

PRELIMINARY OFFICIAL STATEMENT

NEW & RENEWAL ISSUE

BOND ANTICIPATION NOTES

In the opinion of WJ Marquardt PLLC, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including the City of New York. Bond counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on the Notes. (See "TAX MATTERS" herein.)

The Notes will be designated "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.



\$4,844,000

MORRISTOWN CENTRAL SCHOOL DISTRICT

ST. LAWRENCE COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$4,844,000 Bond Anticipation Notes, 2025

(the "Notes")

Dated: August 14, 2025

Due: July 29, 2026

The Notes are general obligations of the Morristown Central School District, St. Lawrence County, New York (the "School District" or "District"). All the taxable real property within the School District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein. The Notes are not subject to redemption prior to maturity.

At the option of the purchaser(s), the Notes will be issued in (i) registered certificated form registered in the name of the purchaser(s) or (ii) registered book-entry-only form registered to Cede & Co., as the partnership nominee for The Depository Trust Company, Jersey City, New Jersey ("DTC").

If the Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds at the office of the School District. The Notes will be issued in denominations of \$5,000 or multiples thereof, except for one necessary odd denomination. A single note certificate will be issued for Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate.

If the Notes are issued in book-entry-only form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination which is or includes \$9,000. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "BOOK-ENTRY-ONLY SYSTEM" herein).

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the respective approving legal opinion as to the validity of the Notes of WJ Marquardt PLLC, Bond Counsel, Skaneateles, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey, or at such place as may be agreed upon with the purchaser(s), on or about August 14, 2025.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com, on July 31, 2025 by no later than 11:00 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. No phone bids will be accepted. Once the bids are communicated electronically via Fiscal Advisors Auction or via facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale for the Notes.

July 29, 2025

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX C – MATERIAL EVENT NOTICES" HEREIN.

MORRISTOWN CENTRAL SCHOOL DISTRICT

ST. LAWRENCE COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

2025-2026 BOARD OF EDUCATION

DR. LAWRENCE KRING, III

President



MORRISTOWN
CENTRAL SCHOOL

LISA THOMPSON

Vice President

RUTH ANNE BARKLEY
CHELSEA VANARNAM
JEFFREY LAJOY
SCOTT RITCHIE
KRISTY SIMMONS

* * * * *

STACIA A. VAUGHN

Superintendent of Schools

SCOTT E. BOYER

Assistant Business Manager

STACEY BASFORD

School District Clerk



FISCAL ADVISORS & MARKETING, INC.

Municipal Advisor

MARQUARDT
BOND COUNSEL

WJ MARQUARDT PLLC

Bond Counsel

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

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
MORRISTOWN CENTRAL SCHOOL DISTRICT
ST. LAWRENCE COUNTY, NEW YORK
Relating To
\$4,844,000 Bond Anticipation Notes, 2025

This Official Statement, which includes the cover page and appendices, has been prepared by the Morristown Central School District, St. Lawrence County, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the District of \$4,844,000 principal amount of Bond Anticipation Notes, 2025 (the "Notes").

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

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

NATURE OF OBLIGATION

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

Holders of any series of notes or bonds of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, without limitation as to rate or amount.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law" or "Chapter 97"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District's power to increase its annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the City’s faith and credit is both a commitment to pay and a commitment of the City’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the City’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean...So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted...While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the *Flushing National Bank* (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution, which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the *Flushing National Bank* (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in *Flushing National Bank v. Municipal Assistance Corp.*, 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in *Quirk*, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In *Quirk v. Municipal Assistance Corp.*, the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

THE NOTES

Description of the Notes

The Notes are general obligations of the School District and will contain a pledge of its faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2: Local Finance Law, Section 100.00). All the taxable real property within the School District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon. See “NATURE OF OBLIGATION” and “TAX LEVY LIMITATION LAW” herein.

The Notes will be dated August 14, 2025 and will mature July 29, 2026. The Notes are not subject to redemption prior to maturity. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in either (i) registered certificated form registered in the name of the purchaser, in denominations of \$5,000 each or multiples thereof, except for one necessary odd denomination which is or includes \$9,000, as may be determined by the successful bidder or (ii) at the option of the purchaser, in book-entry-only form, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See “BOOK-ENTRY-ONLY SYSTEM” herein.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including the Education Law and the Local Finance Law, and pursuant to a bond resolution duly adopted by the Board of Education on March 19, 2024 authorizing a capital project for the purpose of renovations and improvements to various District buildings and facilities at a maximum cost of \$16,951,375, and the issuance of up to \$13,451,375 serial bonds and the expenditure of \$3,000,000 capital reserve monies and \$500,000 available funds therefor.

The District currently has \$2,000,000 bond anticipation notes outstanding and maturing August 15, 2025 for the aforementioned purpose. The Notes are being issued, along with \$156,000 available funds of the District to partially redeem and renew the bond anticipation notes maturing August 15, 2025 and provide \$3,000,000 new money for the aforementioned project.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes, if so requested. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

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

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

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

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

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

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

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Notes

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the District. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE SCHOOL DISTRICT

General Information

The District is located in northern New York State along the St. Lawrence River in St. Lawrence County. The District includes parts of the Towns of Depeyster, Hammond, Macomb, Morristown and Oswegatchie. Major highways in and around the District include Routes #37 and #12, which connect the District with U. S. Interstate 81, a major New York State Expressway.

The District is primarily rural in nature and is in close proximity to the Cities of Ogdensburg and Watertown.

Source: District officials.

Population

The 2023 estimated population of the District is 3,226. (Source: U.S. Census Bureau, 2019-2023 American Community Survey 5-Year Estimates.)

Selected Wealth and Income Indicators

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

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>
Towns of:						
De Peyster	\$ 14,311	\$ 18,407	\$ 23,723	\$ 43,558	\$ 57,679	\$ 75,313
Hammond	24,271	29,853	35,949	57,054	65,813	78,289
Macomb	21,689	25,128	28,134	51,875	51,818	64,167
Morristown	21,866	24,299	18,760	52,721	53,625	68,634
Oswegatchie	25,926	26,295	34,672	56,773	73,833	93,846
County of:						
St. Lawrence	20,143	26,676	31,574	50,384	66,843	80,918
State of:						
New York	30,948	40,898	49,520	67,405	87,270	105,060

Note: 2020-2024 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2006-2010, 2016-2020 and 2019-2023 American Community Survey data.

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Unemployment Rate Statistics

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

	<u>Annual Averages</u>						
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
St. Lawrence County	5.4%	5.2%	7.7%	5.1%	4.1%	4.3%	4.6%
New York State	4.1	3.9	9.8	7.0	4.3	4.1	4.3

	<u>2025 Monthly Figures</u>						
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>
St. Lawrence County	5.7%	5.6%	5.2%	4.2%	N/A	N/A	N/A
New York State	4.6%	4.3%	4.1%	3.7%	N/A	N/A	N/A

Note: Unemployment rates for May through July are not available as of the date of this Official Statement.

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

Form of School Government

The Board of Education which is the policy-making body of the School District consists of seven members with overlapping five year terms so that as nearly as possible an equal number is elected to the Board each year. Each Board member must be a qualified voter of the School District and no Board member may hold certain other district offices or positions while serving on the Board of Education. The President and the Vice President are selected by the Board members.

Budgetary Procedures

Pursuant to the Education Law, the Board of Education annually prepares a detailed statement of estimated sums necessary for the various expenditures of the School District for the ensuing fiscal year (tentative budget) and distributes that statement not less than seven days prior to the date on which the annual school election is conducted, at which the tentative budget is voted upon. Notice of the annual election is published as required by statute with a first publication not less than forty-five days prior to the day of election.

Pursuant to Chapter 97 of the Laws of 2011 (“Chapter 97”), beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the “Tax Cap”), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the Tax Cap also must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the 3rd Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

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

Recent Budget Votes

The budget for the 2024-25 fiscal year was approved by the qualified voters on May 21, 2024 with a vote of 116 to 76. The District’s budget for 2024-25 remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 2.34%, which was below the District’s tax levy limit of 4.70%.

The budget for the 2025-26 fiscal year was approved by the qualified voters on May 20, 2025 with a vote of 135 to 34. The District’s adopted budget for 2025-26 remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 2.38%, which was below the District’s tax levy limit of 4.70%.

Investment Policy

Pursuant to the statutes of the State of New York, the School District is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the School District; (6) obligations of a New York public corporation which are made lawful investments by the School District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of School District moneys held in certain reserve funds established pursuant to law, obligations issued by the School District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the School District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America, and (4) In repurchase agreements involving the purchase and resale of obligations of the United States of America or obligations of agencies of the federal government, if principal and interest is guaranteed by the United States of America and the securities are registered in the name of the School District and held by a custodial bank in accordance with the policies established by the New York State Comptroller.

State Aid

The District receives financial assistance from the State. In its proposed budget for the 2025-26 fiscal year, approximately 58.45% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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

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

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

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 and 2020 fiscal years, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget, which is due at the start of the State's fiscal year of April 1. With the exception of the State's fiscal year 2025-26 Enacted Budget (which was adopted on May 9, 2025, twenty-eight (28) days after the April 1 deadline, the State's fiscal year 2024-25 Enacted Budget (which was adopted on April 22, 2024, twenty-one (21) days after the April 1 deadline) and the State's fiscal year 2023-24 Enacted Budget (which was adopted on May 2, 2023, thirty-one (31) days after the April 1 deadline), the State's budget has been adopted by April 1 or shortly thereafter for over ten (10) years. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

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

Federal aid received by the State

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

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

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

Building Aid

A portion of the District's State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Building Aid is paid over fifteen years for reconstruction work, twenty years for building additions, or thirty years for new building construction. Building Aid for a specific building project is eligible to begin eighteen months after State Commissioner of Education approval date, for that project, and is paid over the previously described timeframe, assuming all necessary building aid forms are filed with the State in a timely manner. The building aid received is equal to the assumed debt service for that project, which factors in the bond percent, times the building aid ratio that is assigned to the District, and amortized over the predefined timeframe. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the District compared to a State-wide average.

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2025-26 preliminary building aid ratios, the District expects to receive State building aid of approximately 79.9% of debt service on State Education Department approved expenditures from July 1, 2004 to the present.

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

State aid history:

School district fiscal year (2021-2022): The State's 2021-22 Budget includes \$29.5 billion in state aid to school districts, and significantly increased funding for schools and local governments, including a \$1.4 billion increase in Foundation Aid and a three-year phase-in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget includes the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which includes, in part, the allocation of \$629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, \$105 million of federal funds are to be allocated to expand full-day kindergarten programs. Under the budget, school districts are to be reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year.

School district fiscal year (2022-2023): The State's 2022-23 Enacted Budget provides \$31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of \$2.1 billion or 7.2 percent compared to the 2021-22 school year, and includes a \$1.5 billion or 7.7 percent Foundation Aid increase. The State's 2022-23 Enacted Budget also programs \$14 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, is designed to assist public schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2022-23 Enacted Budget allocates \$100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State's 2022-23 Enacted Budget increases federal funds by \$125 million to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2022-23 school year.

School District fiscal year (2023-2024): The State's 2023-24 Enacted Budget included \$34.5 billion for school aid, an increase of \$3.1 billion or 10%, which was the highest level of State aid to date. The State's 2023-24 Budget also provided a \$2.6 billion increase in Foundation Aid, fully funding the program for the first time in history. The State's 2023-24 Enacted Budget provided \$134 million to increase access to free school meals. An additional \$20 million in grant funding established new Early College High School and Pathways in Technology Early College High School Programs. An investment of \$10 million over two years in competitive funding for school districts, boards of cooperative educational services, and community colleges was made to promote job readiness. An additional \$150 million was used to expand high-quality full-day prekindergarten, resulting in universal prekindergarten to be phased into 95% of the State.

School district fiscal year (2024-2025): The State's 2024-25 Enacted Budget provided \$35.9 billion in State funding to school districts for the 2024-25 school year. This represented an increase of \$1.3 billion compared to the 2023-24 school year and included a \$934 million or 3.89 percent Foundation Aid increase. The State's 2024-25 Enacted Budget maintains the "save harmless" provision, which currently ensures a school district receives at least the same amount of Foundation Aid as it received in the prior year. The State's 2024-25 Enacted Budget also authorizes a comprehensive study by the Rockefeller Institute and the State Department of Education to develop a modernized school funding formula.

School district fiscal year (2025-2026): The State's 2025-26 Budget includes approximately \$37 billion in State funding to school districts for the 2025-2026 school year, an estimated year-to-year funding increase of \$1.7 billion. The State's 2025-26 Budget provides an estimated \$26.3 billion in Foundation Aid, a year over year increase of \$1.42 billion and includes a 2% minimum increase in Foundation Aid to all school districts. The State's 2025-26 Budget also makes a number of alterations to the Foundation Aid formula to more accurately reflect low-income student populations and provide additional aid to low-wealth school districts.

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

State Aid Litigation

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

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

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students' Educational Rights v. State of New York ("NYSER") and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the CFE case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent "gross education inadequacies", claims regarding state funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein. On October 14, 2021 Governor Hochul announced that New York State reached an agreement to settle and discontinue the *NYSER* case, following through on the State's commitment to fully fund the current Foundation Aid formula to New York's school districts over three years and ending the State's prior opposition to providing such funding. The litigation, which has been ongoing since 2014, sought to require New York State to fully fund the Foundation Aid formula that was put into place following the CFE cases, and had been previously opposed by the State. Foundation Aid was created in 2007 and takes school district wealth and student need into account to create an equitable distribution of state funding to schools, however, New York State has never fully funded Foundation Aid. The new settlement requires New York State to phase-in full funding of Foundation Aid by the FY 2024 budget. In the FY 2022 Enacted State Budget approved in April 2022, the Executive and Legislature agreed to fully fund Foundation Aid by the FY 2024 and FY 2025 budget and enacted this commitment into law.

A breakdown of currently anticipated Foundation Aid funding is available below:

- FY 2022: \$19.8 billion, covering 30% of the existing shortfall.
- FY 2023: Approximately \$21.3 billion, covering 50% of the anticipated shortfall.
- FY 2024: Approximately \$23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school districts.
- FY 2025: Funding the full amount of Foundation Aid for all school districts.
- FY 2026: \$26.3 billion in Foundation Aid, a year over year increase of \$1.42 billion and a 2% minimum increase in Foundation Aid to all school districts.

The State's 2025-26 Budget also makes a number of alterations to the Foundation Aid formula to more accurately reflect low-income student populations and provide additional aid to low-wealth school districts.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years and budgeted new figures comprised of State aid.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	Percentage of Total Revenues Consisting of <u>State Aid</u>
2019-2020	\$ 9,833,977	\$ 5,507,877	56.01%
2020-2021	10,035,109	5,597,924	55.78
2021-2022	10,210,726	5,904,810	57.83
2022-2023	10,885,059	6,275,074	57.65
2023-2024	11,891,283	6,328,881	53.22
2024-2025 (Budgeted)	10,615,195	6,250,195	58.88
2025-2026 (Budgeted)	10,745,866	6,280,866	58.45

Source: Audited financial statements for the 2019-2020 fiscal year through the 2023-2024 fiscal year and the adopted budgets of the District for the 2024-2025 and 2025-2026 fiscal years. The unaudited figures for the 2024-2025 fiscal year are not available as of the date of this Official Statement. This table is not audited.

District Facilities

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built / Additions</u>
Morristown Central School	K-12	800	1939, '42, '57, '90

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2020-2021	339	2025-2026	350
2021-2022	352	2026-2027	350
2022-2023	340	2027-2028	350
2023-2024	339	2028-2029	340
2024-2025	324	2029-2030	340

Source: District officials.

Employees

The District employs a total of approximately 69 employees. Employees are represented by various unions as follows:

<u>Number of Members</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
40	Morristown Teachers' Association	June 30, 2027
29	Civil Service Employees' Association Local	June 30, 2028

Status and Financing of Employee Pension Benefits

Substantially all employees of the District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members working less than ten years must contribute 3% (ERS) or 3.5% (TRS) of gross annual salary towards the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries and TRS employees to continue contributing 3.5% toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

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

The District is required to contribute at an actuarially determined rate. The actual contributions for the fiscal years 2020-2021 through and including 2024-2025 and budgeted figures for the 2025-2026 fiscal years are as follows:

<u>Fiscal Year</u>	<u>TRS</u>	<u>ERS</u>
2020-2021	\$ 250,469	\$ 103,215
2021-2022	278,509	107,829
2022-2023	251,181	82,938
2023-2024	244,463	101,229
2024-2025 (Budgeted)	300,568	150,000

Note: The unaudited figures for the 2024-2025 fiscal year and the budgeted figures for the 2025-2026 fiscal year are not available as of the date of this Official Statement.

