250% for 2026, decreasing 0.25% per year to an ultimate rate of 4.037% for 2075 and later years
Retirees' share of benefit-related costs	Varies from 11% to 50%, depending on applicable retirement year and bargaining unit

The discount rate was based on the Fidelity General Obligation AA 20 Year Municipal Bond Index as of June 30, 2026.

Mortality rates were based on the sex-distinct and job category specific headcount weighted Pub-2016 Public Retirement Plans Mortality Tables for employees, healthy retirees, and contingent survivors, adjusted for mortality improvements with Scale MP-2021 mortality improvements scale on a generational basis.

The School District's change in the total OPEB liability for the year ended June 30, 2026 is as follows:

Total OPEB Liability - Beginning of Year	\$ 8,969,546
Service cost	343,402
Interest	398,701
Changes of benefit terms	-
Differences between expected and actual experience	(461,575)
Changes in assumptions or other inputs	1,880,879
Benefit payments	<u>(484,398)</u>
Total OPEB Liability - End of Year	<u><u>\$ 10,646,555</u></u>

North Salem Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.19%) or 1 percentage point higher (5.19%) than the current discount rate:

	1% Decrease (3.19%)	Current Discount Rate (4.19%)	1% Increase (5.19%)
Total OPEB Liability	<u>\$ 11,682,727</u>	<u>\$ 10,646,555</u>	<u>\$ 9,739,540</u>

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.25% decreasing to 3.037%) or 1 percentage point higher (9.25% decreasing to 5.037%) than the current healthcare cost trend rates:

	1% Decrease (7.250% decreasing to 3.037%)	Current Healthcare Cost Trend Rates (8.250% decreasing to 4.037%)	1% Increase (9.250% decreasing to 5.037%)
Total OPEB Liability	<u>\$ 9,471,451</u>	<u>\$ 10,646,555</u>	<u>\$ 12,048,896</u>

For the year ended June 30, 2026, the School District recognized OPEB expense of (\$1,134,926) in the district-wide financial statements. At June 30, 2026, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 3,380,959	\$ 2,509,397
Differences between expected and actual experience	605,889	4,251,349
	<u>\$ 3,986,848</u>	<u>\$ 6,760,746</u>

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

Year Ended June 30,	
2027	\$ (1,741,654)
2028	(981,796)
2029	(722,818)
2030	(267,519)
2031	262,725
Thereafter	<u>677,164</u>
	<u>\$ (2,773,898)</u>

Note 3 - Detailed Notes on All Funds (Continued)

F. Revenues 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.

Transfers Out	Transfer In				Total
	General Fund	Capital Projects Fund	Special Aid Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 180,000	\$ 158,846	\$ 2,243,831	\$ 2,582,677
Non-Major Governmental Funds	125,000	-	-	-	125,000
	<u>\$ 125,000</u>	<u>\$ 180,000</u>	<u>\$ 158,846</u>	<u>\$ 2,243,831</u>	<u>\$ 2,707,677</u>

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

G. 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 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.

Restricted for Unemployment Benefits - the component of net position that has been set aside 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 ERS Retirement 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.

Note 3 - Detailed Notes on All Funds (Continued)

Restricted for Property Loss Reserve and Liability Claims - the component of net position that reports the amounts set aside to be used to pay for property loss and liability claims incurred in accordance with the Education Law of the State of New York.

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 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.

Restricted for Permanent Fund - the component of net position that reports the difference between assets and liabilities of the non-expendable trust with constraints placed on their use by external parties.

Restricted for Net Pension Asset - TRS – the component of net position that reports the amount of the TRS – net pension asset in accordance with GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*”.

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

North Salem Central School District, New York

Notes to Financial Statements (Continued)

June 30, 2026

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Inventories	\$ -	\$ -	\$ 238	\$ 238
Prepaid expenditures	655,824	-	-	655,824
Permanent Fund	-	-	43,888	43,888
Total Nonspendable	655,824	-	44,126	699,950
Restricted:				
Tax certiorari	746,285	-	-	746,285
Unemployment benefits	180,496	-	-	180,496
Employee benefit accrued liability	526,698	-	-	526,698
ERS retirement contributions	2,361,133	-	-	2,361,133
ERS retirement contributions - for subsequent year's expenditures	400,000	-	-	400,000
TRS retirement contributions	1,405,648	-	-	1,405,648
TRS retirement contributions - for subsequent year's expenditures	315,000	-	-	315,000
Property loss reserve and liability claims	321,010	-	-	321,010
Debt service	-	-	605,747	605,747
Debt service - for subsequent year's expenditures	-	-	125,000	125,000
Special purposes - extraclassroom activities	-	-	80,242	80,242
Special purposes - other	-	-	57,338	57,338
Permanent fund	-	-	50,562	50,562
Total Restricted	6,256,270	-	918,889	7,175,159
Assigned:				
Purchases on order:				
General government support	452,028	-	-	452,028
Instruction	219,403	-	-	219,403
Pupil transportation	27,988	-	-	27,988
	699,419	-	-	699,419
For subsequent year's expenditures - General Fund	900,000	-	-	900,000
School Lunch Fund	-	-	149,023	149,023
Total Assigned	1,599,419	-	149,023	1,748,442
Unassigned	2,153,452	(2,753,187)	-	(599,735)
Total Fund Balances	\$ 10,664,965	\$ (2,753,187)	\$ 1,112,038	\$ 9,023,816

Note 3 - Detailed Notes on All Funds (Continued)

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.

Prepaid Expenditures has been established to account for health insurance payments made in advance. The amount classified as a nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

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

The corpus of the Permanent Fund has been classified as nonspendable to indicate the portion of the trust with constraints placed on its use by external parties.