Source: District officials.

The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount. The District pre-pays this cost annually.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District offers \$10,000.00 to any Morristown Teacher's Association retiree who has over 15 years of service and provides written notice by February 1.

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

A chart of average ERS and TRS rates as a percent of payroll (2021-22 to 2025-26) is shown below:

<u>State Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2021-22	16.2%	9.80%
2022-23	11.6	10.29
2023-24	13.1	9.76
2024-25	15.2	10.11
2025-26	16.5	9.59*

*Estimated.

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

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

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

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

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

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

The State’s 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. On June 30, 2019, the District established a TRS reserve fund.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the District provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits.

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

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

GASB 75. In 2015, the Governmental Accounting Standards Board ("GASB") released new accounting standards for public Other Post-Employment Benefits ("OPEB") plans and participating employers. These standards, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), have substantially revised the valuation and accounting requirements previously mandated under GASB Statements No. 43 and 45. The implementation of this statement requires District's to report OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. GASB Statement No. 75 replaced GASB Statement 45, which also required the District to calculate and report a net OPEB obligation. However, under GASB 45 districts could amortize the OPEB liability over a period of years, whereas GASB 75 requires districts to report the entire OPEB liability on the statement of net position.

Summary of Changes from the Last Valuation. The District contracted with Armory Associates, LLC an actuarial firm, to calculate its first actuarial valuation under GASB 75. The table on the following page outlines the changes to the Total OPEB Liability during the fiscal years ending June 30, 2023 and June 30, 2024, by source.

	Balance beginning at:	July 1, 2022	July 1, 2023
		\$ 26,570,614	\$ 24,068,633
<u>Changes for the year:</u>			
Service cost		1,059,419	782,631
Interest on total OPEB liability		584,459	867,872
Changes in Benefit Terms		-	-
Differences between expected and actual experience		-	(3,016,550)
Changes in Assumptions or other inputs		(3,508,145)	285,659
Benefit payments		(637,714)	(670,241)
Net Changes		\$ (2,501,981)	\$ (1,750,629)
	Balance ending at:	June 30, 2023	June 30, 2024
		\$ 24,068,633	\$ 22,318,004

Note: The above table is not audited. For additional information see "APPENDIX – D" attached hereto.

The aforementioned liability is recognized and disclosed in accordance with GASB 75 standards in the District's audited financial statements for the fiscal years ending June 30, 2023 and June 30, 2024.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The District has reserved \$0 towards its OPEB liability. The District funds this liability on a pay-as-you-go basis.

The District's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

Under GASB 75, an actuarial valuation will be required every 2 years for all plans, however, the Alternative Measurement Method continues to be available for plans with less than 100 members.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which bonds and notes are to be issued is the Education Law and the Local Finance Law.

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

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

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the District.

Financial Statements

The District retains independent Certified Public Accountants. The last audit report covers the period ending June 30, 2024 and has been uploaded to the Electronic Municipal Market Access (“EMMA”) website. It is also attached hereto as “APPENDIX – D” to this Official Statement. Certain financial information of the District can also be found attached as Appendices to the Official Statement.

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

Beginning with the fiscal year ending June 30, 2003 the District is required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management’s Discussion and Analysis. The District is in compliance with Statement No. 34.

The unaudited results of operations for the fiscal year ended June 30, 2025 are not available as of the date of this Official Statement.

New York State Comptroller Reports of Examination

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

The most recent State Comptroller audit report of the District dated December 3, 2021 examined the District’s information technology process for the period July 1, 2019 through April 2, 2021.

Key Findings:

District officials did not adequately manage network user accounts or develop an IT contingency plan that details how District officials would respond to IT disruptions. Officials did not:

- Develop written procedures for granting, changing and revoking user access to the overall network.
- Perform periodic reviews of network user accounts to determine whether they were appropriate or needed.

In addition, sensitive IT control weaknesses were communicated confidentially to officials.

Key Recommendations:

- Develop written procedures for network user access.
- Evaluate and periodically review all network user accounts and disable those that are unneeded.
- Develop a comprehensive written IT contingency plan for the District.

A copy of the complete report can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

As of the date of this Official Statement, there are no other State Comptrollers audits of the District that are currently in progress or pending release.

Source: Website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein, and is not incorporated herein by reference.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

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

The classification of the District for the five most recent available fiscal years are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2024	No Designation	6.7
2023	No Designation	0.0
2022	No Designation	0.0
2021	No Designation	3.3
2020	No Designation	3.3

Note: The State Comptroller's assessment of the District for fiscal year ending June 30, 2025 is not available as of the date of this Official Statement.

Source: Website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein, and is not incorporated herein by reference.

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TAX INFORMATION

Taxable Assessed Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Towns of:					
De Peyster	\$ 125,527	\$ 125,400	\$ 121,865	\$ 309,479	\$ 316,332
Hammond	137,673	137,820	137,514	137,558	137,970
Macomb	19,780,449	20,070,760	20,259,530	20,565,822	21,073,688
Morristown	173,486,773	177,850,279	184,616,015	189,650,183	194,348,776
Oswegatchie	49,369,372	49,801,322	50,590,505	51,570,398	52,369,775
Total Assessed Values	<u>\$ 242,899,794</u>	<u>\$ 247,985,581</u>	<u>\$ 255,725,429</u>	<u>\$ 262,233,440</u>	<u>\$ 268,246,541</u>

State Equalization Rates

Towns of:					
De Peyster	68.00%	59.50%	55.00%	100.00% ⁽¹⁾	99.00%
Hammond	96.00%	96.00%	87.00%	80.00%	77.00%
Macomb	49.00%	48.50%	45.00%	42.00%	40.00%
Morristown	100.00%	100.00%	93.00%	86.00%	82.00%
Oswegatchie	100.00%	100.00%	97.00%	92.00%	79.00%
Total Taxable Full Valuation	<u>\$ 263,552,416</u>	<u>\$ 269,388,930</u>	<u>\$ 296,067,816</u>	<u>\$ 326,025,918</u>	<u>\$ 356,484,486</u>

⁽¹⁾ significant change due to revaluation.

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Towns of:					
De Peyster	\$ 22.11	\$ 24.59	\$ 24.83	\$ 12.59 ⁽¹⁾	\$ 11.90
Hammond	15.66	15.24	15.70	15.73	15.30
Macomb	30.68	30.16	30.35	29.97	29.45
Morristown	15.03	14.63	14.68	14.64	14.37
Oswegatchie	15.03	14.63	14.08	13.68	14.91

⁽¹⁾ significant change due to revaluation.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total Tax Levy	\$ 3,961,883	\$ 3,941,155	\$ 4,043,230	\$ 4,103,878	\$ 4,200,000
Amount Uncollected ⁽¹⁾	400,784	388,182	368,397	338,616	307,424
% Uncollected	10.12%	9.85%	9.11%	8.25%	7.32%

⁽¹⁾ The District receives 100% of its tax levy each year. See "Tax Collection Procedures" herein.

Source: District officials.

Tax Collection Procedure

Taxes are due and payable without penalty during the period from September 1 through September 30. Taxes paid from October 1 through October 31 are subject to a 2% penalty. After October 31, uncollected taxes are turned over to the County Treasurer for collection with a penalty and additional interest added. The County reimburses the District in full before the end of the District's fiscal year.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the School District for each of the below completed fiscal years and budgeted figures comprised of Real Property Taxes and Tax Items.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes and Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2019-2020	\$ 9,833,977	\$ 3,921,967	39.88%
2020-2021	10,035,109	3,971,440	39.56
2021-2022	10,210,726	3,950,483	38.69
2022-2023	10,885,059	4,053,713	37.24
2023-2024	11,891,283	4,117,346	34.26
2024-2025 (Budgeted)	10,615,195	4,209,000	39.65
2025-2026 (Budgeted)	10,745,866	4,309,000	40.10

Source: Audited financial statements for the 2019-2020 fiscal year through the 2023-2024 fiscal year and the adopted budgets of the District for the 2024-2025 and 2025-2026 fiscal years. The unaudited figures for the 2024-2025 fiscal year are not available as of the date of this Official Statement. This table is not audited.

Ten Largest Taxpayers – 2024 Assessment Roll for 2024-2025 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Full Valuation</u>
National Grid	Utility	\$ 5,514,469
Azure River Group, Inc.	Commercial	1,600,000
Donnie Aldrich	Utility/Solar Farm	1,436,764
Verizon New York, Inc.	Utility	1,202,968
David W Stout III	Residential	1,161,200
The Log Cabins Corp.	Residential Property/Cottages	1,081,900
Lowery Vernon A	Private	1,004,900
Dogeneyo LLC.	Commercial	1,000,000
Joseph L. Bauer	Residential	997,100
Wilson Dairy Farm	Agriculture	924,200

The ten larger taxpayers listed above have a total taxable full valuation of \$15,923,501, which represents 4.47% of the tax base of the District.

As of the date of this Official Statement, the District currently does not have any pending or outstanding tax certioraris that are known to have a material impact on the District.

Source: District Tax Rolls.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$98,700 or less in the 2024-2025 school year, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$84,000 of the full value of a home for the 2024-2025 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

The 2019-2020 State Budget made several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption was lowered to \$250,000, compared with a \$500,000 limit for the credit. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually. Homeowners with STAR Adjusted Gross Income of \$250,000 or less have the option to select the credit or the exemption.

The 2020-2021 State Budget further modified the STAR program. Under such legislation, property owners with property tax delinquencies greater than one year are not eligible for the Basic STAR exemption or the Basic STAR credit. Recipients of the Enhanced STAR exemptions and credits are not impacted by this program; they may continue to receive STAR benefits even if their property taxes are delinquent.

The 2022-2023 State Budget provided \$2.2 billion in State funding for a new one-year property tax relief credit, the Homeowner Tax Rebate Credit, for eligible low- and middle-income households, as well as eligible senior households. Under this program, basic STAR exemption and credit beneficiaries with incomes below \$250,000 and Enhanced STAR recipients are eligible for the property tax rebate where the benefit is a percentage of the homeowners' existing STAR benefit.

The below table lists the basic and enhanced exemption amounts for the District tax roll for the municipalities applicable to the District:

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
De Peyster	\$ 86,100	\$ 30,000	4/10/2025
Hammond	66,300	23,100	4/10/2025
Macomb	34,440	12,000	4/10/2025
Morristown	70,600	24,600	4/10/2025
Oswegatchie	68,780	24,560	4/10/2025

\$307,424 of the \$4,200,000 school tax levy for 2024-2025 was exempt by the STAR Program. The District expects to full reimbursement of such exempt taxes from the State in January 2025.

A similar amount of the school tax levy 2025-2026 is expected to be exempt by the STAR Program. The District expects to full reimbursement of such exempt taxes from the State in January 2026.

Additional Tax Information

Real property located in the District is assessed by the Towns.

Senior citizens' and Veterans' exemptions are offered to those who qualify.

Total assessed valuation of the District is estimated to be categorized as follows: Agricultural-20%, Residential-70% and Commercial-10%.

The estimated total annual property tax bill, with a deduction for a \$30,000 star exemption, on a \$100,000 market value residential property located in the District is approximately \$2,415 including County, Town, School District and Fire District taxes.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor ("Chapter 97" or the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are indirectly affected by applicability to their respective City.)

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

Chapter 97 requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was set to expire on June 15, 2020; however, legislation has since made it permanent. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments are permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation, applicable to the Notes.

See "State Aid" for a discussion of the *New Yorkers for Students' Educational Rights v. State of New York* case which includes a challenge to the supermajority requirements regarding school district property tax increases.

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

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

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

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Statutory Procedure

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

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds.

Debt Limit. The District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by taking assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The Legislature prescribes the manner by which such ratio shall be determined.

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

- (1) Such obligations are authorized for a purpose for which the School District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

The School District has complied with this estoppel procedure in connection with the Notes.

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

The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Debt Outstanding End of Fiscal Year

<u>Fiscal Year Ending June 30th:</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Bonds	\$ 860,000	\$ 620,000	\$ 450,000	\$ 230,000	\$ 0
Bond Anticipation Notes	0	0	0	0	2,000,000
Lease Obligations ⁽¹⁾	<u>0</u>	<u>9,277</u>	<u>70,937</u>	<u>55,082</u>	<u>38,921</u>
Total Debt Outstanding	<u>\$ 860,000</u>	<u>\$ 629,277</u>	<u>\$ 520,937</u>	<u>\$ 283,082</u>	<u>\$ 2,038,921</u>

- ⁽¹⁾ In 2022, the District implemented GASB Statement No. 87 for accounting and reporting leases. GASB Statement No. 87 requires the recognition of certain lease assets and liabilities for leases previously classified as operating leases along with the recognition of inflows and outflows of resources, as applicable.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District as of July 29, 2025:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	-	\$ 0
<u>Bond Anticipation Notes</u>		
Capital Project	August 15, 2025	<u>2,000,000</u> ⁽¹⁾
Total Indebtedness:		<u>\$ 2,000,000</u>

- ⁽¹⁾ To be partially redeemed and renewed at maturity with the proceeds of the Notes and \$156,000 available funds of the District.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of July 29, 2025:

Full Valuation of Taxable Real Property	\$ 356,484,486
Debt Limit 10% thereof	35,648,448

Inclusions:

Bonds.....	\$ 0
Bond Anticipation Notes (BANs):.....	<u>2,000,000</u>
Total Inclusions prior to issuance of the Notes	<u>2,000,000</u>
Less: BANs being redeemed from appropriations	156,000
Add: New money proceeds of the Notes	<u>3,000,000</u>
Total Net Inclusions after issuance of the Notes	<u>\$ 4,844,000</u>

Exclusions:

State Building Aid ⁽¹⁾	\$ 0
Total Exclusions	<u>\$ 0</u>

Total Net Indebtedness \$ 4,844,000

Net Debt-Contracting Margin \$ 30,804,448

The percent of debt contracting power exhausted is 13.59%

- ⁽¹⁾ Based on preliminary 2025-2026 building aid estimates, the District anticipates State Building aid of 79.9% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

Notes: The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the net indebtedness of the District. The figures above do not include any energy performance contract, capital lease, or installment purchase indebtedness, to the extent that any such indebtedness may be applicable to the District, and to the extent same is includable in the debt limit. See "Other Obligations" herein.

Bonded Debt Service

The District does not currently have any bonded indebtedness outstanding.

Cash Flow Borrowings

The District has not found it necessary to issue revenue or tax anticipation notes in the past five years. The District does not anticipate issuing revenue or tax anticipation notes in the foreseeable future.

Capital Project Plans

In March 2024 the District voters approved a capital project with the maximum estimated cost of \$16,951,375 and the issuance of up to \$13,451,375 serial bonds and the expenditure of \$3,000,000 capital reserve monies and \$500,000 available funds therefor. On May 14, 2025 the District issued \$2,000,000 bond anticipation notes as the first borrowing for the aforementioned project. The Notes are being issued, along with \$156,000 available funds of the District, to partially redeem and renew the bond anticipation notes maturing August 15, 2025 and provide \$3,000,000 new money for the aforementioned project. Additional borrowings will be pursuant to State Education Department and as the project's cash flow needs warrant.

There are currently no other capital projects authorized or contemplated by the District at this time.

Federal Sequestration

In July 2011, the District issued \$1,896,495 General Obligation Qualified Zone Academy Bonds, 2011 - Series A ("QZAB") with a final maturity of June 15, 2025. At the time of issue the District expected from the Federal Government a 100% interest subsidy related to the QZAB.

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments to certain state and local government filers claiming refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds are subject to sequestration. This means that refund payments and refund offset transactions processed on or after October 1, 2020, and on or before September 30, 2030, will be reduced by the fiscal year 2021 5.7% sequestration rate, irrespective of when the IRS received the Form 8038-CP with amounts claimed by an issuer. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.

A summary of historic federal sequestration rates is outlined below:

<u>Fiscal Year (October 1 thru September 30)</u>	<u>Sequestration Rate Reduction</u>
2013	8.7%
2014	7.2
2015	7.3
2016	6.8
2017	6.9
2018	6.6
2019	6.2
2020	5.9
2021-2030	5.7

In addition, federal government shutdowns may delay the processing of federal government payments to the District. If this were to occur, the District will be required to make payment of the full amount of interest due on the bonds at that time. These payments are expected to be reimbursed to the District when any such government shutdown is over but when the federal government can process requests for, and make payment of, the applicable tax credit payments is not known at this time.

The District budgets annually for the full interest payment due on the QSCBs to cover for possible delays or shortfalls in the expected tax credit subsidy.