Restricted for Employee Benefit Accrued Liability - the component of fund balance that reports the amounts set aside to be used for the payment of unused sick and vacation time granted upon termination or separation from service in accordance with Section 6-p of the General Municipal Law of the State of New York.

Purchases on order are assigned and represent the School 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.

Subsequent year's expenditures represent that at June 30, 2026, the Board of Education has utilized the above amounts to be appropriated for the ensuing year's budget.

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

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted, committed or assigned. Unassigned fund balance in the Capital Projects Fund represents the deficit balances in the capital projects.

Note 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 School 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.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

B. Contingencies

The School District participates in various Federal grant programs. These programs may be 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 School District anticipates such amounts, if any, to be immaterial.

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

C. Risk Management

The School District and other school districts have formed a reciprocal insurance company, called the New York State Insurance Reciprocal ("NYSIR") to be owned by these districts. NYSIR operates under an agreement effective July 1, 1989. The purpose of NYSIR is to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. NYSIR retains a management company, which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. NYSIR is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of NYSIR and can be assessed their proportionate share by the State Insurance Department if the funds of NYSIR are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimal capital contribution.

The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains a general liability insurance policy with coverage up to \$1 million. The School District also maintains liability coverage for school board members up to \$1 million and an umbrella policy which provides coverage up to \$15 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District and neighboring school districts in Northern Westchester and Putnam Counties participate in the Westchester Putnam School Cooperative Workers' Compensation Self-Insurance Plan. This Plan operates under an agreement, as amended, dated February 6, 1987. The purposes of the Plan are to provide for the efficient and economical evaluation, processing, administration, defense and payment of claims against Plan members for workers' compensation payments. The Board of Trustees of the Plan consists of five Trustees selected by the Plan members. Each Trustee shall have one vote and no action may be taken except by a majority of the total membership of Trustees. Billings to each participant are based upon the cost incurred for workers' compensation. The School District has transferred all related risk to the Plan.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

The School District, along with other municipal entities, participates in the Municipal Employees Benefits Consortium ("MEBCO"). MEBCO is a public entity risk pool currently operating as a common risk management and health insurance program for its members. MEBCO was formed in April 1988 pursuant to an act of the Board of Legislators of the County of Westchester. This act provided cities, towns, villages and certain school districts throughout Westchester County with an opportunity to participate in a cooperative program for providing health benefits to municipal employees by entering into an intermunicipal agreement pursuant to Article 5-G of the General Municipal Law of the State of New York. MEBCO functions primarily as a claims service whereby each participating municipality retains its own risk. MEBCO does not transfer risk since charges to each municipality are ultimately determined by their individual claims/loss experience. The School District pays the pool an annual provision for its health coverage. The purpose of the pool is to stabilize the cost of medical benefits provided to employees. MEBCO functions primarily as a claims service whereby each member of MEBCO retains its own risk for individual claims up to \$100,000. Premium equivalents are set for each municipality based upon their individual claim loss experience for all claims under \$100,000. The pool has insurance coverage to pay for individual claims above \$100,000. For individual claims above \$100,000, the risk is insured by MEBCO's participation in a captive insurance company, which currently is Tokio Marine. It underwrites risk for individual claims above \$100,000. MEBCO has entered into a participation agreement with Tokio Marine to be part of a segregated account within this captive insurance company ("MEBCO Segregated Cell"). Claims in this second tier are funded by amounts paid by each member to the captive for premium contributions and stop loss coverage that the captive secures on MEBCO's behalf.

Note 5 - Recently Issued GASB Pronouncements

GASB Statement No. 105, "*Subsequent Events*", has been issued to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs to financial statement users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2026.

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the School District believes will most impact its financial statements. The School District will evaluate the impact that this and other pronouncements may have on its financial statements and will implement them as applicable and when material.

North Salem Central School District

Required Supplementary Information
 Budgetary Comparison Schedule - General Fund
 Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget - over (under) Final Budget	Actual Amounts	Encumbrances	Variance with Final Budget - Over (Under) Actual Amounts and Encumbrances
	Original	Final				
REVENUES						
Real property taxes	\$ 43,310,813	\$ 43,310,813	\$ -	\$ 43,289,298	\$ -	\$ (21,515)
Other tax items	1,287,656	1,287,656	-	1,292,914	-	5,258
Non-property taxes	575,000	575,000	-	661,453	-	86,453
Charges for services	1,240,000	1,240,000	-	1,703,724	-	463,724
Use of money and property	120,000	120,000	-	527,285	-	407,285
Sale of property and compensation for loss	-	-	-	6,399	-	6,399
State aid	3,970,907	3,946,401	(24,506)	4,099,688	-	153,287
Miscellaneous	133,588	166,021	32,433	332,464	-	166,443
Total Revenues	50,637,964	50,645,891	7,927	51,913,225		1,267,334
EXPENDITURES						
Current						
General support						
Board of education	81,104	81,104	-	70,316	-	(10,788)
Central administration	365,498	381,694	16,196	373,231	-	(8,463)
Finance	764,729	856,199	91,470	737,848	85,850	(32,501)
Staff	376,340	362,283	(14,057)	292,245	-	(70,038)
Central services	4,130,939	4,117,825	(13,114)	3,713,351	361,373	(43,101)
Special items	577,813	571,342	(6,471)	562,372	4,805	(4,165)
Total General Support	6,296,423	6,370,447	74,024	5,749,363	452,028	(169,056)
Instruction						
Instruction, administration and improvement	2,070,101	2,078,707	8,606	2,006,724	10,500	(61,483)
Teaching - Regular school	12,833,079	12,610,720	(222,359)	12,505,886	37,992	(66,842)
Programs for students with disabilities	8,833,351	8,781,224	(52,127)	7,970,634	117,507	(693,083)
Programs for English language learners	387,518	320,718	(66,800)	319,321	-	(1,397)
Occupational education	208,142	213,142	5,000	213,142	-	-
Instructional media	1,607,418	1,606,527	(891)	1,601,081	-	(5,446)
Pupil services	2,901,257	2,976,179	74,922	2,797,487	53,404	(125,288)
Total Instruction	28,840,866	28,587,217	(253,649)	27,414,275	219,403	(953,539)
Pupil transportation	2,570,763	2,412,008	(158,755)	2,191,006	27,988	(193,014)
Employee benefits	12,513,392	13,040,870	527,478	12,930,127	-	(110,743)
Debt service	-	-	-	-	-	-
Interest	-	32,000	32,000	32,000	-	-
Total Expenditures	50,221,444	50,442,542	221,098	48,316,771	699,419	(1,426,352)
Excess (Deficiency) of Revenues Over Expenditures	416,520	203,349	(213,171)	3,596,454	(699,419)	2,693,686
OTHER FINANCING SOURCES (USES)						
Transfers in	125,000	125,000	-	125,000	-	-
Transfers out	(2,593,673)	(2,587,119)	6,554	(2,582,677)	-	4,442
Total Other Financing Uses	(2,468,673)	(2,462,119)	6,554	(2,457,677)	-	4,442
Net Change in Fund Balance	(2,052,153)	(2,258,770)	(206,617)	1,138,777	\$ (699,419)	\$ 2,689,244
FUND BALANCE						
Beginning of Year	2,052,153	2,258,770	206,617	9,526,188		
End of Year	\$ -	\$ -	\$ -	\$ 10,664,965		

See independent auditors' report.

1. Budgetary Basis and Control

The School District annually adopts a legally authorized budget for the General Fund. The budget is approved by District voters in accordance with New York State Education Law and is prepared on a basis consistent with generally accepted accounting principles. If the proposed budget is not approved by the voters, the Board of Education may adopt a contingency budget or resubmit the original or a revised budget for voter approval. If a resubmitted budget is not approved, the Board is required to adopt a contingency budget in accordance with New York State Education Law. The Board of Education establishes legal budgetary control at the function level. Transfers between functions and other budget amendments requiring modification at the legal level of control require Board approval.

Annual budgets are not adopted for the Special Aid, School Lunch or Special Purpose Funds because their activities are controlled through grant agreements, debt requirements or other legal or contractual restrictions. The Capital Projects Fund is budgeted on a project basis rather than through an annual budget.

General Fund appropriations lapse at year-end except for outstanding encumbrances, which are carried forward and included in the subsequent year's budget.

Encumbrance accounting is used in the General Fund to record purchase orders, contracts and other commitments against applicable appropriations. Outstanding encumbrances at year-end do not constitute expenditures or liabilities and are generally reported as assigned fund balance. For purposes of evaluating compliance with the legally adopted budget, outstanding encumbrances are considered together with actual expenditures.

2. General Fund Budgetary Highlights

Differences - Original Budget to Final Budget

		Variance with Original Budget - over (under) Final Budget	
EXPENDITURES			
Instruction:			
Teaching - Regular schools	\$	(222,359)	The original budget was reduced following transfers made to absorb unexpected health insurance cost increases and to fund leave replacements and salary lane changes within the special education accounts.
Pupil Transportation		(158,755)	The original budget was reduced following transfers made to absorb unexpected health insurance cost increases.
Employee benefits		527,478	The original budget was increased to cover rising health insurance costs.

North Salem Central School District, New York

Required Supplementary Information
Notes to Budgetary Comparison Schedule
For the Year Ended June 30, 2026

2. General Fund Budgetary Highlights (Continued)

Differences - Final Budget to Actual and Encumbrances

		Variance with Final Budget - over (under) Actual Amounts and Encumbrances	
REVENUES			
Charges for services	\$	463,724	The special education program can shift based upon the needs of each child. Projected revenue was based on projected enrollment.
Use of money and property		407,285	Anticipated interest rates were projected to decrease during time of budget development.
State aid		153,287	State aid category is comprised of Basic Aid, Excess Cost Aid and Lottery Aid which are driven by a New York State Formula. The School District received Chapter Tuition, which was not expected at time of budget development.
Miscellaneous		166,443	The School District received prior-year funding for summer school and Medicare Part-D reimbursements which were not guaranteed at time of budget development.

		Variance with Final Budget - over (under) Actual Amounts and Encumbrances	
EXPENDITURES			
Instruction:			
Programs for students with disabilities		(693,083)	The special education program can shift based on the needs of each child. At the time the budget was created, projected expenditures were based on projected enrollment.
Pupil transportation		(193,014)	Budget included unfilled vacancies.