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Estimated Overlapping Indebtedness

In addition to the District, the following political subdivisions have the power to issue obligations and to levy taxes or cause taxes to be levied on taxable real property in the District. Estimated indebtedness of the respective municipalities is outlined in the table below.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
St. Lawrence	6/28/2024	\$ 21,750,000 ⁽³⁾	\$ 455,000	\$ 21,295,000	4.29%	\$ 913,556
Town of:						
De Peyster	12/31/2023	- ⁽⁴⁾	- ⁽⁵⁾	-	0.39%	-
Hammond	12/31/2023	749,000 ⁽⁴⁾	- ⁽⁵⁾	749,000	0.06%	449
Macomb	12/31/2023	- ⁽⁴⁾	- ⁽⁵⁾	-	39.99%	-
Morristown	12/31/2023	994,449 ⁽⁴⁾	- ⁽⁵⁾	994,449	87.55%	870,640
Oswegatchie	12/31/2023	- ⁽⁴⁾	- ⁽⁵⁾	-	18.94%	-
Village of:						
Morristown	5/31/2023	- ⁽⁴⁾	- ⁽⁵⁾	-	100.00%	-
Total:						<u>\$ 1,784,645</u>

- (1) Outstanding bonds and bond anticipation notes of the respective municipality. Not adjusted to include subsequent issuances, if any, from the date of the status of indebtedness stated in the table above for each respective municipality.
- (2) Water debt, sewer debt and budgeted appropriations as applicable to the respective municipality. Water Indebtedness excluded pursuant to Article VIII, Section 5B of the New York State Constitution. Sewer Indebtedness excluded pursuant to Article VIII, Section 5E of the New York State Constitution, as further prescribed under section 124.10 of the Local Finance Law. Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.
- (3) Gross indebtedness, exclusions, and net-indebtedness sourced from available annual financial information & operating data filings and/or official statements of the respective municipality.
- (4) Gross indebtedness sourced from local government data provided by the State Comptroller's office for the most recent fiscal year such data is available for the respective municipality.
- (5) Information regarding excludable debt not available.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of July 29, 2025:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 4,844,000	\$ 1,501.55	1.36%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	6,628,645	2,054.76	1.86

- (a) The 2023 estimated population of the District was 3,226. (See "THE SCHOOL DISTRICT – Population" herein.)
- (b) The District's full value of taxable real estate for its 2024-25 tax roll is \$356,484,486. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)
- (c) See "Debt Statement Summary" herein for the calculation of Net Indebtedness.
- (d) The District's share of net overlapping indebtedness is estimated to be \$1,784,645. (See "Estimated Overlapping Indebtedness" herein.)

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

State Aid Intercept for School Districts. In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

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

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to said Section 99-b.

General Municipal Law Contract Creditors' Provision. Each Bond when duly issued and paid for will constitute a contract between the School District and the holder thereof. Under current law, provision is made for contract creditors of the School District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the School District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the School District may not be enforced by levy and execution against property owned by the School District.

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

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Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

No Past Due Debt. No principal of or interest on School District indebtedness is past due. The School District has never defaulted in the payment of the principal of and interest on any indebtedness.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

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

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District. In several recent years, the District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE SCHOOL DISTRICT – State Aid").

There are a number of general factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the District. Unforeseen developments could also result in substantial increases in District expenditures, thus placing strain on the District's financial condition. These factors may have an effect on the market price of the Notes.

The District's credit rating could be affected by circumstances beyond the District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. Accordingly, a decline in the District's credit rating could adversely affect the market value of the Notes.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the School District could have an impact upon the market price of the Notes. See "TAX LEVY LIMITATION LAW" herein.

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. No assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of the Notes, or the tax status of interest on the Notes. See "TAX MATTERS" herein.

Cybersecurity

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the District will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Recent Executive Orders

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

TAX MATTERS

In the opinion of WJ Marquardt PLLC, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including the City of New York. Bond counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on the Notes. The proposed form of opinion of Bond Counsel is set forth in "APPENDIX – E."

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The School District has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants will result in interest on the Notes being included in gross income for federal income tax purposes as well as adjusted gross income for purposes of personal income taxes imposed by the State of New York or the City of New York, from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is excluded from adjusted gross income for federal income taxes imposed by the State of New York and the City of New York, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, legislative proposals have been advanced that would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of WJ Marquardt PLLC, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as "APPENDIX – E".

WJ Marquardt PLLC expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including, but not limited to, the financial information in this Official Statement.

LITIGATION

The School District is subject to a number of lawsuits in the ordinary conduct of its affairs. The School District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the School District.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the School District, threatened against or affecting the School District to restrain or enjoin the issuance, sale or delivery of bonds or notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of bonds or notes or any proceedings or authority of the School District taken with respect to the authorization, issuance or sale of bonds or notes or contesting the corporate existence or boundaries of the School District.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will enter into an Undertaking to provide Material Event Notices, a description of which is attached hereto as "APPENDIX – C".

Historical Compliance

The District is in compliance, in all material respects, within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor") is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the District to Fiscal Advisors are partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the District provided, however; the District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

RATING

The Notes are not rated. The purchaser(s) of the Notes may choose to request that a rating be assigned after the sale pending the approval of the District and applicable rating agency, and at the expense of the purchaser(s), including any rating agency and other fees to be incurred by the District, as such rating action may result in a material event notice to be posted to EMMA and/or the provision of a Supplement to the final Official Statement. (See "APPENDIX – C" herein).

The District does not currently have an assigned underlying rating.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the outstanding bonds.

MISCELLANEOUS

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

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

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

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

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

The Official Statement is submitted only in connection with the sale of the Notes by the District and may not be reproduced or used in whole or in part for any other purpose.

The District hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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

The District's contact information is as follows: Scott Boyer, Assistant Business Manager, Morristown Central School District, 408 Gouverneur Street, Morristown, New York 13664, Phone: (315) 375-8814 x 40282, Email: scott.boyer@sllboces.org.

Additional copies of the Notice of Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., Phone: (315) 752-0051, or at www.fiscaladvisors.com.

MORRISTOWN CENTRAL SCHOOL DISTRICT

Dated: July 29, 2025

DR. LAWRENCE KRING, III
PRESIDENT OF THE BOARD OF EDUCATION

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 696,107	\$ 719,173	\$ 1,494,308	\$ 1,025,318	\$ 555,431
Restricted Cash	2,337,452	2,804,650	3,582,736	5,796,118	7,434,396
State and Federal Aid Receivable	145,217	254,903	111,220	211,817	117,765
Other Receivables	2,005	132	1,679	371	2,872
Due from Other Funds	1,104,369	464,733	319,131	524,805	934,311
Due from Fiduciary Funds	838	-	-	-	-
Due from Other Governments	422,069	259,939	302,072	415,438	354,105
Prepaid Expenses	3,969	3,969	3,969	58,436	58,436
Inventories	-	-	-	-	-
TOTAL ASSETS	<u><u>\$ 4,712,026</u></u>	<u><u>\$ 4,507,499</u></u>	<u><u>\$ 5,815,115</u></u>	<u><u>\$ 8,032,303</u></u>	<u><u>\$ 9,457,316</u></u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 17,437	\$ 14,032	\$ 3,476	\$ 3,868	\$ 6,200
Accrued Liabilities	21,868	35,678	16,510	32,049	20,362
Due to Other Funds	14,078	80,123	83,701	2,980	103,030
Due to Teacher's Retirement System	250,800	278,261	307,117	303,129	314,384
Due to Employee's Retirement System	26,217	27,722	20,309	23,436	29,190
Compensated Absences	-	77,000	11,700	-	-
Due to Fiduciary Funds	-	-	-	-	-
TOTAL LIABILITIES	<u><u>330,400</u></u>	<u><u>512,816</u></u>	<u><u>442,813</u></u>	<u><u>365,462</u></u>	<u><u>473,166</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred State Aid	<u>78,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>78,631</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<u>FUND BALANCES</u>					
Nonspendable	\$ 3,969	\$ 3,969	\$ 3,969	\$ 58,436	\$ 58,436
Restricted	2,337,452	2,804,650	3,582,736	5,796,118	7,434,396
Assigned	649,203	860,578	941,965	917,835	977,620
Unassigned	<u>1,312,371</u>	<u>325,486</u>	<u>843,632</u>	<u>894,452</u>	<u>513,698</u>
TOTAL FUND BALANCES	<u><u>4,381,626</u></u>	<u><u>3,994,683</u></u>	<u><u>5,372,302</u></u>	<u><u>7,666,841</u></u>	<u><u>8,984,150</u></u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY</u>	<u><u>\$ 4,712,026</u></u>	<u><u>\$ 4,507,499</u></u>	<u><u>\$ 5,815,115</u></u>	<u><u>\$ 8,032,303</u></u>	<u><u>\$ 9,457,316</u></u>

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>REVENUES</u>					
Real Property Taxes & Items	\$ 3,921,967	\$ 3,971,440	\$ 3,950,483	\$ 4,053,713	\$ 4,117,346
Charges for Services	-	18,101	-	-	-
Use of Money & Property	53,172	8,696	13,669	209,718	385,635
Sale of Property and Compensation for Loss	-	-	81,370	-	-
Miscellaneous	303,169	203,378	162,534	341,278	1,059,421
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	5,507,877	5,597,924	5,904,810	6,275,074	6,328,881
Revenues from Federal Sources	47,792	235,570	97,860	5,276	-
Total Revenues	<u>\$ 9,833,977</u>	<u>\$ 10,035,109</u>	<u>\$ 10,210,726</u>	<u>\$ 10,885,059</u>	<u>\$ 11,891,283</u>
Other Sources:					
Interfund Transfers (in)	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,861</u>	<u>-</u>
Total Revenues and Other Sources	<u>9,833,977</u>	<u>10,035,109</u>	<u>10,210,726</u>	<u>10,981,920</u>	<u>11,891,283</u>
<u>EXPENDITURES</u>					
General Support	\$ 1,097,130	\$ 1,217,815	\$ 1,307,204	\$ 1,535,008	\$ 2,264,449
Instruction	4,315,674	4,355,545	4,593,808	4,338,305	4,719,097
Pupil Transportation	635,096	577,100	666,904	597,739	785,838
Community Services	3,500	-	3,500	3,500	3,500
Employee Benefits	2,357,949	2,858,720	1,883,775	1,862,442	2,438,476
Debt Service	747,247	732,727	244,271	240,035	250,838
Total Expenditures	<u>\$ 9,156,596</u>	<u>\$ 9,741,907</u>	<u>\$ 8,699,462</u>	<u>\$ 8,577,029</u>	<u>\$ 10,462,198</u>
Other Uses:					
Interfund Transfers (out)	<u>1,092,021</u>	<u>601,514</u>	<u>133,645</u>	<u>110,352</u>	<u>111,776</u>
Total Expenditures and Other Uses	<u>10,248,617</u>	<u>10,343,421</u>	<u>8,833,107</u>	<u>8,687,381</u>	<u>10,573,974</u>
Excess (Deficit) Revenues Over Expenditures	<u>(414,640)</u>	<u>(308,312)</u>	<u>1,377,619</u>	<u>2,294,539</u>	<u>1,317,309</u>
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	4,717,635	4,302,995	3,994,683	5,372,302	7,666,841
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,302,995</u>	<u>\$ 3,994,683</u>	<u>\$ 5,372,302</u>	<u>\$ 7,666,841</u>	<u>\$ 8,984,150</u>

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:

	2024			2025	2026
	Original Budget	Final Budget	Actual	Adopted Budget	Adopted Budget
REVENUES					
Real Property Taxes & Items	\$ 4,112,878	\$ 4,112,878	\$ 4,117,346	\$ 4,209,000	\$ 4,309,000
Charges for Services	-	-	-	-	-
Use of Money & Property	56,000	56,000	385,635	156,000	156,000
Sale of Property and Compensation for Loss	-	-	-	-	-
Miscellaneous	-	-	1,059,421	-	-
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	6,566,822	6,566,822	6,328,881	6,250,195	6,280,866
Revenues from Federal Sources	-	-	-	-	-
Total Revenues	<u>\$ 10,735,700</u>	<u>\$ 10,735,700</u>	<u>\$ 11,891,283</u>	<u>\$ 10,615,195</u>	<u>\$ 10,745,866</u>
Other Sources:					
Interfund Transfers (in)	-	-	-	-	-
Applied Fund Balance	<u>787,127</u>	<u>917,835</u>	<u>-</u>	<u>935,813</u>	<u>996,439</u>
Total Revenues and Other Sources	<u>11,522,827</u>	<u>11,653,535</u>	<u>11,891,283</u>	<u>11,551,008</u>	<u>11,742,305</u>
EXPENDITURES					
General Support	\$ 1,601,458	\$ 1,716,846	\$ 2,264,449	\$ 1,637,843	\$ 1,633,137
Instruction	5,781,916	5,790,296	4,719,097	5,872,429	5,909,077
Pupil Transportation	744,245	751,185	785,838	801,200	883,900
Community Services	3,500	3,500	3,500	3,500	6,500
Employee Benefits	3,020,119	3,020,119	2,438,476	2,869,166	3,004,691
Debt Service	<u>246,589</u>	<u>246,589</u>	<u>250,838</u>	<u>241,870</u>	<u>180,000</u>
Total Expenditures	<u>\$ 11,397,827</u>	<u>\$ 11,528,535</u>	<u>\$ 10,462,198</u>	<u>\$ 11,426,008</u>	<u>\$ 11,617,305</u>
Other Uses:					
Interfund Transfers (out)	<u>125,000</u>	<u>125,000</u>	<u>111,776</u>	<u>125,000</u>	<u>125,000</u>
Total Expenditures and Other Uses	<u>11,522,827</u>	<u>11,653,535</u>	<u>10,573,974</u>	<u>11,551,008</u>	<u>11,742,305</u>
Excess (Deficit) Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>1,317,309</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Fund Balance - Beginning of Year	-	-	7,666,841	-	-
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,984,150</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Audited financial report and budgets of the School District. This Appendix is not itself audited.

MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, the School District has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board (“MSRB”) or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the securities, unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the Notes
- (g) modifications to rights of security holders, if material;
- (h) note calls, if material and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the securities;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the School District;
- (m) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a “financial obligation” (as defined by the Rule) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect noteholders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the School District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

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

With respect to events (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the School District determines that any such other event is material with respect to the Notes; but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The School District has agreed to provide, or cause to be provided, during the period in which the Notes are outstanding in a timely manner, to EMMA or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule, notice of its failure to provide the aforescribed material event notices, if any, on or before the date specified.

The School District reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the School District no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District's obligations under its material event notices undertaking and any failure by the School District to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the School District; provided that the School District agrees that any such modification will be done in a manner consistent with the Rule.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

**MORRISTOWN CENTRAL SCHOOL DISTRICT
ST. LAWRENCE COUNTY, NEW YORK**

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

JUNE 30, 2024

The Audited Financial Statements, including opinion, were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

MORRISTOWN CENTRAL
SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

BOARD OF EDUCATION MORRISTOWN CENTRAL SCHOOL DISTRICT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Morristown Central School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Morristown Central School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Morristown Central School District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Morristown

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Morristown Central 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 Morristown Central School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5-21), Schedule of Changes in the District's Total OPEB Liability and Related Ratios (page 87), Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund (page 88-89), Schedule of District's Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan (page 90), and Schedule of District's Contributions – NYSLRS Pension Plan (page 91) 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.

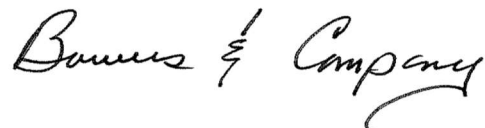
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morristown Central School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 92-98) and Schedule of Expenditures of Federal Awards (page 105-106), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund, Schedule of Capital Projects Fund – Project Expenditures and Financing Resources, Combined Balance Sheet – Non-Major Governmental Funds, Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds, and Net Investment in Capital Assets (pages 92-98), and the Schedule of Expenditures of Federal Awards (page 105-106) 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 10, 2024, on our consideration of the Morristown Central 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 Morristown Central 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 Morristown Central School District's internal control over financial reporting and compliance

A handwritten signature in cursive script that reads "Bonner & Company". The signature is written in dark ink and is positioned to the right of the main body of text.

Watertown, New York
October 10, 2024

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

INTRODUCTION

The following is a discussion and analysis of the Morristown Central School District (the District) financial performance for the fiscal year ended June 30, 2024. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund based financial statements. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

SCHOOL DISTRICT OVERVIEW/HIGHLIGHTS

The District was formed, pursuant to New York State Education Law, and offers a public education to its enrollees based on a New York State Regents Track. Grade levels offered are Pre-K through 12 and the curriculum taught is designed to lead to a High School Regents Diploma upon successful completion. This District is located in northern New York State along the St. Lawrence River. The District includes parts of the Towns of DePeyster, Hammond, Macomb, Morristown, and Oswegatchie. Major highways in and around the School District include Routes #37 and #12, which connect the School District with U.S. Interstate 81, a major New York State Expressway.