North Salem Central School District

Required Supplementary Information - Schedule of Changes in the School District's Total OPEB Liability and Related Ratios Last Ten Fiscal Years (1) (2)

	2026	2025	2024
Total OPEB Liability:			
Service cost	\$ 343,402	\$ 340,501	\$ 329,629
Interest	398,701	287,547	270,169
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(461,575)	-	938,187
Changes of assumptions or other inputs	1,880,879 (5)	1,670,648	(935,630)
Benefit payments	(484,398)	(463,300)	(481,737)
Net Change in Total OPEB Liability	1,677,009	1,835,396	120,618
Total OPEB Liability – Beginning of Year	8,969,546	7,134,150	7,013,532
Total OPEB Liability – End of Year	<u>\$ 10,646,555</u>	<u>\$ 8,969,546</u>	<u>\$ 7,134,150</u>
School District's covered-employee payroll	<u>\$ 27,735,969</u>	<u>\$ 27,128,584</u>	<u>\$ 26,109,538</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>38.39%</u>	<u>33.06%</u>	<u>27.32%</u>
Discount Rate	<u>4.19%</u>	<u>4.71%</u>	<u>3.97%</u>

(1) Data not available prior to fiscal year 2018 implementation of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

(2) No assets are accumulated in a trust that meets the criteria in paragraph 4 of this Statement to pay related benefits.

(3) Restated for the implementation of the provisions of GASB Statement No. 75.

(4) Premiums increased less than expected, along with a decrease in the total number of active employees and retirees covered by the plan. The election coverage percentage was revised from 100% to 95% as of July 1, 2021. The mortality improvement scale was revised from MP-2020 to MP-2021. The annual rate of increase in healthcare costs was revised based on the 2022 Getzen Model. Retiree contributions for health care costs were updated to reflect the latest collective bargaining agreements. These updated assumptions led to a reduction in the liability.

(5) Employee turnover rates and retirement rates were adjusted in this valuation due to changes in the experience studies used and more recent data available, which resulted in an increase in the liability.

See independent auditors' report.

2023	2022	2021	2020	2019	2018
\$ 413,109 333,548 -	\$ 499,080 181,764 -	\$ 759,643 423,581 -	\$ 1,100,348 773,925 -	\$ 910,125 815,147 -	\$ 912,502 757,010 -
-	(6,270,680) (4)	-	(9,861,920)	212,232	672,305
(2,142,242)	(625,623)	(2,025,879)	3,490,646	(1,449,526)	(197,421)
(434,052)	(359,674)	(536,832)	(464,719)	(672,425)	(1,104,537)
(1,829,637)	(6,575,133)	(1,379,487)	(4,961,720)	(184,447)	1,039,859
8,843,169	15,418,302	16,797,789	21,759,509	21,943,956	20,904,097 (3)
<u>\$ 7,013,532</u>	<u>\$ 8,843,169</u>	<u>\$ 15,418,302</u>	<u>\$ 16,797,789</u>	<u>\$ 21,759,509</u>	<u>\$ 21,943,956</u>
<u>\$ 25,463,159</u>	<u>\$ 25,503,392</u>	<u>\$ 24,508,702</u>	<u>\$ 23,297,702</u>	<u>\$ 23,148,617</u>	<u>\$ 22,803,312</u>
<u>27.54%</u>	<u>34.67%</u>	<u>62.91%</u>	<u>72.10%</u>	<u>94.00%</u>	<u>96.23%</u>
<u>3.86%</u>	<u>3.69%</u>	<u>1.92%</u>	<u>2.45%</u>	<u>3.13%</u>	<u>3.62%</u>

North Salem Central School District

Required Supplementary Information - Schedule of the
New York State Teachers' Retirement System
Last Ten Fiscal Years

Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) (1)

	2026 (3)	2025	2024	2023 (2)
School District's proportion of the net pension liability (asset)	<u>0.102817%</u>	<u>0.105397%</u>	<u>0.106390%</u>	<u>0.107852%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ (6,087,839)</u>	<u>\$ (3,144,637)</u>	<u>\$ 1,216,656</u>	<u>\$ 2,069,553</u>
School District's covered payroll	<u>\$ 20,697,654</u>	<u>\$ 20,393,509</u>	<u>\$ 19,937,887</u>	<u>\$ 19,248,536</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>(29.41%)</u>	<u>(15.42%)</u>	<u>6.10%</u>	<u>10.75%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>103.99%</u>	<u>102.09%</u>	<u>99.17%</u>	<u>98.57%</u>
Discount Rate	<u>6.95%</u>	<u>6.95%</u>	<u>6.95%</u>	<u>6.95%</u>

Schedule of Contributions

	2026	2025	2024	2023
Contractually required contribution	\$ 2,012,481	\$ 2,055,937	\$ 1,990,406	\$ 2,037,913
Contributions in relation to the contractually required contribution	<u>(2,012,481)</u>	<u>(2,055,937)</u>	<u>(1,990,406)</u>	<u>(2,037,913)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 20,985,203</u>	<u>\$ 20,697,654</u>	<u>\$ 20,393,509</u>	<u>\$ 19,937,887</u>
Contributions as a percentage of covered payroll	<u>9.59%</u>	<u>9.93%</u>	<u>9.76%</u>	<u>10.22%</u>

(1) The amounts presented for each fiscal year were determined as of the June 30 measurement date of the prior fiscal year.

(2) Increase in the School District's proportionate share of the net pension liability mainly attributable to decrease in plan fiduciary net position due to investment losses.

(3) Decrease in the School District's proportionate share of the net pension liability mainly attributable to increase in plan fiduciary net position due to investment gains.

See independent auditors' report.

2022 (3)	2021 (2)	2020	2019	2018	2017
<u>0.110368%</u>	<u>0.105340%</u>	<u>0.106545%</u>	<u>0.105717%</u>	<u>0.109364%</u>	<u>0.109763%</u>
<u>\$ (19,125,681)</u>	<u>\$ 2,910,824</u>	<u>\$ (2,768,036)</u>	<u>\$ (1,911,648)</u>	<u>\$ (831,271)</u>	<u>\$ 1,175,612</u>
<u>\$ 18,801,445</u>	<u>\$ 17,918,217</u>	<u>\$ 17,805,296</u>	<u>\$ 17,195,034</u>	<u>\$ 17,332,571</u>	<u>\$ 17,003,533</u>
<u>(101.72%)</u>	<u>16.25%</u>	<u>(15.55)%</u>	<u>(11.12)%</u>	<u>(4.80)%</u>	<u>6.91%</u>
<u>113.20%</u>	<u>97.76%</u>	<u>102.20%</u>	<u>101.53%</u>	<u>100.66%</u>	<u>99.01%</u>
<u>6.95%</u>	<u>7.10%</u>	<u>7.10%</u>	<u>7.25%</u>	<u>7.25%</u>	<u>7.50%</u>
2022	2021	2020	2019	2018	2017
<u>\$ 1,875,258</u>	<u>\$ 1,784,731</u>	<u>\$ 1,587,554</u>	<u>\$ 1,892,562</u>	<u>\$ 1,685,113</u>	<u>\$ 2,031,377</u>
<u>(1,875,258)</u>	<u>(1,784,731)</u>	<u>(1,587,554)</u>	<u>(1,892,562)</u>	<u>(1,685,113)</u>	<u>(2,031,377)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 19,248,536</u>	<u>\$ 18,801,445</u>	<u>\$ 17,918,217</u>	<u>\$ 17,805,296</u>	<u>\$ 17,195,034</u>	<u>\$ 17,332,571</u>
<u>9.74%</u>	<u>9.49%</u>	<u>8.86%</u>	<u>10.62%</u>	<u>9.80%</u>	<u>11.72%</u>

North Salem Central School District

Required Supplementary Information - Schedule of the
New York State and Local Employees' Retirement System
Last Ten Fiscal Years

Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) (1)

	2026 (3)	2025 (2)	2024 (3)	2023 (2)
School District's proportion of the net pension liability (asset)	<u>0.0148084%</u>	<u>0.0146919%</u>	<u>0.0157658%</u>	<u>0.0156837%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 835,455</u>	<u>\$ 2,519,039</u>	<u>\$ 2,321,365</u>	<u>\$ 3,363,220</u>
School District's covered payroll	<u>\$ 6,666,717</u>	<u>\$ 6,566,657</u>	<u>\$ 6,557,266</u>	<u>\$ 5,007,726</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>12.53%</u>	<u>38.36%</u>	<u>35.40%</u>	<u>67.16%</u>
Fiduciary net position as a percentage of the total pension liability	<u>97.78%</u>	<u>93.08%</u>	<u>93.88%</u>	<u>90.78%</u>
Discount Rate	<u>5.90%</u>	<u>5.90%</u>	<u>5.90%</u>	<u>5.90%</u>

Schedule of Contributions

	2026	2025	2024	2023
Contractually required contribution	\$ 968,198	\$ 872,678	\$ 730,689	\$ 629,766
Contributions in relation to the contractually required contribution	<u>(968,198)</u>	<u>(872,678)</u>	<u>(730,689)</u>	<u>(629,766)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 6,690,125</u>	<u>\$ 6,568,932</u>	<u>\$ 6,575,947</u>	<u>\$ 3,164,010</u>
Contributions as a percentage of covered payroll	<u>14.47%</u>	<u>13.28%</u>	<u>11.11%</u>	<u>19.90%</u>

(1) The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(2) Increase in the School District's proportionate share of the net pension liability mainly attributable to decrease in plan fiduciary net position due to investment losses.

(3) Decrease in the School District's proportionate share of the net pension liability mainly attributable to increase in plan fiduciary net position due to investment gains.

See independent auditors' report.

2022 (3)	2021 (3)	2020 (2)	2019	2018	2017
<u>0.0139719%</u>	<u>0.0145171%</u>	<u>0.0152513%</u>	<u>0.0154731%</u>	<u>0.0154754%</u>	<u>0.0155721%</u>
<u>\$ (1,142,146)</u>	<u>\$ 14,455</u>	<u>\$ 4,038,640</u>	<u>\$ 1,096,315</u>	<u>\$ 499,460</u>	<u>\$ 1,463,193</u>
<u>\$ 5,722,899</u>	<u>\$ 5,185,328</u>	<u>\$ 5,610,710</u>	<u>\$ 5,447,185</u>	<u>\$ 5,073,119</u>	<u>\$ 5,036,810</u>
<u>(19.96%)</u>	<u>0.28%</u>	<u>71.98%</u>	<u>20.13%</u>	<u>9.85%</u>	<u>29.05%</u>
<u>103.65%</u>	<u>99.95%</u>	<u>86.39%</u>	<u>96.27%</u>	<u>98.24%</u>	<u>94.70%</u>
<u>5.90%</u>	<u>5.90%</u>	<u>6.80%</u>	<u>7.00%</u>	<u>7.00%</u>	<u>7.00%</u>
2022	2021	2020	2019	2018	2017
<u>\$ 820,359</u>	<u>\$ 795,511</u>	<u>\$ 765,917</u>	<u>\$ 727,374</u>	<u>\$ 754,926</u>	<u>\$ 735,418</u>
<u>(820,359)</u>	<u>(795,511)</u>	<u>(765,917)</u>	<u>(727,374)</u>	<u>(754,926)</u>	<u>(735,418)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,894,246</u>	<u>\$ 5,311,983</u>	<u>\$ 5,490,427</u>	<u>\$ 5,484,743</u>	<u>\$ 5,164,255</u>	<u>\$ 5,086,719</u>
<u>13.92%</u>	<u>14.98%</u>	<u>13.95%</u>	<u>13.26%</u>	<u>14.62%</u>	<u>14.46%</u>