The Board of Education is the policy-making body of the District and consists of seven members with overlapping five-year terms so that as nearly as possible an equal number is elected to the Board of Education ("BOE") each year. Each BOE member must be a qualified voter of the District. The BOE members select the President, Vice-President, and Clerk. The administrative officer, Staci A. Vaughn (Superintendent) of the District, implements the policies of the Board of Education and supervises the operation of the school system.

Morristown Central School District accommodates both regular and special education students. The District's staff is committed to assisting each one of its students in their quest to achieve their individual potential to attain and master their academic standards, while making every effort to provide the best education at an affordable price.

The District's Board of Education's purpose is to provide an environment which invites students to learn, influences the development of cooperation, dependability, initiative, and the achievement of emotional maturity. It is our duty to offer the opportunity for our students to acquire, as far as their capacities permit, the skills needed to: think for themselves, understand the world we live in, and communicate with all levels of society. When they graduate, a concept of the good life will have been developed to the point where they can earn a living and enter into active membership of the society to which they belong.

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

SCHOOL DISTRICT OVERVIEW/HIGHLIGHTS - Continued

The District's total net position from governmental activities increased by \$865,057, which represents an increase of 21% from the prior year net position. This is mostly due to government fund operations which resulted in a \$784,969 increase in fund balances during the current fiscal year.

Overall revenues of \$13,698,699 exceeded expenditures of \$12,833,642 by \$865,057 in the governmental activities financial statements.

Property tax and other tax items represent approximately 29% of the total district-wide revenue. The District strives to offer a stable tax rate with little fluctuation in tax rate per thousand. One goal of the District's Board of Education is stabilization of tax increases while supporting the needs of the District.

Among major funds, the General Fund had \$11,891,283 in revenues compared to \$10,462,198 in expenditures in fiscal year 2024. The General Fund also reported a net transfer out to the Capital Projects Fund of \$100,000, to the School Food Service Fund of \$5,000, and to the Special Aid Fund of \$6,776. The General Fund's fund balance increased from \$7,666,841 to \$8,984,150 as of June 30, 2024. This increase was primarily due to the allocation of expenses usually reported within the General Fund to the Special Aid Fund to offset Education Stabilization Funds and additional grant funding that was received. The District continues to see low health insurance utilization by employees resulting in continued savings. The District continues to closely monitor the current high deductible plan and its financial impact on the District moving forward.

Major capital asset additions in the current year are due to the completion of the Mini Capital Outlay Project, planning for the Campus-wide project and installations related to the Smart Schools Bond Act project.

The District received funds through the American Rescue Plan (ARP) Act in fiscal year 2024. \$456,182 was funded through the Elementary and Secondary School Emergency Relief (ESSER) funds.

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements. The fund financial statements concentrate on the District's most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

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


MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

District-Wide Statements

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

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows less liabilities and deferred inflows – is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as property taxes collected on behalf of other governments. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,247,143 at the close of the most recent fiscal year. This represents a \$865,057 increase in the Statement of Net Position from the prior year.

The net position deficit above is largely due to the District's other postemployment benefit ("OPEB") liability. As of June 30, 2024, the overall effect on net position in the current fiscal year is a decrease of \$1,750,629 relating to the actual and projected long-term expenditures for postemployment benefits and related deferred outflows/inflows. See Note 11 for additional OPEB information.

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

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

	2024	2023	% Change
Assets			
Current and Other Assets	\$ 9,516,408	\$ 8,343,068	14.1%
Capital Assets, Net	11,651,142	11,229,114	3.8%
Total Assets	<u>\$ 21,167,550</u>	<u>\$ 19,572,182</u>	<u>8.2%</u>
Deferred Outflows of Resources			
Other Postemployment Benefits	\$ 3,801,687	\$ 5,110,383	-25.6%
Pensions	1,589,213	2,008,261	-20.9%
Total Deferred Outflows of Resources	<u>\$ 5,390,900</u>	<u>\$ 7,118,644</u>	<u>-24.3%</u>
Liabilities			
Long-Term Liabilities	\$ 23,200,745	\$ 25,528,226	-9.1%
Other Liabilities	947,268	1,239,403	-23.6%
Total Liabilities	<u>\$ 24,148,013</u>	<u>\$ 26,767,629</u>	<u>-9.8%</u>
Deferred Inflows of Resources			
Other Postemployment Benefits	\$ 5,291,548	\$ 3,839,890	37.8%
Pensions	366,032	195,507	87.2%
Total Deferred Inflows of Resources	<u>\$ 5,657,580</u>	<u>\$ 4,035,397</u>	<u>40.2%</u>
Net Position			
Net Investment in Capital Assets	\$ 11,366,060	\$ 10,708,177	6.1%
Restricted	7,625,081	5,984,000	27.4%
Unrestricted (Deficit)	(22,238,284)	(20,804,377)	6.9%
Total Net Position	<u>\$ (3,247,143)</u>	<u>\$ (4,112,200)</u>	<u>-21.0%</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The largest portion of the District's net position reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the 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 resources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Included in deferred outflows of resources in the current year is \$1,589,213 related to the District's participation in the NYS TRS and ERS pension systems, and \$3,801,687 related to the District's OPEB Plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Included in deferred inflows of resources in the current year is \$366,032 related to the District's participation in the NYS TRS and ERS pension systems, and \$5,291,548 related to the District's OPEB Plan.

In general, current assets are those assets that are available to satisfy current obligations, and current liabilities and those liabilities that will be paid within one year. Current assets consist primarily of cash and cash equivalents of \$8,364,445 and state, federal and BOCES aid receivable of \$1,077,506.

Current liabilities consist principally of accounts payable and accrued expenses totaling \$253,634, \$343,574 payable to our teachers' and employees' retirement systems, the current portion of long-term debt totaling \$230,000, the current portion of lease liability totaling \$16,161, and the current portion of judgment and claims liability of \$100,000.

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A
WHOLE - Continued**

The Statement of Activities shows the cost of program services net of charges for services and grants offsetting those services. General revenues including tax revenue, investment earnings and unrestricted state and federal aid must support the net cost of the District's programs.

The following schedule summarizes the District's activities. The complete Statement of Activities can be found in the District's basic financial statements.

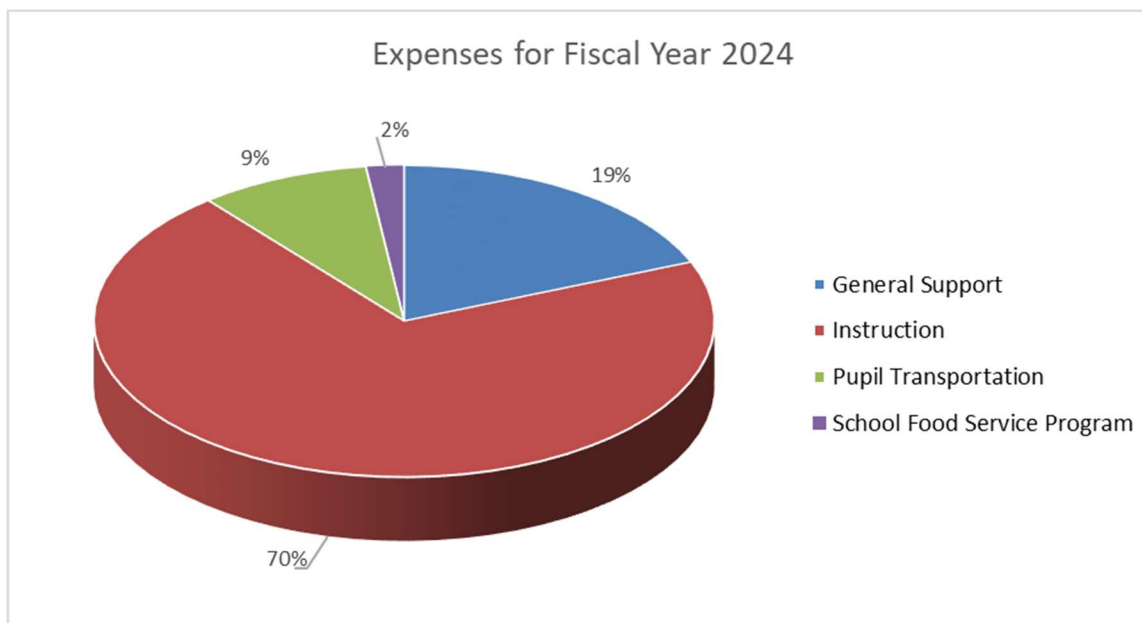
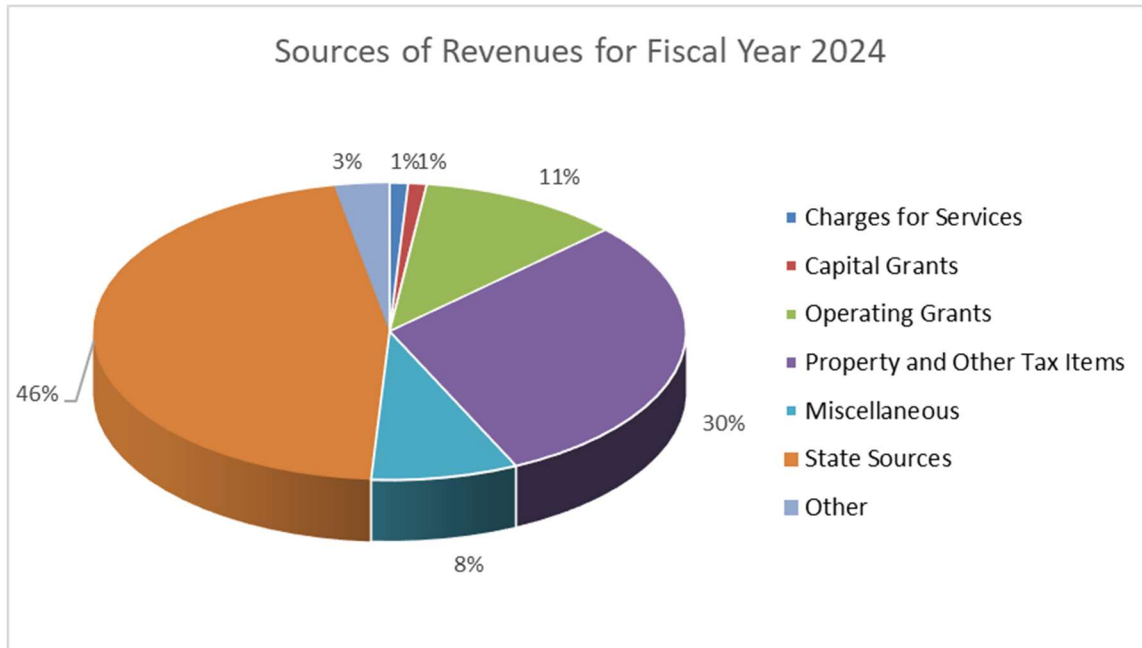
	Governmental Activities		Total
	2024	2023	% Change
Revenues			
Program Revenues			
Charges for Services	\$ 40,613	\$ 75,058	-45.89%
Capital Grants	189,983	-	100.00%
Operating Grants	1,483,047	1,446,279	2.54%
General Revenues			
Property and Other Tax Items	4,117,346	4,053,713	1.57%
Miscellaneous	1,123,235	417,288	169.18%
State Sources	6,328,881	6,275,074	0.86%
Federal Sources	-	5,276	-100.00%
Other	415,594	150,637	175.89%
Total Revenues	<u>\$ 13,698,699</u>	<u>\$ 12,423,325</u>	<u>10.27%</u>
Expenses			
General Support	\$ 2,400,805	\$ 1,884,253	27.41%
Instruction	9,055,075	7,347,197	23.25%
Pupil Transportation	1,115,741	846,482	31.81%
Community Service	3,500	3,500	0.00%
Debt Service - Interest	14,154	8,894	59.14%
School Food Service Program	244,367	346,400	-29.46%
Special Item - Claims Expenses	-	700,000	-100.00%
Total Expenses	<u>12,833,642</u>	<u>11,136,726</u>	<u>15.24%</u>
Change in Net Position	<u>\$ 865,057</u>	<u>\$ 1,286,599</u>	<u>-32.76%</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued



MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE - Continued

The District is heavily dependent on both state and federal aid for its funding. State and federal grants and state and federal general revenues combined account for 58% of total revenues. General tax revenues account for 30% of revenues received for the year. These two sources account for 88% of the total revenues received in the 2023-2024 school year.

Instruction, transportation, and general support account for 98% of the total expenses of the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget of \$11,522,827 for 2023-2024 represents a \$404,722 (3.6%) increase from the 2022-2023 budget of \$11,118,105.

Revenues

As the following graph shows, the District's budgeted revenues were in line with the actual revenues received. This allowed the District to sustain a healthy fund balance which can be used if necessary, in the following year. This will help to ensure that the District will be able to stay under the tax cap.

Expenditures

As the following graph portrays, expenditures were in line with the 2023-2024 final budget with exception of unspent appropriations in the instructional and employee benefit expenditure classifications. The District was able to keep expenditures at a minimum and stay under budget. The fund balance will continue to be used to balance the upcoming budgets so that our tax levy will remain under the tax cap.

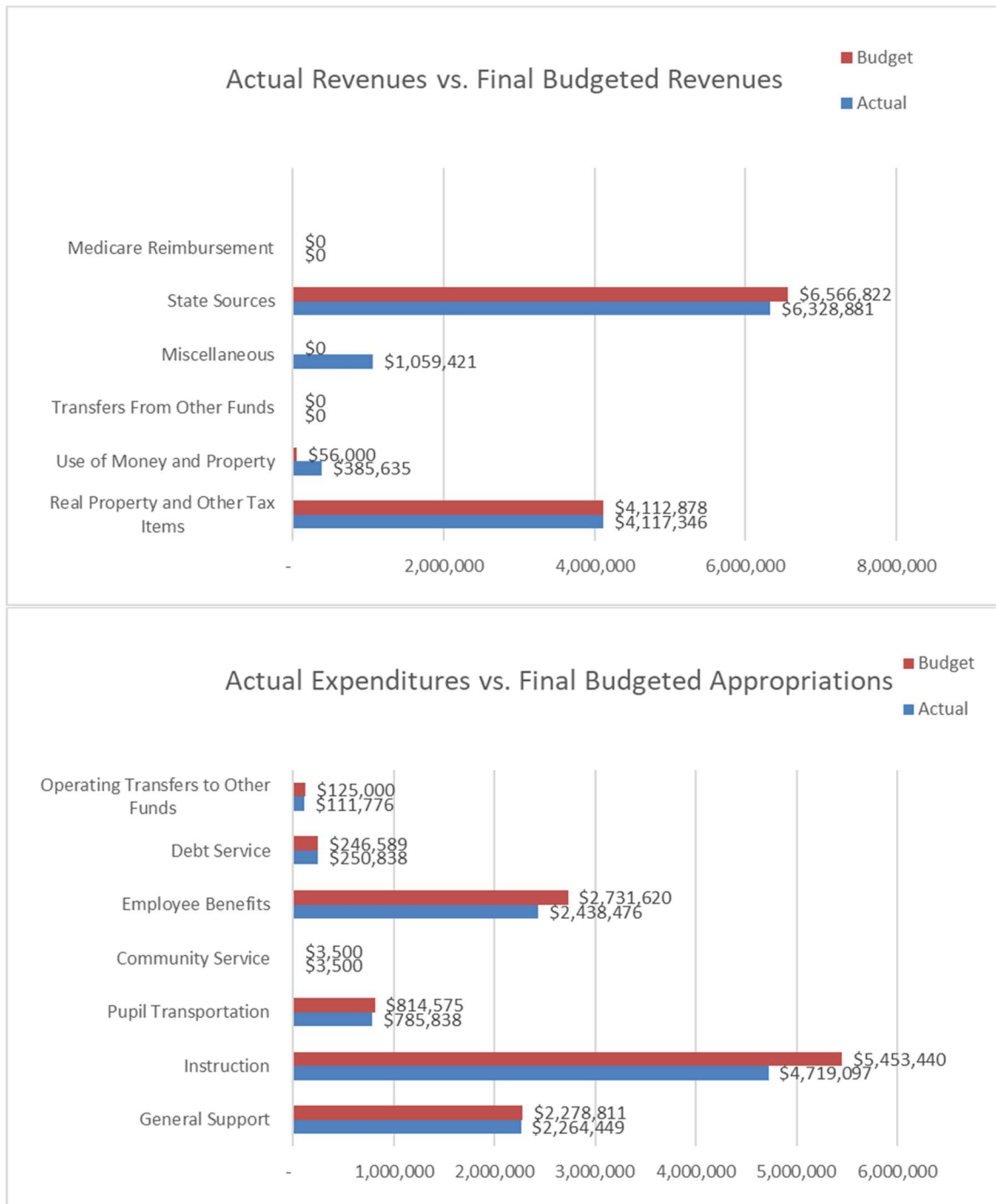
The following graphs compare actual revenues with final budgeted revenues, and actual expenditures with final budgeted appropriations. Refer to Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund in the financial statements for more detailed information.

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

GENERAL FUND BUDGETARY HIGHLIGHTS - Continued



MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

ANALYSIS OF THE DISTRICT'S FUNDS

General Fund

The General Fund is used to operate the District's daily educational and transportation programs and maintain the buildings and grounds of the facility for continued use. This is the only fund that relies on real property taxes for a portion of funding. Actual property taxes paid (less STAR Reimbursement) amount to 32% of total General Fund revenues for 2023-2024. Ninety percent (90%) of the budget is being spent to maintain current operations. The continued increase in uncontrollable expenses like natural gas, electricity, diesel fuel, health and retirement benefits are eroding funds that could be used to enhance education.

The General Fund carries a fund balance of \$8,894,150 for the year ended June 30, 2024, an increase of \$1,317,309 from the prior year. The assigned portion of the total fund balance includes appropriated fund balance for the 2024-2025 budget of \$935,813 and encumbrances of \$41,807. Restricted fund balance includes the reserves restricted for future retirement contributions for both the Teachers' Retirement System and the State and Local Retirement System, unemployment, workers compensation, property loss, liability, employee benefit liabilities, insurance and capital. We are utilizing our fund balance to cushion the "Cliff" of our expenditures being larger than our revenues. The fund balance allows some flexibility to the District in the budget in regard to the increase in expenditures. The reserves will continue to be a source of revenue for these increases in expenses such as employee retirement contributions along with health insurance. The District plans to maintain a consistent tax levy with the help of these reserves.

Special Aid Fund

The District receives state and federal grants, which fund specific academic activities. These grants are written for specific purposes and include reading improvement, staff development, technology improvements and needs related to students with disabilities.

It is important to note that most grants reported in the Special Aid Fund run from September 1 to August 31, which differs from the District's fiscal year of July 1 to June 30.

For the year ended June 30, 2024, the Special Aid Fund reported \$1,166,563 in revenues, \$6,776 in net operating transfers from the General Fund, and \$1,173,339 in expenditures. The District's Smart Schools Investment Plan has been approved and will continue to be utilized in the 2024-2025 school year.

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

ANALYSIS OF THE DISTRICT'S FUNDS - Continued

Capital Projects Fund

The Capital Projects Fund accounts for capital construction projects and other capital purchases. We have approval for our Smart Schools Investment Plan and will continue to utilize it in the 2024-2025 school year. An access control system was installed at a cost of \$210,213 through the Smart Schools Bond Project during the current fiscal year. The 2023-2024 Mini Capital Outlay Project was completed during the year ended June 30, 2024 at a cost of \$100,000 for classroom flooring. For the year ended June 30, 2024, the capital projects fund reported activity of \$324,592 for the Campus-Wide project planning. This project was approved by voters on February 13, 2024 with a total anticipated cost of \$16,951,375.

Debt Service Fund

This fund is used to accumulate interest on capital fund proceeds earned during building projects. These funds have to be used to reduce the debt in the General Fund in subsequent years. These funds will be transferred into the General Fund in the future when needed.

School Food Service Fund

The School Lunch and Breakfast Program is funded through state and federal aid along with the sale of lunch and breakfast items. For the year ended June 30, 2024, the School Food Service Fund showed a net decrease in fund balance of \$338 compared to a \$9,570 net increase in fund balance in the prior year. Revenue for the year ended June 30, 2024 totaled \$357,188 compared to \$362,526 in expenditures. We continue to look for cost-cutting measures, as well as means to be more efficient and resourceful in school food operations. The District did qualify for the CEP program and as a result all students will receive free meals for the 2023-2024 school year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Land is valued at acquisition cost and the District only owns property with structures on or adjacent to it.

Building and improvements have various dates of construction.

Furniture and equipment are recorded for the entire District and includes vehicles and school buses.

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

The Board of Education established a fixed asset policy in 2009 to capitalize fixed assets of at least \$5,000.

Capital Assets net of depreciation and amortization totaled \$11,651,142 at June 30, 2024.

	Balance	2024	2024	Balance
	6/30/2023	Additions	Retirements/ Reclassifications	6/30/2024
Land	\$ 29,525	\$ -	\$ -	\$ 29,525
Construction in Progress	2,805	324,592	(2,805)	324,592
Land Improvements	224,923	29,130	-	254,053
Buildings	14,832,903	157,150	-	14,990,053
Furniture and Equipment	2,424,324	665,064	(286,071)	2,803,317
Intangible Lease Assets-Equipment	81,341	-	-	81,341
Less:				
Accumulated Amortization	11,670	15,907	-	27,577
Accumulated Depreciation	6,355,037	608,239	(159,114)	6,804,162
Total Capital Assets	\$ 11,229,114	\$ 551,790	\$ (129,762)	\$ 11,651,142

For more information, refer to Note 5 of the financial statements.

The Long-Term Debt is broken down by current (within one year) and long-term (after one year). The District had the following breakdown of debt at June 30, 2024 and 2023:

	6/30/2024	6/30/2023
Due and Payable in One Year	\$ 346,161	\$ 835,855
Due and Payable after One Year	23,200,745	25,528,226
Total Long-Term Debt	\$ 23,546,906	\$ 26,364,081

For more information refer to Note 7 of the financial statements.

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the following observations, the District can only project what future financial changes will be by how the history of budget and school operations have been in the District.

The uncertainty of federal and state funding can have a profound impact on the financial health of the District. The District has been receiving federal funding under the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act) and the American Rescue Plan Act of 2021 (ARP). These funds represent multiyear grants that helped support and subsidize normal General Fund expenditures. The District has now fully expended these one-time federal grants. Going forward, the District will need to reel in spending and be fiscally vigilant as these additional monies will no longer be available to help subsidize General Fund expenditures.

The District continually seeks opportunities with other districts for sharing services and costs. Studies have been conducted and continue to be fully analyzed for the benefits to the District. In small communities such as Morristown, the school represents the center of activity for all citizens.

Property tax and other tax items represent approximately 30% of the total district-wide revenue. Increased property assessments have increased tax revenue while allowing for a decrease to the school tax rate per thousand. The District continuously monitors the assessed values since property taxes comprise a third of revenues received.

The District's current afterschool program has been funded by the Empire State Grant. The grant is set to expire on August 31, 2024. The District has partnered with the United Way to secure a new five-year Learning and Enrichment Afterschool Program Supports (LEAPS) grant through the Office of Children and Family Services. The United Way is responsible for administering the grant. This is a great benefit to the District as its students continue to have this tremendous afterschool opportunity while no financial bearing or administrative component is imposed on the District.

The District continues to progress on the voter approved capital project. The local share of funding is in place. In the near future, the District will secure bonds to finance the remaining costs for renovations and addition to the school. The major renovations are to commence in Summer of 2025 (Phase I) and the new addition to the back of the school (Phase II) will commence shortly thereafter.

A foundation aid study is being conducted by the Rockefeller Institute of Government. The State of New York has found in some cases, the current formula incorporates old or outdated data and statistics. A number of hearings have been held all over the state of New York throughout the summer months. The financial implications of this study are unknown. The District awaits the results of the study which are to be made available by December 2024. The primary source of funding for the District is Foundation Aid.

MORRISTOWN CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Assistant Business Manager at the following address: 408 Gouverneur Street, Morristown, New York 13664.

MORRISTOWN CENTRAL SCHOOL DISTRICT**AUDITED BASIC FINANCIAL STATEMENTS****STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES**

June 30, 2024

ASSETS

Cash and Cash Equivalents	
Unrestricted	\$ 747,813
Restricted	7,616,632
Receivables	
State and Federal Aid	723,401
Due From Other Governments	354,105
Other	2,872
Inventories	13,149
Prepaid Expenses	58,436
Capital Assets, Net	11,651,142
TOTAL ASSETS	\$ 21,167,550

DEFERRED OUTFLOWS OF RESOURCES

Other Postemployment Benefits	\$ 3,801,687
Pensions	1,589,213
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 5,390,900

LIABILITIES

Payables	
Accounts Payable	\$ 229,213
Accrued Liabilities	24,421
Due to Other Governments	536
Accrued Interest	1,004
Due to Teachers' Retirement System	314,384
Due to Employees' Retirement System	29,190
Unearned Credits	
Unearned Revenues	2,359
Long-Term Liabilities	
Due and Payable Within One Year	
Bonds Payable	230,000
Lease Liability	16,161
Judgment and Claims Payable	100,000
Due and Payable After One Year	
Lease Liability	38,921
Compensated Absences Payable	210,554
Other Postemployment Benefits Payable	22,318,004
Net Pension Liability - Proportionate Share	633,266
TOTAL LIABILITIES	\$ 24,148,013

DEFERRED INFLOWS OF RESOURCES

Other Postemployment Benefits	\$ 5,291,548
Pensions	366,032
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 5,657,580

NET POSITION

Net Investment in Capital Assets	\$ 11,366,060
Restricted for	
Debt Service	115,013
Other Legal Restrictions	7,510,068
Unrestricted (Deficit)	(22,238,284)
TOTAL NET POSITION	\$ (3,247,143)

See notes to audited basic financial statements.

MORRISTOWN CENTRAL SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION –
GOVERNMENTAL ACTIVITIES**
Year Ended June 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants	Operating Grants	
	Expenses				
FUNCTIONS/PROGRAMS					
General Support	\$ 2,400,805	\$ -	\$ -	\$ -	\$ (2,400,805)
Instruction	9,055,075	-	189,983	1,166,563	(7,698,529)
Pupil Transportation	1,115,741	-	-	-	(1,115,741)
Community Service	3,500	-	-	-	(3,500)
Debt Service - Interest	14,154	-	-	-	(14,154)
School Food Service Program	244,367	40,613	-	316,484	112,730
Total Functions and Programs	<u>\$ 12,833,642</u>	<u>\$ 40,613</u>	<u>\$ 189,983</u>	<u>\$ 1,483,047</u>	<u>(11,119,999)</u>
GENERAL REVENUES					
Real Property Taxes					3,765,262
Other Tax Items					352,084
Use of Money and Property					388,356
Sale of Property and Compensation for Loss					100,000
Loss on Disposal of Capital Assets					(72,762)
State Sources					6,328,881
Miscellaneous					<u>1,123,235</u>
Total General Revenues					<u>11,985,056</u>
Change in Net Position					865,057
Net Position - Beginning of Year					<u>(4,112,200)</u>
Net Position - End of Year					<u>\$ (3,247,143)</u>

See notes to audited basic financial statements.

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2024

	<u>General</u>	<u>Special Aid</u>	<u>Capital Project - Campus-wide</u>
ASSETS			
Cash and Cash Equivalents			
Unrestricted	\$ 555,431	\$ 20,149	\$ -
Restricted	7,434,396	-	1,284
Receivables			
Due From Other Funds	934,311	-	-
State and Federal Aid	117,765	395,488	-
Due From Other Governments	354,105	-	-
Other	2,872	-	-
Inventories	-	-	-
Prepaid Expenditures	58,436	-	-
TOTAL ASSETS	<u><u>\$ 9,457,316</u></u>	<u><u>\$ 415,637</u></u>	<u><u>\$ 1,284</u></u>
LIABILITIES			
Payables			
Accounts Payable	\$ 6,200	\$ 3,006	\$ 30,009
Accrued Liabilities	20,362	3,718	-
Due to Other Funds	103,030	408,913	295,867
Due to Other Governments	-	-	-
Due to Teachers' Retirement System	314,384	-	-
Due to Employees' Retirement System	29,190	-	-
Unearned Credits			
Unearned Revenues	-	-	-
Total Liabilities	<u>473,166</u>	<u>415,637</u>	<u>325,876</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred State Grants	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)			
Nonspendable	58,436	-	-
Restricted	7,434,396	-	-
Assigned	977,620	-	-
Unassigned (Deficit)	513,698	-	(324,592)
Total Fund Balances (Deficit)	<u>8,984,150</u>	<u>-</u>	<u>(324,592)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	<u><u>\$ 9,457,316</u></u>	<u><u>\$ 415,637</u></u>	<u><u>\$ 1,284</u></u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

Capital Project - Smart Schools	Total Non-Major Funds	Total Governmental Funds
\$ -	\$ 172,233	\$ 747,813
-	180,952	7,616,632
9,167	10,273	953,751
189,983	20,165	723,401
-	-	354,105
-	-	2,872
-	13,149	13,149
-	-	58,436
<u>\$ 199,150</u>	<u>\$ 396,772</u>	<u>\$ 10,470,159</u>
\$ 189,927	\$ 71	\$ 229,213
-	341	24,421
36,007	109,934	953,751
-	536	536
-	-	314,384
-	-	29,190
-	2,359	2,359
<u>225,934</u>	<u>113,241</u>	<u>1,553,854</u>
189,983	-	189,983
<u>189,983</u>	<u>-</u>	<u>189,983</u>
-	13,149	71,585
-	190,685	7,625,081
-	79,697	1,057,317
(216,767)	-	(27,661)
<u>(216,767)</u>	<u>283,531</u>	<u>8,726,322</u>
<u>\$ 199,150</u>	<u>\$ 396,772</u>	<u>\$ 10,470,159</u>

See notes to audited basic financial statements.

MORRISTOWN CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

June 30, 2024

Total Fund Balance - Governmental Funds **\$ 8,726,322**

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

Proportionate share of long-term asset and liability associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the fund statements.

Net Pension Liability - Proportionate Share - TRS	\$ 157,538	
Net Pension Liability - Proportionate Share - ERS	<u>475,728</u>	(633,266)

Deferred inflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ 5,291,548	
Pensions	<u>366,032</u>	(5,657,580)

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the fund statements consist of:

Other Postemployment Benefits	\$ 3,801,687	
Pensions	<u>1,589,213</u>	5,390,900

Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences related to Smart Schools Bond Funding reported as revenue in the Statement of Activities and Deferred Inflow in the governmental funds, and therefore not reported as revenue in the governmental funds. 189,983

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

The Cost of Capital Assets is	\$ 18,482,881	
Accumulated Depreciation and Amortization is	<u>6,831,739</u>	11,651,142

MORRISTOWN CENTRAL SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION-CONTINUED**

June 30, 2024

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

Bonds Payable	\$	230,000	
Lease Liability		55,082	
Accrued Interest		1,004	
Judgment and Claims		100,000	
Compensated Absences Payable		210,554	
Other Postemployment Benefits Payable		<u>22,318,004</u>	<u>(22,914,644)</u>
Total Net Position - Governmental Activities			<u><u>\$ (3,247,143)</u></u>

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

Year Ended June 30, 2024

	<u>General</u>	<u>Special Aid</u>	<u>Capital Project - Campus-wide</u>
REVENUES			
Real Property Taxes	\$3,765,262	\$ -	\$ -
Other Tax Items	352,084	-	-
Use of Money and Property	385,635	-	-
State Sources	6,328,881	360,508	-
Federal Sources	-	806,055	-
Medicaid Reimbursements	-	-	-
Surplus Food	-	-	-
Sales - School Food Service	-	-	-
Miscellaneous	1,059,421	-	-
Total Revenues	<u>11,891,283</u>	<u>1,166,563</u>	<u>-</u>
EXPENDITURES			
General Support	2,264,449	-	-
Instruction	4,719,097	1,037,760	-
Pupil Transportation	785,838	-	-
Employee Benefits	2,438,476	135,579	-
Community Service	3,500	-	-
Debt Service			
Principal	235,855	-	-
Interest	14,983	-	-
Cost of Sales - School Food Service	-	-	-
Other Expenditures	-	-	-
Capital Outlay	-	-	324,592
Total Expenditures	<u>10,462,198</u>	<u>1,173,339</u>	<u>324,592</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>1,429,085</u>	<u>(6,776)</u>	<u>(324,592)</u>
OTHER FINANCING SOURCES AND (USES)			
Operating Transfers In	-	6,776	-
Operating Transfers (Out)	<u>(111,776)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>(111,776)</u>	<u>6,776</u>	<u>-</u>
Net Change in Fund Balance	1,317,309	-	(324,592)
Fund Balances (Deficits) - Beginning of Year	7,666,841	-	-
Fund Balances (Deficits) - End of Year	<u>\$8,984,150</u>	<u>\$ -</u>	<u>\$ (324,592)</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

Capital Project - Smart Schools	Total Non-Major Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,765,262
-	-	352,084
-	2,721	388,356
-	40,905	6,730,294
-	252,403	1,058,458
-	-	-
-	23,176	23,176
-	40,613	40,613
-	63,814	1,123,235
-	423,632	13,481,478
-	120,341	2,384,790
-	-	5,756,857
-	-	785,838
-	41,830	2,615,885
-	-	3,500
-	-	235,855
-	-	14,983
-	200,355	200,355
-	63,641	63,641
210,213	100,000	634,805
210,213	526,167	12,696,509
(210,213)	(102,535)	784,969
-	105,000	111,776
-	-	(111,776)
-	105,000	-
(210,213)	2,465	784,969
(6,554)	281,066	7,941,353
<u>\$ (216,767)</u>	<u>\$ 283,531</u>	<u>\$ 8,726,322</u>

See notes to audited basic financial statements.