North Salem Central School District

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2026

	Original Budget	Final Budget	Actual	Variance with Final Budget
REAL PROPERTY TAXES	<u>\$ 43,310,813</u>	<u>\$ 43,310,813</u>	<u>\$ 43,289,298</u>	<u>\$ (21,515)</u>
OTHER TAX ITEMS				
School tax relief reimbursement	1,287,656	1,287,656	1,287,656	-
Interest and penalties on real property taxes	<u>-</u>	<u>-</u>	<u>5,258</u>	<u>5,258</u>
	<u>1,287,656</u>	<u>1,287,656</u>	<u>1,292,914</u>	<u>5,258</u>
NON-PROPERTY TAXES				
Non-property tax distribution from County	<u>575,000</u>	<u>575,000</u>	<u>661,453</u>	<u>86,453</u>
CHARGES FOR SERVICES				
Other student fees and charges	40,000	40,000	90,030	50,030
Transportation for other governments	-	-	20,000	20,000
Non-resident tuition from other districts	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,593,694</u>	<u>393,694</u>
	<u>1,240,000</u>	<u>1,240,000</u>	<u>1,703,724</u>	<u>463,724</u>
USE OF MONEY AND PROPERTY				
Earnings on investments	<u>120,000</u>	<u>120,000</u>	<u>527,285</u>	<u>407,285</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Sale of equipment	-	-	525	525
Insurance recoveries	<u>-</u>	<u>-</u>	<u>5,874</u>	<u>5,874</u>
	<u>-</u>	<u>-</u>	<u>6,399</u>	<u>6,399</u>
STATE AID				
Basic formula	3,970,907	3,042,181	3,079,770	37,589
Lottery aid	-	171,386	171,387	1
BOCES	-	663,699	663,699	-
Chapter Tuition	-	-	115,697	115,697
Textbook aid	-	42,039	42,039	-
Software aid	-	16,232	16,232	-
Library aid	-	5,937	5,937	-
Other State aid	<u>-</u>	<u>4,927</u>	<u>4,927</u>	<u>-</u>
	<u>3,970,907</u>	<u>3,946,401</u>	<u>4,099,688</u>	<u>153,287</u>

(Continued)

North Salem Central School District

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget

Year Ended June 30, 2026

	Original Budget	Final Budget	Actual	Variance with Final Budget
MISCELLANEOUS				
Refund of prior year's expenditures	\$ 125,000	\$ 125,000	\$ 240,063	\$ 115,063
Gifts and donations	-	3,000	3,000	-
Medicare Part D reimbursement	-	-	46,269	46,269
Other	8,588	38,021	43,132	5,111
	<u>133,588</u>	<u>166,021</u>	<u>332,464</u>	<u>166,443</u>
TOTAL REVENUES	50,637,964	50,645,891	51,913,225	1,267,334
OTHER FINANCING SOURCES				
Transfers in				
Debt Service Fund	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 50,762,964</u>	<u>\$ 50,770,891</u>	<u>\$ 52,038,225</u>	<u>\$ 1,267,334</u>

See independent auditors' report.

North Salem Central School District

General Fund
Schedule of Expenditures and Other Financing Uses Compared to Budget
Year Ended June 30, 2026

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 40,700	\$ 39,700	\$ 34,484	\$ -	\$ (5,216)
District clerk	23,664	23,664	22,542	-	(1,122)
District meeting	16,740	17,740	13,290	-	(4,450)
Total Board of Education	81,104	81,104	70,316	-	(10,788)
CENTRAL ADMINISTRATION					
Chief school administrator	365,498	381,694	373,231	-	(8,463)
FINANCE					
Business administration	547,827	561,537	541,099	1,000	(19,438)
Auditing	68,000	68,000	59,100	-	(8,900)
Treasurer	127,402	127,402	127,370	-	(32)
Tax collection	2,500	87,349	1,873	84,850	(626)
Fiscal agent fees	19,000	11,911	8,406	-	(3,505)
Total Finance	764,729	856,199	737,848	85,850	(32,501)
STAFF					
Legal	192,500	173,423	113,400	-	(60,023)
Personnel	92,793	94,759	86,295	-	(8,464)
Records Management Officer	3,850	3,850	3,790	-	(60)
Public information and services	87,197	90,251	88,760	-	(1,491)
Total Staff	376,340	362,283	292,245	-	(70,038)
CENTRAL SERVICES					
Operation and maintenance of plant	3,504,086	3,483,972	3,081,377	359,851	(42,744)
Security	611,853	618,853	617,056	1,522	(275)
Central printing and mailing	15,000	15,000	14,918	-	(82)
Total Central Services	4,130,939	4,117,825	3,713,351	361,373	(43,101)
SPECIAL ITEMS					
Unallocated insurance	283,515	269,015	260,045	4,805	(4,165)
Judgements and claims	4,053	4,053	4,053	-	-
Administrative and capital charges - BOCES	290,245	298,274	298,274	-	-
Total Special Items	577,813	571,342	562,372	4,805	(4,165)
Total General Support	6,296,423	6,370,447	5,749,363	452,028	(169,056)
INSTRUCTION					
INSTRUCTION, ADMINISTRATION AND IMPROVEMENT					
Curriculum development and supervision	602,812	606,320	573,908	10,500	(21,912)
Supervision - Regular school	1,467,289	1,472,387	1,432,816	-	(39,571)
Total Instruction, Administration and Improvement	2,070,101	2,078,707	2,006,724	10,500	(61,483)
TEACHING - REGULAR SCHOOL	12,833,079	12,610,720	12,505,886	37,992	(66,842)
PROGRAMS FOR STUDENTS WITH DISABILITIES	8,833,351	8,781,224	7,970,634	117,507	(693,083)

(Continued)

North Salem Central School District

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2026

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget
PROGRAMS FOR ENGLISH LANGUAGE LEARNERS	\$ 387,518	\$ 320,718	\$ 319,321	\$ -	\$ (1,397)
OCCUPATIONAL EDUCATION	208,142	213,142	213,142	-	-
INSTRUCTIONAL MEDIA					
School library and audiovisual	468,129	423,629	422,865	-	(764)
Computer assisted instruction	1,139,289	1,182,898	1,178,216	-	(4,682)
Total Instructional Media	1,607,418	1,606,527	1,601,081	-	(5,446)
PUPIL SERVICES					
Guidance - Regular school	835,526	830,525	787,348	-	(43,177)
Health services - Regular school	355,875	353,109	337,978	-	(15,131)
Psychological services - Regular school	593,924	679,125	671,302	-	(7,823)
Co-curricular activities - Regular school	228,853	228,466	206,669	-	(21,797)
Interscholastic athletics - Regular school	887,079	884,954	794,190	53,404	(37,360)
Total Pupil Services	2,901,257	2,976,179	2,797,487	53,404	(125,288)
Total Instruction	28,840,866	28,587,217	27,414,275	219,403	(953,539)
PUPIL TRANSPORTATION					
District transportation services	2,570,763	2,412,008	2,191,006	27,988	(193,014)
EMPLOYEE BENEFITS					
State retirement	1,124,657	983,657	983,455	-	(202)
Teachers' retirement	2,083,074	2,033,074	1,994,549	-	(38,525)
Social security	2,128,647	2,071,547	2,049,279	-	(22,268)
Unemployment benefits	20,000	30,000	24,746	-	(5,254)
Hospital, medical and dental insurance	6,540,465	7,326,502	7,323,423	-	(3,079)
Workers' compensation benefits	175,000	167,000	163,421	-	(3,579)
Life insurance	9,949	9,949	7,972	-	(1,977)
Other benefits	191,730	204,271	180,012	-	(24,259)
Union welfare benefits	239,870	214,870	203,270	-	(11,600)
Total Employee Benefits	12,513,392	13,040,870	12,930,127	-	(110,743)
DEBT SERVICE					
Interest					
Bond anticipation notes	-	32,000	32,000	-	-
TOTAL EXPENDITURES	50,221,444	50,442,542	48,316,771	699,419	(1,426,352)
OTHER FINANCING USES					
Transfers out					
Capital Projects Fund	-	180,000	180,000	-	-
Special Aid Fund	130,000	158,846	158,846	-	-
Debt Service Fund	2,453,673	2,238,273	2,233,831	-	(4,442)
School Lunch Fund	10,000	10,000	10,000	-	-
TOTAL OTHER FINANCING USES	2,593,673	2,587,119	2,582,677	-	(4,442)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 52,815,117	\$ 53,029,661	\$ 50,899,448	\$ 699,419	\$ (1,430,794)

See independent auditors' report.

North Salem Central School District

Capital Projects Fund
 Project-Length Schedule
 Inception of Project Through June 30, 2026

PROJECT	Authorization	Expenditures and Transfers to Date		
		Prior Years	Current Year	Total
Turf Field	\$ 6,262,630	\$ 6,258,192	\$ 4,438	\$ 6,262,630
Water Filtration Project PQ	1,512,530	1,263,291	249,239	1,512,530
PQ Field Renovation	322,567	10,678	117,973	128,651
Buses and Bucket Loader	1,085,000	1,049,174	4,981	1,054,155
Bus Garage Security	40,630	20,054	20,576	40,630
MS/HS Security	2,500,446	1,570,174	173,386	1,743,560
PQ Security	1,408,924	1,052,546	232,396	1,284,942
PQ Signage and Drainage	152,000	10,898	77,838	88,736
MS/HS Signage and Drainage	162,000	10,898	69,275	80,173
Buses 2024/2025	513,016	465,915	14,561	480,476
MS/HS Chiller and Dehumidifiers	160,000	-	160,000	160,000
District Wide Improvements	11,606,669	-	-	-
Bus Garage Phase 1	1,460,694	-	83,160	83,160
Bus Garage Phase 2	44,692	-	25,096	25,096
PQ Phase 1	3,321,671	-	962,715	962,715
PQ Phase 2	749,815	-	376,082	376,082
MS/HS Phase 1	6,488,582	1,035	1,466,158	1,467,193
MS/HS Phase 2	844,505	-	430,908	430,908
Leases	8,667	-	8,667	8,667
Totals	<u>\$ 38,645,038</u>	<u>\$ 11,712,855</u>	<u>\$ 4,477,449</u>	<u>\$ 16,190,304</u>

See independent auditors' report.