MORRISTOWN CENTRAL SCHOOL DISTRICT

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

Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$	784,969
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position assets with an initial, individual cost of more than \$5,000 are capitalized and in the Statement of Activities the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization expense and related loss on disposal of capital assets in the current period.

Capital Outlays	\$ 1,118,936	
Loss on Disposals	(72,762)	
Depreciation and Amortization Expense	<u>(624,146)</u>	422,028

Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. This is the amount of debt repayments made in the current period for bonds and lease liabilities.	235,855
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Governmental funds report revenues only when they are considered "available", whereas the Statement of Activities report revenues when earned. Long-term revenue differences are reported as revenue in the Statement of Activities and a deferred inflow in the governmental funds, and therefore not reported as revenue in the governmental funds:

Smart School Bond Act Program	<u>189,983</u>	189,983
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The interest reported in the Statement of Activities is decreased by the decrease in accrued interest on bonds.	829
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MORRISTOWN CENTRAL SCHOOL DISTRICT

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

Year Ended June 30, 2024

Payment of claims and judgment liabilities are reported on the Statement of Activities based on projected claims payable when probable and reasonably estimated, whereas, in the governmental funds the expenditures will not be recorded until the claim becomes due with a signed settlement agreement. 600,000

On the Statement of Activities, certain operating expenses--compensated absences (vacations and certain sick pay), special termination benefits (early retirement) -- are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (49,956)

On the Statement of Activities, the actual and projected long-term expenditures for postemployment benefits and related deferred outflows/inflows are reported, whereas, on the governmental funds only the actual expenditures are recorded for postemployment benefits. (1,009,725)

(Increases) decreases in proportionate share of net pension asset (liability) and related deferred outflows/inflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	\$ (192,485)	
Employees' Retirement System	<u>(116,441)</u>	<u>(308,926)</u>
Change in Net Position of Governmental Activities		<u>\$ 865,057</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2024

	Custodial
ASSETS	
Cash and Cash Equivalents	
Restricted	\$ -
Total Assets	\$ -
LIABILITIES	
Other Liabilities	\$ -
Total Liabilities	-
NET POSITION	
Restricted	\$ -

See notes to audited basic financial statements.

MORRISTOWN CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2024

	Custodial Funds
ADDITIONS	
Taxes Collected for Other Governments (Library Levy)	<u>\$ 61,513</u>
Total Additions	<u>61,513</u>
DEDUCTIONS	
Payment of Tax to Other Governments (Library Levy)	<u>61,513</u>
Total Deductions	<u>61,513</u>
Change in Net Position	-
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ -</u></u>

See notes to audited basic financial statements.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB 39, *Component Units*, GASB 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB No. 14 and No. 39*, GASB Statement 80 - *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, GASB 84, *Fiduciary Activities*, and GASB 97, *Certain Component Unit Criteria*, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 And No. 84, and a Supersession of GASB 32. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Extra Classroom Activity Funds

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

Joint Venture

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

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

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

During the year, the District was billed \$2,694,902 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$1,090,309. This represents State Aid distributions of \$794,034 and 2023 fund balance returned to schools of \$296,275.

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation

District-Wide Statements

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

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

Fund Statements

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

The District reports the following governmental funds:

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

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

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

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

Extra Classroom Activity Funds: Used to account for funds operated by and for the students of the District. The Board exercises general oversight of these funds. The extra classroom activity funds are independent of the District with respect to its financial transactions and the designation of student management.

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

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

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

Permanent Fund: This fund accounts for proceeds received from various individuals and organizations that is permanently restricted and earnings are only available for use of specific scholarship and award programs based on the agreements.

The District reports the following fiduciary funds:

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Continued

There is one class of fiduciary funds:

Custodial Funds: These funds are limited to assets that are being held for individuals, private organizations, or other governments that are not held in a trust. Assets are held by the District as agent for property taxes collected on behalf of other governments.

Measurement Focus and Basis of Accounting

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 or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year as it matches the liquidation of related obligations.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting - Continued

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

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, 2023 and become a lien on August 15, 2023. Taxes are collected during the period September 1, 2023 to October 31, 2023.

Uncollected real property taxes are subsequently enforced by the County of St. Lawrence, in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

Restricted Resources

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

Estimates

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

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

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

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

Cash and Cash Equivalents

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

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

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

Receivables

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Inventories and Prepaid Items

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

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

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

Capital Assets and Intangible Lease Assets

Capital assets are reported at actual cost for acquisitions subsequent to 1970. For assets acquired prior to 1970, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets and Intangible Lease Assets – Continued

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	20-50 Years
Building Improvements	5,000	Straight-line	20-50 Years
Furniture and Equipment	5,000	Straight-line	3-20 Years

The District does not possess any infrastructure.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item relates to OPEB reporting in the district-wide *Statement of Net Position*. This represents the effect of the net change in the actual and expected experience and the changes of assumptions, and other inputs. The third item is the District contributions to the New York State Teachers' and Employees' pension systems and to Other Postemployment Benefit (OPEB) plan subsequent to the measurement date.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Deferred Outflows and Inflows of Resources – Continued

In addition to liabilities, the Statement of Net Position or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first item arises only under a modified accrual basis of accounting and is recorded as deferred state grants in the governmental fund balance sheet. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (TRS and ERS system) and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

Vested Employee Benefits

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation. Sick leave eligibility and accumulation is specified in negotiated labor contracts and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Other Benefits

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Short-Term Debt

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

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

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Unearned Revenue

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

Accrued Liabilities and Long-Term Obligations

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

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

Equity Classifications

District-wide Statements

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

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

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

Fund Statements

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes the inventory recorded in the School Food Service Fund and prepaid expenditures of \$58,436 recorded in the General Fund. The School Food Service Fund had \$13,149 of actual inventories on hand as of June 30, 2024.

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

Employee Benefit Accrued Liability

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

Retirement Contributions

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Retirement Contributions – Continued

Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. This reserve is accounted for in the General Fund.

Unemployment Insurance

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

Scholarships and Awards Fund

According to constraints placed on the use of resources established by various scholarship and award programs, must be used for the specific purpose outlined in the program. These monies are accounted for in the Scholarship and Awards Fund and Permanent Fund Scholarships.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Extra Classroom Activity Funds

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

Workers' Compensation

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

Capital Reserve

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued**Insurance**

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

Liability Claims and Property Loss

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

Debt Service

According to General Municipal Law §6-1, the Mandatory Reserve for Debt Service must be established for the purpose of retiring the outstanding litigations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

Restricted Fund Balance includes the following at June 30, 2024:

General Fund	
Employee Benefit Accrued Liability	\$ 289,071
Retirement Contributions - NYSERS	871,271
Retirement Contributions - NYSTRS	224,348
Unemployment Insurance	1,077,126
Workers' Compensation	150,587
Liability Claims and Property Loss	316,050
Insurance Reserve	37,224
Capital Reserve	4,468,719
Debt Service Fund	115,013
Permanent Fund - Scholarships	2,500
Extra Classroom Activity Funds	39,451
Scholarships and Awards Fund	33,721
	<hr/>
Total Restricted Funds	<u><u>\$ 7,625,081</u></u>

Committed – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school district's highest level of decision-making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2024.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$41,807. Any remaining fund balance in other funds is considered assigned.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity Classifications – Continued

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

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

Order of Use of Fund Balance

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES – Continued

New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2024, the District implemented the following new statement issued by GASB:

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ended June 30, 2024.

Future Changes in Accounting Standards

GASB has issued Statement No. 101, *Compensated Absences*, effective for the year ended June 30, 2025.

GASB has issued Statement No. 102, *Certain Risk Disclosures*, effective for the year ended June 30, 2025.

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

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

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

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

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

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

1. Long-Term Revenue and Expense Differences:

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

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

2. Capital Related Differences:

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

3. Long-Term Debt Transaction Differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

4. Pension Differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset (liability) and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

5. OPEB Differences:

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contribution and OPEB expense.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND
ACCOUNTABILITY**

Budgets

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

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year ended June 30, 2024.

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

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

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

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND
ACCOUNTABILITY – Continued**

Encumbrances – Continued

These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

Other

The Capital Projects Fund – Smart Schools shows an unassigned fund balance deficit of \$216,767. This will be eliminated when the District receives funding from the Smart Schools Bond Act and monies transferred from the General Fund.

The Capital Projects Fund – Campus-wide shows an unassigned fund balance deficit of \$324,592. This will be eliminated when the District obtains permanent financing, or monies transferred from the General Fund.

The finance expenditures exceeded the approved budget by \$11,173, central services expenditures exceeded the approved budget by \$33,143, debt service expenditure exceeded the approved budget by \$4,249 in the General Fund.

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law § 1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District plans to continue reducing the fund balance within the budget process.

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

Cash

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

Cash - Continued

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

Uncollateralized	\$ <u><u>-</u></u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$ <u><u>883,659</u></u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$7,434,396 restricted for various fund balance reserves in the General Fund, \$104,740 restricted for debt service in the Debt Service Fund, \$1,284 restricted for the Capital Projects - Campus-wide Fund, \$39,451 restricted for extra classroom in the Extra Classroom Activity Funds, and \$34,261 restricted for scholarships and awards in the Scholarships and Awards Fund and \$2,500 restricted for scholarships in the Permanent Fund within the governmental funds.

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by the District's agent in the District's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent but not in the District's name, or (3) uncollateralized. At June 30, 2024 all deposits were insured and collateralized by the District's agent but not in the District's name.

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

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

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

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MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

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

Investment Pool

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. At June 30, 2024, the District held \$7,561,224 in the investment pool which are included in unrestricted and restricted cash and cash equivalents.

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

NOTE 5 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 5 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS– Continued

Capital asset balances and activity were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 29,525	\$ -	\$ -	\$ 29,525
Construction in Progress	2,805	324,592	(2,805)	324,592
Total Nondepreciable Assets	<u>32,330</u>	<u>324,592</u>	<u>(2,805)</u>	<u>354,117</u>
Other Capital Assets:				
Land Improvements	224,923	29,130	-	254,053
Buildings and Improvements	14,832,903	157,150	-	14,990,053
Vehicles, Furniture and Equipment	2,424,324	665,064	(286,071)	2,803,317
Intangible Lease Assets-Equipment	81,341	-	-	81,341
Total Other Capital Assets	<u>17,563,491</u>	<u>851,344</u>	<u>(286,071)</u>	<u>18,128,764</u>
Less Accumulated Depreciation:				
Land Improvements	151,445	6,245	-	157,690
Buildings and Improvements	5,120,271	293,607	-	5,413,878
Vehicles, Furniture and Equipment	1,083,321	308,387	(159,114)	1,232,594
Less Accumulated Amortization:				
Intangible Lease Assets-Equipment	11,670	15,907	-	27,577
Total Accumulated Depreciation and Amortization	<u>6,366,707</u>	<u>624,146</u>	<u>(159,114)</u>	<u>6,831,739</u>
Total Other Capital Assets, Net	<u>11,196,784</u>	<u>227,198</u>	<u>(126,957)</u>	<u>11,297,025</u>
Capital Assets, Net	<u>\$ 11,229,114</u>	<u>\$ 551,790</u>	<u>\$ (129,762)</u>	<u>\$ 11,651,142</u>

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

General Support	\$ 100,498
School Food Service	2,183
Pupil Transportation	255,866
Instruction	265,599
Total Depreciation and Amortization Expense	<u>\$ 624,146</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 6 – SHORT-TERM DEBT

There were no short-term debt financing transactions during the year-ended June 30, 2024.

NOTE 7 – LONG-TERM DEBT OBLIGATIONS

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

Serial Bonds

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

Lease Liabilities

The District enters into agreements to lease office equipment. Leases with a lease term greater than twelve months are recorded at the present value of the future minimum lease payments as of the date of their inception.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 – LONG-TERM DEBT OBLIGATIONS – Continued

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Debt:					
Serial Bonds	\$ 450,000	\$ -	\$ 220,000	\$ 230,000	\$ 230,000
Total Bonds and Notes Payable	450,000	-	220,000	230,000	230,000
Other Liabilities:					
Compensated Absences					
Payable	160,598	49,956	-	210,554	-
Judgment and Claims	700,000	-	600,000	100,000	100,000
Other Postemployment					
Benefits Liability	24,068,633	-	1,750,629	22,318,004	-
Net Pension Liability -					
Proportionate Share	913,913	-	280,647	633,266	-
Lease Liability	70,937	-	15,855	55,082	16,161
Total Other Liabilities	25,914,081	49,956	2,647,131	23,316,906	116,161
Total Governmental Activities	\$ 26,364,081	\$ 49,956	\$ 2,867,131	\$ 23,546,906	\$ 346,161

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences, judgments and claims, postemployment benefits, and lease obligations.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 – LONG-TERM DEBT OBLIGATIONS – Continued

Existing serial and statutory bond obligation:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
QZA Bond - Building Reconstruction and Renovation	6/15/11	6/15/24	5.00 - 5.875%	\$ 185,000
Serial Bonds - Building Reconstruction and Renovation	7/15/11	7/15/24	2.15-4.25%	<u>45,000</u>
Total				<u><u>\$ 230,000</u></u>

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

	Principal	Interest	Total
2025	<u>\$ 230,000</u>	<u>\$ 2,857</u>	<u>\$ 232,857</u>
Totals	<u><u>\$ 230,000</u></u>	<u><u>\$ 2,857</u></u>	<u><u>\$ 232,857</u></u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 – LONG-TERM DEBT OBLIGATIONS – Continued

Existing lease obligations:

Description	Issue Date	Final Maturity	Interest Rate (%)	Balance
Morristown - Equipment	10/1/22	10/1/27	1.91%	<u>\$ 55,082</u>

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

	Principal	Interest	Total
2025	\$ 16,161	\$ 903	\$ 17,064
2026	16,470	594	17,064
2027	16,785	279	17,064
2028	5,666	22	5,688
Totals	<u>\$ 55,082</u>	<u>\$ 1,798</u>	<u>\$ 56,880</u>

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

Interest Paid	\$ 14,983
Less: Interest Accrued in the Prior Year	(1,833)
Plus: Interest Accrued in the Current Year	<u>1,004</u>
Total Interest on Long-Term Debt	<u>\$ 14,154</u>

NOTE 8 – PENSION PLANS

General Information

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

Teachers' Retirement System (TRS) Plan Description

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Annual Comprehensive Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS) Plan Description

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

TRS Benefits Provided Benefits

Benefits

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

Tier 1

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

Tier 2

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

Tier 3

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

Tier 4

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

Tier 5

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

Tier 6

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

TRS Benefits Provided – Continued

Service Retirements

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

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

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

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

Vested Benefits

Retirement benefits for Tiers 1-6 are now vested after 5 years of credited service. Prior to April 9, 2022, Tier 5 and 6 members were to attain 10 years of credited service to be vested. Benefits are payable at age 55 or greater with the limitations previously noted for service retirements.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

TRS Benefits Provided – Continued

Death Benefits

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

Prior and Military Service

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

Tier Reinstatement

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

Permanent Cost-of-Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index, not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of maximum annual benefit. The applicable percentage payable beginning September 2022 and 2021 is 3.0% and 1.4%, respectively. Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the consumer price index with a maximum per annum increase of 3%.

ERS Benefits Provided

Benefits

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

ERS Benefits Provided – Continued

Tier 1 and 2

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

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

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

Tier 3, 4, and 5

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

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

ERS Benefits Provided – Continued

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

Tier 6

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

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

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

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 required 10 years of service credit to be 100 percent vested. As of April 9, 2022, legislation was passed that reduced the number of years of service credit from 10 years to 5 years. Therefore, all Members are vested when they reach 5 years of service credit.