Unexpended Balance	Methods of Financing			Fund Balance (Deficit) at June 30, 2026	Bond Anticipation Notes Outstanding at June 30, 2026
	Proceeds of Obligations	Transfers	Totals		
\$ -	\$ 5,938,156	\$ 324,474	\$ 6,262,630	\$ -	\$ -
-	807,075	705,455	1,512,530	-	-
193,916	322,567	-	322,567	193,916	-
30,845	1,085,000	-	1,085,000	30,845	-
-	40,630	-	40,630	-	-
756,886	1,809,370	-	1,809,370	65,810	-
123,982	1,300,000	-	1,300,000	15,058	-
63,264	152,000	-	152,000	63,264	-
81,827	161,999	-	161,999	81,826	-
32,540	513,016	-	513,016	32,540	-
-	-	160,000	160,000	-	-
11,606,669	-	108,708	108,708	108,708	-
1,377,534	-	-	-	(83,160)	150,000
19,596	-	-	-	(25,096)	50,000
2,358,956	-	-	-	(962,715)	2,000,000
373,733	-	-	-	(376,082)	700,000
5,021,389	-	-	-	(1,467,193)	3,700,000
413,597	-	-	-	(430,908)	900,000
-	8,667	-	8,667	-	-
<u>\$ 22,454,734</u>	<u>\$ 12,138,480</u>	<u>\$ 1,298,637</u>	<u>\$ 13,437,117</u>	<u>\$ (2,753,187)</u>	<u>\$ 7,500,000</u>

North Salem Central School District

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2026

	School Lunch	Special Purpose	Permanent	Debt Service	Total Non-Major Governmental Funds
ASSETS					
Cash and equivalents	\$ 93,087	\$ 92,420	\$ -	\$ -	\$ 185,507
Investments	-	45,160	94,450	728,060	867,670
Receivables					
State and Federal aid	83,190	-	-	-	83,190
Due from other funds	-	-	-	2,687	2,687
	83,190	-	-	2,687	85,877
Inventories	238	-	-	-	238
Total Assets	<u>\$ 176,515</u>	<u>\$ 137,580</u>	<u>\$ 94,450</u>	<u>\$ 730,747</u>	<u>\$ 1,139,292</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 10,694	\$ -	\$ -	\$ -	\$ 10,694
Due to other governments	51	-	-	-	51
Unearned revenues	16,509	-	-	-	16,509
Total Liabilities	27,254	-	-	-	27,254
Fund balances					
Nonspendable	238	-	43,888	-	44,126
Restricted	-	137,580	50,562	730,747	918,889
Assigned	149,023	-	-	-	149,023
Total Fund Balances	149,261	137,580	94,450	730,747	1,112,038
Total Liabilities and Fund Balances	<u>\$ 176,515</u>	<u>\$ 137,580</u>	<u>\$ 94,450</u>	<u>\$ 730,747</u>	<u>\$ 1,139,292</u>

See independent auditors' report.

North Salem Central School District

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2026

	School Lunch	Special Purpose	Permanent	Debt Service	Total Non-Major Governmental Funds
REVENUES					
Use of money and property	\$ 1,748	\$ 1,917	\$ 3,515	\$ 104,456	\$ 111,636
State aid	339,610	-	-	-	339,610
Federal aid	173,393	-	-	-	173,393
Food sales	160,541	-	-	-	160,541
Miscellaneous	7,030	100,832	-	-	107,862
Total Revenues	682,322	102,749	3,515	104,456	893,042
EXPENDITURES					
Current					
Instruction	-	-	1,000	-	1,000
Community services	-	11,400	-	-	11,400
Cost of food sales	628,753	-	-	-	628,753
Other	-	88,018	-	-	88,018
Debt Service					
Principal	-	-	-	1,615,905	1,615,905
Interest	-	-	-	617,926	617,926
Total Expenditures	628,753	99,418	1,000	2,233,831	2,963,002
Excess (Deficiency) of Revenues Over Expenditures	53,569	3,331	2,515	(2,129,375)	(2,069,960)
OTHER FINANCING SOURCES (USES)					
Transfers in	10,000	-	-	2,233,831	2,243,831
Transfers out	-	-	-	(125,000)	(125,000)
Total Other Financing Sources	10,000	-	-	2,108,831	2,118,831
Net Change in Fund Balances	63,569	3,331	2,515	(20,544)	48,871
FUND BALANCES					
Beginning of Year	85,692	134,249	91,935	751,291	1,063,167
End of Year	\$ 149,261	\$ 137,580	\$ 94,450	\$ 730,747	\$ 1,112,038

See independent auditors' report.

North Salem Central School District

Schedule of Net Investment in Capital Assets Year Ended June 30, 2026

Capital Assets, net	\$ 43,235,589
Plus	
Unexpended debt proceeds	6,309,506
Less	
General obligation bonds payable	15,310,000
Unamortized premium on bonds	150,404
Installment purchase debt payable	58,414
Leases payable	90,853
Bond anticipation notes payable	7,500,000
Accounts payable	1,671,401
	24,781,072
Net Investment in Capital Assets	\$ 24,764,023

See independent auditors' report.

North Salem Central School District

General Fund

Analysis of Change from Adopted Budget to Final Budget

Year Ended June 30, 2026

Adopted Budget	\$ 52,377,964
Additions - Encumbrances	<u>437,153</u>
Original Budget	52,815,117
Budget Amendments	<u>214,544</u>
Final Budget	<u><u>\$ 53,029,661</u></u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

2026-27 Expenditure Budget	<u><u>\$ 53,839,468</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund balance	
Assigned fund balance	\$ 1,599,419
Unassigned fund balance	<u>2,153,452</u>
Total Unrestricted Fund Balance	<u>3,752,871</u>
Less	
Appropriated for subsequent year's budget	900,000
Encumbrances	<u>699,419</u>
Total Adjustments	<u>1,599,419</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,153,452</u></u>
Actual Percentage	<u><u>4.00%</u></u>

See independent auditors' report.

**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**

Independent Auditors' Report

**The Board of Education of the
North Salem Central School District, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* 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 North Salem Central School District, New York ("School District") as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 2, 2026.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School 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 School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

October 2, 2026