Disability Retirement Benefits

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

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

ERS Benefits Provided – Continued

Ordinary Death Benefits

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

Post-Retirement Benefit Increases

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

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

Funding Policies – Continued

Required contributions for the current and two preceding years were:

	NYSTRS	NYSERS
2023 - 2024	\$ 261,805	\$ 99,705
2022 - 2023	263,171	82,938
2021 - 2022	247,189	107,829

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

At June 30, 2024, the District reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2024 for ERS and June 30, 2023 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The District's proportion of the net pension asset (liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement Date	March 31, 2024	June 30, 2023
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (475,728)	\$ (157,538)
District's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0032310%	0.013776%
Change in Proportion % Since the Prior Measurement Date	0.0003256%	-0.001383%

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

For the year ended June 30, 2024, the District recognized pension expense of \$116,441 for ERS and \$192,485 for TRS. At June 30, 2024, the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences Between Expected and Actual Experience	\$ 153,232	\$ 381,987	\$ 12,972	\$ 944
Changes of Assumptions	179,862	339,174	-	73,921
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	80,530	232,390	-
Changes in Proportion and Differences Between the District's Contributions and Proportionate Share of Contributions	55,417	106,793	29,017	16,788
District's Contributions Subsequent to the Measurement Date	29,190	263,028	-	-
Total	<u>\$ 417,701</u>	<u>\$ 1,171,512</u>	<u>\$ 274,379</u>	<u>\$ 91,653</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset (liability) in the year ended June 30, 2025, if applicable. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

	ERS	TRS
2025	\$ (73,414)	\$ 80,161
2026	96,731	(57,149)
2027	141,199	652,931
2028	(50,384)	59,753
2029	-	49,671
Thereafter	-	31,464

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2024	June 30, 2023
Actuarial Valuation Date	April 1, 2023	June 30, 2022
Interest Rate	5.9%	6.95%
Salary Scale	4.4%	1.3%
Decrement Tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2015 - June 30, 2020 System's Experience
Inflation Rate	2.9%	2.4%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021.

For ERS, the actuarial assumptions used in the April 1, 2023 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

Actuarial Assumptions – Continued

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

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

	ERS	TRS
Measurement Date	March 31, 2024	June 30, 2023
Asset Type		
Domestic Equity	4.00%	6.80%
International Equity	6.65%	7.60%
Private Equity	7.25%	10.10%
Global Equity		7.20%
Real Estate	4.60%	6.30%
Opportunistic / Absolute Return Strategies Portfolio	5.25%	
Credit	5.40%	
Real Assets	5.79%	
Fixed Income	1.50%	
Cash	0.25%	0.30%
Private Debt		6.00%
Real Estate Debt		3.20%
Domestic Fixed Income Securities		2.20%
Global Bonds		1.60%
High-Yield Bonds		4.40%

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

Discount Rate

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

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

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

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (1,495,737)	\$ (475,728)	\$ 376,191
TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (2,399,282)	\$ (157,538)	\$ 1,727,950

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 – PENSION PLANS – Continued

Pension Plan Fiduciary Net Position

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

	(In Thousands)		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Measurement Date	March 31, 2024	June 30, 2023	
Employer's Total Pension Asset (Liability)	\$ (240,696,851)	\$ (138,365,122)	\$ (379,061,973)
Plan Net Position	<u>225,972,801</u>	<u>137,221,537</u>	<u>363,194,338</u>
Employer's Net Pension Asset (Liability)	<u>\$ (14,724,050)</u>	<u>\$ (1,143,585)</u>	<u>\$ (15,867,635)</u>
Ratio of Plan Net Position to the			
Employer's Total Pension Asset (Liability)	93.88%	99.17%	

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2024 represent the projected employer contribution for the period of April 1, 2024 through June 30, 2024 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2024 amounted to \$29,190. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2024 are paid to the System in September, October, and November 2024 through a state aid intercept. Accrued retirement contributions as of June 30, 2024 represent employee and employer contributions for the fiscal year ended June 30, 2024 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2024 amounted to \$314,384.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 – INTERFUND TRANSACTIONS-GOVERNMENTAL FUNDS

Interfund balances at June 30, 2024 are as follows:

	Interfund		Interfund	
	Receivables	Payables	Revenues	Expenditures
General	\$ 934,311	\$ 103,030	\$ -	\$ 111,776
Special Aid	-	408,913	6,776	-
Debt Service	10,273	-	-	-
Capital Project - Campus-wide	-	295,867	-	-
Capital Project - Smart Schools	9,167	36,007	-	-
Capital Project- Mini-Project	-	-	100,000	-
Scholarships and Awards	-	540	-	-
School Food Service	-	109,394	5,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 953,751</u>	<u>\$ 953,751</u>	<u>\$ 111,776</u>	<u>\$ 111,776</u>

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. The General Fund advanced funds to the Special Aid and School Lunch Fund to provide temporary cash until New York State has reimbursed the grant programs. Transfers are made to the various Capital projects Funds for funding of projects.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 – FUND BALANCE EQUITY

The following is a summary of the Governmental Funds fund balances of the District for the year ended June 30, 2024:

Fund Balances (Deficit)	General	Capital Project - Campus-wide	Capital Project - Smart Schools	Total Non-Major	Total Governmental Funds
Nonspendable					
Supplies Inventory	\$ -	\$ -	\$ -	\$ 13,149	\$ 13,149
Prepaid Expenditures	58,436	-	-	-	58,436
Restricted					
Employee Benefit Accrued Liability	289,071	-	-	-	289,071
Retirement Contributions - NYSERS	871,271	-	-	-	871,271
Retirement Contributions - NYSTRS	224,348	-	-	-	224,348
Unemployment Insurance	1,077,126	-	-	-	1,077,126
Workers' Compensation	150,587	-	-	-	150,587
Liability Claims and Property Loss	316,050	-	-	-	316,050
Insurance Reserve	37,224	-	-	-	37,224
Capital Reserve	4,468,719	-	-	-	4,468,719
Debt Service Fund	-	-	-	115,013	115,013
Permanent Fund - Scholarships	-	-	-	2,500	2,500
Extra Classroom Activity Funds	-	-	-	39,451	39,451
Scholarships and Awards Fund	-	-	-	33,721	33,721
Assigned					
Designated for Next Fiscal Year	935,813	-	-	-	935,813
General Support	34,550	-	-	-	34,550
Instruction	7,257	-	-	-	7,257
School Food Service Fund	-	-	-	79,697	79,697
Unassigned					
General Fund	513,698	-	-	-	513,698
Capital Projects Fund - Campus-wide	-	(324,592)	-	-	(324,592)
Capital Projects Fund - Smart Schools	-	-	(216,767)	-	(216,767)
Total Governmental Fund Balance (Deficit)	<u>\$ 8,984,150</u>	<u>\$ (324,592)</u>	<u>\$ (216,767)</u>	<u>\$ 283,531</u>	<u>\$ 8,726,322</u>

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information about the OPEB Plan

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

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

Changes to Benefit Terms:

- Changed the plan offered to all pre-65 retirees to a high-deductible SimplyBlue Bronze4 plan including \$1,500/\$3,000 contributions to retirees HSA accounts.
- Changed the plan offered to all Medicare eligible retirees to a Medicare Advantage health plan with a Medicare Express Scripts Rx plan.

Employees Covered by Benefit Terms – At July 1, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	59
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	71
Total Covered Employees	<u>130</u>

The District provides community rated healthcare benefits to eligible retirees and dependents through the SimplyBlue Bronze 4 plan for non-Medicare eligible retirees and a Medicare Advantage Plan for Medicare eligible retirees. The District contributes \$1,500/\$3,000 into an HSA account for all pre-65 retirees. Participants must meet the minimum requirements of age 55 with at least ten (10) years of service. The District reimburses the full Medicare Part B amount for all eligible retirees and dependents. The following represents other retiree requirements for the District’s non-instructional and instructional employees:

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

**NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS – Continued**

General Information about the OPEB Plan – Continued

Non-Instructional

- All current and future retirees are not required to contribute towards postemployment health care benefits.
- All current and future spouses must contribute 25% of the difference between the individual and two-person plan premium amounts.
- Surviving spouses may continue coverage at 100% of the individual plan premium cost.

Instructional

- All members who retired prior to July 1, 2013 are not required to contribute towards postemployment health care benefits.
- All members who retired on or after July 1, 2013 as well as all future retirees are required to contribute a dollar amount equal to 10% of the St. Lawrence-Lewis Health Consortium Plan with Rider 9.
- All current and future spouses must contribute 25% of the difference between the individual and two-person plan premium amounts.
- Surviving spouses may continue coverage at no expense for 6 months, then at 100% of the cost of the individual plan premium.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund and the fund financial statements as payments are made. For the year ended June 30, 2024, the District recognized \$619,119 for its share of insurance premiums for currently enrolled retirees.

Total OPEB Liability

The District has obtained an actuarial valuation report as of June 30, 2024 which indicates that the total liability for other postemployment benefits is \$22,318,004 which is reflected in the Statement of Net Position. The OPEB liability was measured as of July 1, 2023 and was determined by an actuarial valuation as of July 1, 2023.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)
BENEFITS – Continued

Total OPEB Liability – Continued

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Measurement Date	7/1/2023
Rate of Compensation Increase	3.00%
Inflation Rate	2.70%
Discount Rate	3.65%

Assumed Medical/Prescription Drug Trend Rates at June 30

Health Care Cost Trend Rate Assumed for Next fiscal Year	6.80%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.14%
Fiscal Year that the Rate Reached the Ultimate Trend Rate	2094

Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (in Years)	6.49
Method Used to Determine Actuarial Value of Assets	N/A

The discount rate was based on the Bond Buyer Weekly 20-Bond Go Index as of July 1, 2023.

Mortality rates were based on the Pub-2010 Mortality Table for healthy retirees: sex distinct, job category-specific, headcount weighted, and adjusted for mortality improvements with scale MP-2021 mortality improvement scale on a generational basis.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2022 – June 30, 2023.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

Changes in the Total OPEB Liability

Balance at June 30, 2023	\$ 24,068,633
Changes for the Year	
Service Cost	782,631
Interest	867,872
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(3,016,550)
Changes of Assumptions or Other Inputs	285,659
Benefit Payments	<u>(670,241)</u>
Net Changes	<u>(1,750,629)</u>
Balance at June 30, 2024	<u><u>\$ 22,318,004</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54 percent on July 1, 2022 to 3.65 percent on July 1, 2023.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65 percent) or 1 percentage point higher (4.65 percent) than the current discount rate:

	1% Decrease <u>2.65%</u>	Discount Rate <u>3.65%</u>	1% Increase <u>4.65%</u>
Total OPEB Liability	<u>\$ 26,797,399</u>	<u>\$ 22,318,004</u>	<u>\$ 18,898,583</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

Changes in the Total OPEB Liability – Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 3.14 percent) or 1 percentage point higher (trend increasing to 5.14 percent) than the current healthcare cost trend rate:

	1% Decrease Healthcare Cost Trend Rates (Trend Less 1% Decreasing to 3.14%)	Healthcare Cost Trend Rates (Trend Decreasing to 4.14%)	1% Increase Healthcare Cost Trend Rates (Trend Plus 1% Increasing to 5.14%)
Total OPEB Liability	<u>\$ 18,643,770</u>	<u>\$ 22,318,004</u>	<u>\$ 27,225,822</u>

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

For the year ended June 30, 2024, the District recognized OPEB expenditures of \$1,009,725. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 329,797	\$ 2,646,377
Changes of Assumptions or Other Inputs	2,776,946	2,645,171
Benefit Payments Subsequent to the Measurement Date	<u>694,944</u>	<u>-</u>
	<u>\$ 3,801,687</u>	<u>\$ 5,291,548</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 11 – POSTEMPLOYMENT (HEALTH INSURANCE)

BENEFITS – Continued

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

District benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2025, if applicable. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	
2025	\$ 250,721
2026	55,707
2027	(1,050,917)
2028	(813,350)
2029	(420,785)
Thereafter	(206,181)
	<u>\$ (2,184,805)</u>

NOTE 12 – RISK MANAGEMENT

General

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the year ended June 30, 2023. The District settled a claim pursuant to the NYS Child Victims Act (CVA) of \$700,000 with \$100,000 paid by the insurance and \$500,000 paid by the District during the year. The balance of \$100,000 will be paid in 2024-2025.

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 12 – RISK MANAGEMENT – Continued

Pooled Non-Risk-Retained

The District participates in the St. Lawrence – Lewis County School District’s Healthcare Plan (Plan), a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 18 individual governmental units located within the pool’s geographic area and is considered a self-sustaining risk pool that will provide coverage for its members up to \$1,000,000 per insured event. The pool obtains independent coverage for insured events in excess of the \$1,000,000 limit, and the District has essentially transferred all related risk to the pool.

Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan’s assets were to be exhausted, members would be responsible for the plan’s liabilities. The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the Plan as direct insurer of the risks reinsured. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained in writing: St. Lawrence-Lewis Counties School District Employee Medical Plan, Post Office Box 697, Canton, New York 13617.

The District participates in the St. Lawrence-Lewis Counties School District Employees Workers’ Compensation Plan, a risk-sharing pool, to ensure Workers’ Compensation claims. This is a public entity risk pool created under Article 5 of the Workers’ Compensation Law to finance liability and risks related to Workers’ Compensation claims. The District share of the liability for unbilled and open claims is \$0.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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

During the year ended June 30, 2023, the District was named as a defendant in a lawsuit brought pursuant to the Child's Victims Act. The settlement and release agreement approved by the Board of Education on September 19, 2023 authorized the payment of \$700,000 to be disbursed to the plaintiff. Per the agreement, the District paid \$500,000 and had an insurance recovery issued directly to the plaintiff of \$100,000 during the 2023-2024 fiscal year. The remaining balance of \$100,000 will be paid during the 2024-2025 fiscal year. Additionally, the settlement prevents the plaintiff and other parties from additional balances related to the plaintiff's claims in the future.

NOTE 14 – DONOR RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of scholarships.

Donor-restricted endowments are reported at fair value.

The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

MORRISTOWN CENTRAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS**

Ended June 30, 2024

Total OPEB Liability	2024	2023	2022	2021	2020	2019	2018
Service Cost	\$ 782,631	\$ 1,059,419	\$ 1,098,138	\$ 767,915	\$ 777,059	\$ 896,212	\$ 1,274,225
Interest	867,872	584,459	796,560	958,066	998,563	937,765	1,081,844
Change in Benefit Terms	-	-	(9,784,564)	-	-	-	(4,271,799)
Difference between Expected and Actual Experience	(3,016,550)	-	750,814	-	(620,336)	-	(2,425,441)
Changes in Assumptions and Other Inputs	285,659	(3,508,145)	(858,090)	7,339,985	1,124,772	(1,274,999)	(6,484,242)
Benefit Payments	(670,241)	(637,714)	(755,051)	(697,173)	(703,571)	(668,501)	(745,523)
Net Change in Total OPEB Liability	<u>(1,750,629)</u>	<u>(2,501,981)</u>	<u>(8,752,193)</u>	<u>8,368,793</u>	<u>1,576,487</u>	<u>(109,523)</u>	<u>(11,570,936)</u>
Total OPEB Liability - Beginning	<u>24,068,633</u>	<u>26,570,614</u>	<u>35,322,807</u>	<u>26,954,014</u>	<u>25,377,527</u>	<u>25,487,050</u>	<u>37,057,986</u>
Total OPEB Liability - Ending	<u>\$ 22,318,004</u>	<u>\$ 24,068,633</u>	<u>\$ 26,570,614</u>	<u>\$ 35,322,807</u>	<u>\$ 26,954,014</u>	<u>\$ 25,377,527</u>	<u>\$ 25,487,050</u>
Covered Payroll	\$ 3,447,448	\$ 3,446,311	\$ 3,266,550	\$ 3,104,766	\$ 3,247,221	\$ 2,916,064	\$ 3,268,144
Total OPEB Liability as a Percentage of Covered Payroll	647.38%	698.39%	813.42%	1137.70%	830.06%	870.27%	779.86%

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

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

Year Ended June 30, 2024

	Original Budget	Final Budget
REVENUES		
Local Sources		
Real Property Taxes	\$ 4,103,878	\$ 4,103,878
Other Tax Items	9,000	9,000
Use of Money and Property	56,000	56,000
Miscellaneous	-	-
Total Local Sources	<u>4,168,878</u>	<u>4,168,878</u>
State Sources	6,566,822	6,566,822
Medicaid Reimbursement	-	-
Total Revenues	<u>10,735,700</u>	<u>10,735,700</u>
OTHER FINANCING SOURCES		
Transfers From Other Funds	-	-
Total Revenues	<u>10,735,700</u>	<u>10,735,700</u>
 EXPENDITURES		
General Support		
Board of Education	21,900	21,900
Central Administration	192,818	199,725
Finance	244,492	263,942
Staff	38,236	38,236
Central Services	832,452	860,000
Special Items	386,948	895,008
Total General Support	<u>1,716,846</u>	<u>2,278,811</u>
Instruction		
Instruction, Administration and Improvement	214,585	235,083
Teaching - Regular School	2,555,877	2,301,877
Programs for Children with Handicapping Conditions	1,770,734	1,690,207
Occupational Education	341,245	341,245
Teaching - Special School	8,688	8,688
Instructional Media	383,221	383,221
Pupil Services	515,946	493,119
Total Instruction	<u>5,790,296</u>	<u>5,453,440</u>
Pupil Transportation	751,185	814,575
Community Service	3,500	3,500
Employee Benefits	3,020,119	2,731,620
Debt Service	246,589	246,589
Total Expenditures	<u>11,528,535</u>	<u>11,528,535</u>
OTHER FINANCING USES		
Operating Transfers to Other Funds	125,000	125,000
Total Expenditures and Other Financing Uses	<u>11,653,535</u>	<u>11,653,535</u>
Net Change in Fund Balance	(917,835)	(917,835)
Fund Balances - Beginning of Year	7,666,841	7,666,841
Fund Balances - End of Year	<u>\$ 6,749,006</u>	<u>\$ 6,749,006</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

Actual	Final Budget Variance With Actual
\$ 3,765,262	\$ (338,616)
352,084	343,084
385,635	329,635
1,059,421	1,059,421
<u>5,562,402</u>	<u>1,393,524</u>
6,328,881	(237,941)
-	-
<u>11,891,283</u>	<u>1,155,583</u>
-	-
<u>11,891,283</u>	<u>\$ 1,155,583</u>

	Year-End Encumbrances	Final Budget Variance With Actual And Encumbrances
9,625	\$ -	\$ 12,275
198,062	-	1,663
275,115	-	(11,173)
29,405	-	8,831
858,593	34,550	(33,143)
893,649	-	1,359
<u>2,264,449</u>	<u>34,550</u>	<u>(20,188)</u>
232,534	463	2,086
2,142,160	5,264	154,453
1,237,774	1,530	450,903
341,245	-	-
-	-	8,688
295,369	-	87,852
470,015	-	23,104
<u>4,719,097</u>	<u>7,257</u>	<u>727,086</u>
785,838	-	28,737
3,500	-	-
2,438,476	-	293,144
250,838	-	(4,249)
<u>10,462,198</u>	<u>41,807</u>	<u>1,024,530</u>
111,776	-	13,224
<u>10,573,974</u>	<u>\$ 41,807</u>	<u>\$ 1,037,754</u>
1,317,309		
7,666,841		
<u>\$ 8,984,150</u>		

Note to Required Supplementary Information Budget Basis of Accounting: Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN

LAST TEN FISCAL YEARS

Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)										
District's Proportion of the Net Pension Asset (Liability)	0.013776%	0.015159%	0.015282%	0.014927%	0.015864%	0.016486%	0.015718%	0.015174%	0.014420%	0.017639%
District's Proportion Share of the Net Pension Asset (Liability)	\$ (157,538)	\$ (290,881)	\$ 2,648,172	\$ (412,478)	\$ 412,157	\$ 298,110	\$ 119,472	\$ (162,524)	\$ 1,497,950	\$ 1,546,305
District's Covered Payroll	\$ 2,632,818	\$ 2,700,555	\$ 2,602,345	\$ 2,536,256	\$ 2,672,199	\$ 2,691,387	\$ 2,488,248	\$ 2,333,482	\$ 2,157,060	\$ 2,030,264
Asset (Liability) as a Percentage of its Covered Payroll	5.98%	10.77%	101.76%	16.26%	15.42%	11.08%	4.80%	6.96%	69.44%	76.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	99.17%	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Employees' Retirement System (ERS)										
District's Proportion of the Net Pension Asset (Liability)	0.0032310%	0.0029054%	0.0023750%	0.0022421%	0.0019856%	0.0022150%	0.0018632%	0.0019331%	0.2068700%	0.0026408%
District's Proportion Share of the Net Pension Asset (Liability)	\$ (475,728)	\$ (623,032)	\$ 194,148	\$ (2,233)	\$ (525,787)	\$ (156,939)	\$ (60,135)	\$ (181,642)	\$ (332,031)	\$ (70,092)
District's Covered Payroll	\$ 833,365	\$ 798,474	\$ 721,368	\$ 732,819	\$ 708,750	\$ 677,801	\$ 574,131	\$ 610,054	\$ 600,591	\$ 763,829
Asset (Liability) as a Percentage of its Covered Payroll	57.09%	78.03%	26.91%	0.30%	74.19%	23.15%	10.47%	29.77%	55.28%	9.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – NYSLRS PENSION PLAN

LAST TEN FISCAL YEARS

Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Teachers' Retirement System (TRS)										
Contractually Required Contribution	\$ 261,805	\$ 263,171	\$ 247,189	\$ 224,478	\$ 281,220	\$ 263,167	\$ 291,919	\$ 310,492	\$ 379,757	\$ 333,207
Contributions in Relation to the Contractually Required Contribution	261,805	263,171	247,189	224,478	281,220	263,167	291,919	310,492	379,757	333,207
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$2,632,818	\$2,700,555	\$2,602,345	\$2,536,256	\$2,672,199	\$2,691,387	\$2,488,248	\$2,333,482	\$2,157,060	\$2,030,264
Contributions as a Percentage of Covered Payroll	9.94%	9.75%	9.50%	8.85%	10.52%	9.78%	11.73%	13.31%	17.61%	16.41%
Employees' Retirement System (ERS)										
Contractually Required Contribution	\$ 99,705	\$ 82,938	\$ 107,829	\$ 103,215	\$ 101,789	\$ 100,295	\$ 86,598	\$ 91,938	\$ 116,188	\$ 94,251
Contributions in Relation to the Contractually Required Contribution	99,705	82,938	107,829	103,215	101,789	100,295	86,598	91,938	116,188	94,251
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 833,365	\$ 798,474	\$ 721,368	\$ 732,819	\$ 708,750	\$ 677,801	\$ 574,131	\$ 610,054	\$ 600,591	\$ 763,829
Contributions as a Percentage of Covered Payroll	11.96%	10.39%	14.95%	14.08%	14.36%	14.80%	15.08%	15.07%	19.35%	12.34%

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2024

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 11,522,827
Add: Prior Year's Encumbrances	<u>130,708</u>
Original Budget	11,653,535
Budget Revision	-
Final Budget	<u><u>\$ 11,653,535</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW CALCULATION

2024-2025 Voter Approved Expenditure Budget	\$ 11,551,008
Maximum Allowed 4% of 2024-2025 Budget	<u><u>\$ 462,040</u></u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 977,620
Unassigned Fund Balance	<u>513,698</u>
Total Unrestricted Fund Balance	<u>1,491,318</u>
Less:	
Appropriated Fund Balance	935,813
Encumbrances Included in Assigned Fund Balance	<u>41,807</u>
Total Adjustments	<u>977,620</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 513,698</u></u>
Actual Percentage	<u><u>4.45%</u></u>

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF CAPITAL PROJECTS FUND – PROJECT EXPENDITURES AND FINANCING RESOURCES

Year Ended June 30, 2024

PROJECT TITLE	Expenditures						Methods of Financing				Fund Balance (Deficit) 6/30/2024
	Original Appropriation	Revised Appropriation	Prior Year	Current Year	Total	Unexpended Balance	BANS Redeemed			Total	
							From Appropriations	State Aid	Local Sources		
Mini Project:											
2023 - 2024	\$ 100,000	\$ 100,000	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ -
Building Improvements	16,951,375	16,951,375	-	324,592	324,592	16,626,783	-	-	-	-	(324,592)
Smart Schools Project	469,501	469,501	78,412	210,213	288,625	180,876	-	71,858	-	71,858	(216,767)
Totals	\$ 17,520,876	\$ 17,520,876	\$ 78,412	\$ 634,805	\$ 713,217	\$ 16,807,659	\$ -	\$ 71,858	\$ 100,000	\$ 171,858	\$ (541,359)

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

COMBINED BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2024

	<u>School Food Service</u>	<u>Capital Project - Mini-Project</u>	<u>Extra Classroom Activity</u>	<u>Scholarships and Awards</u>
ASSETS				
Cash and Cash Equivalents				
Unrestricted	\$ 172,233	\$ -	\$ -	\$ -
Restricted	-	-	39,451	34,261
Receivables				
Due From Other Funds	-	-	-	-
State and Federal Aid	20,165	-	-	-
Inventories	13,149	-	-	-
TOTAL ASSETS	<u>\$205,547</u>	<u>\$ -</u>	<u>\$ 39,451</u>	<u>\$ 34,261</u>
LIABILITIES				
Payables				
Accounts Payable	\$ 71	\$ -	\$ -	\$ -
Accrued Liabilities	341	-	-	-
Due to Other Funds	109,394	-	-	540
Due to Other Governments	536	-	-	-
Unearned Credits				
Unearned Revenues	2,359	-	-	-
Total Liabilities	<u>112,701</u>	<u>-</u>	<u>-</u>	<u>540</u>
FUND BALANCES				
Nonspendable	13,149	-	-	-
Restricted	-	-	39,451	33,721
Assigned	79,697	-	-	-
Total Fund Balances	<u>92,846</u>	<u>-</u>	<u>39,451</u>	<u>33,721</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$205,547</u>	<u>\$ -</u>	<u>\$ 39,451</u>	<u>\$ 34,261</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

Permanent Fund - Scholarships	Debt Service	Total Non-Major Funds
\$ -	\$ -	\$172,233
2,500	104,740	180,952
-	10,273	10,273
-	-	20,165
-	-	13,149
<u>\$ 2,500</u>	<u>\$ 115,013</u>	<u>\$396,772</u>
\$ -	\$ -	\$ 71
-	-	341
-	-	109,934
-	-	536
-	-	2,359
<u>-</u>	<u>-</u>	<u>113,241</u>
-	-	13,149
2,500	115,013	190,685
-	-	79,697
<u>2,500</u>	<u>115,013</u>	<u>283,531</u>
<u>\$ 2,500</u>	<u>\$ 115,013</u>	<u>\$396,772</u>

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

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

Year Ended June 30, 2024

	School Food Service	Capital Project - Mini-Project	Extra Classroom Activity	Scholarships and Awards
REVENUES				
Use of Money and Property	\$ 91	\$ -	\$ -	\$ 1,864
State Sources	40,905	-	-	-
Federal Sources	252,403	-	-	-
Surplus Food	23,176	-	-	-
Sales - School Food Service	40,613	-	-	-
Miscellaneous	-	-	63,064	750
Total Revenues	<u>357,188</u>	<u>-</u>	<u>63,064</u>	<u>2,614</u>
EXPENDITURES				
General Support	120,341	-	-	-
Employee Benefits	41,830	-	-	-
Cost of Sales - School Food Service	200,355	-	-	-
Other Expenditures	-	-	59,391	4,250
Capital Outlay	-	100,000	-	-
Total Expenditures	<u>362,526</u>	<u>100,000</u>	<u>59,391</u>	<u>4,250</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,338)</u>	<u>(100,000)</u>	<u>3,673</u>	<u>(1,636)</u>
OTHER FINANCING SOURCES AND (USES)				
Operating Transfers In	<u>5,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>5,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(338)	-	3,673	(1,636)
Fund Balances - Beginning of Year	<u>93,184</u>	<u>-</u>	<u>35,778</u>	<u>35,357</u>
Fund Balances - End of Year	<u>\$ 92,846</u>	<u>\$ -</u>	<u>\$ 39,451</u>	<u>\$ 33,721</u>

MORRISTOWN CENTRAL SCHOOL DISTRICT

Permanent Fund - Scholarships	Debt Service	Total Non-Major Funds
\$ -	\$ 766	\$ 2,721
-	-	40,905
-	-	252,403
-	-	23,176
-	-	40,613
-	-	63,814
-	766	423,632
-	-	120,341
-	-	41,830
-	-	200,355
-	-	63,641
-	-	100,000
-	-	526,167
-	766	(102,535)
-	-	105,000
-	-	105,000
-	766	2,465
2,500	114,247	281,066
\$ 2,500	\$ 115,013	\$ 283,531

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

MORRISTOWN CENTRAL SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS

Year Ended June 30, 2024

Capital Assets, Net			\$ 11,651,142
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Deduct:

Short-Term Portion of Bonds Payable	\$ 230,000		
Short-Term Portion of Lease Liability	16,161		
Long-Term Portion of Lease Liability	38,921		
		<u>285,082</u>	

Net Investment in Capital Assets			<u>\$ 11,366,060</u>
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See paragraph on supplementary schedules included in independent auditor's report.

FEDERAL AWARD PROGRAM INFORMATION

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

**BOARD OF EDUCATION
MORRISTOWN CENTRAL SCHOOL DISTRICT**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morristown Central School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Morristown Central School District's basic financial statements, and have issued our report thereon dated October 10, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morristown Central 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 Morristown Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Morristown Central School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

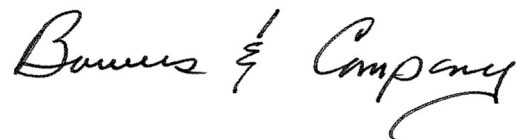
As part of obtaining reasonable assurance about whether Morristown Central School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.

Morristown Central School District's Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the Morristown Central School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Morristown Central School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in black ink that reads "Banner & Company". The signature is written in a cursive, flowing style.

Watertown, New York
October 10, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

THE BOARD OF EDUCATION MORRISTOWN CENTRAL SCHOOL DISTRICT

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Morristown Central School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Morristown Central School District's major federal programs for the year ended June 30, 2024. Morristown Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Morristown Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Morristown Central School District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Morristown Central School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Morristown Central School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Morristown Central School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Morristown Central School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Morristown Central School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Morristown Central School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Morristown Central School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

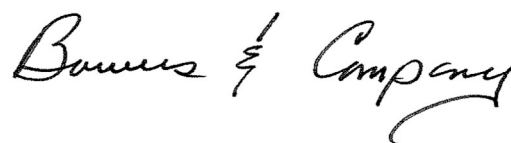
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Watertown, New York
October 10, 2024

MORRISTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2024

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	Assistance Listing Number	Agency or Pass-Through Number	Total Federal Expenditures
<u>U. S. Department of Education</u>			
Passed-Through NYS Education Department:			
Title I Grants to Local Educational Agencies	84.010A	0021-24-2635	\$ 212,492
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027A	0032-24-0796	94,660
Special Education - Preschool Grants (IDEA Preschool)	84.173A	0033-24-0796	1,901
Total Special Education Cluster			96,561
Education Stabilization Fund:			
COVID-19: American Rescue Plan—Elementary and Secondary School Emergency Relief	84.425U	5880-21-2635	456,182
Total Education Stabilization Fund			456,182
Supporting Effective Instruction State Grants	84.367A	0147-24-2635	18,371
Student Support and Academic Enrichment Program	84.424A	0204-24-2635	16,303
Total Passed Through NYS Education Department			799,909
Direct Program:			
Rural Education	84.358A	S358A-21-3042	6,146
Total Direct Programs from U.S. Department of Education			6,146
Total U.S. Department of Education			806,055
Subtotal to Next Page			\$ 806,055

See paragraph on supplementary schedules included in independent auditor's report and
accompanying notes to schedule of expenditures of federal awards.

MORRISTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

Year Ended June 30, 2024

FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM TITLE	Assistance Listing Number	Agency or Pass-Through Number	Total Federal Expenditures
Subtotal from Previous Page			<u>\$ 806,055</u>
<u>U. S. Department of Agriculture</u>			
Passed-Through NYS Education Department:			
Local Food for Schools Cooperative Agreement Program	10.185		<u>3,862</u>
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
Fresh Fruit and Vegetable Program	10.582		3,318
National School Lunch Program	10.555		19,858
Non-Cash Assistance Subtotal			<u>23,176</u>
Cash Assistance			
School Breakfast Program	10.553		61,104
National School Lunch Program	10.555		168,274
COVID-19: Supply Chain Assistance Grant	10.555		13,796
Summer Food Service Program for Children	10.559		5,367
Cash Assistance Subtotal			<u>248,541</u>
Total Child Nutrition Cluster			<u>271,717</u>
Total Passed Through NYS Education Department			<u>275,579</u>
Total U.S. Department of Agriculture			<u>275,579</u>
Total Federal Assistance			<u><u>\$ 1,081,634</u></u>

See paragraph on supplementary schedules included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of federal award programs administered by the District, which is described in Note 1 to the District’s accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the District’s financial statements. Federal awards that are included in the Schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information presented in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District’s financial reporting system.

The federal expenditures are recognized under the Uniform Guidance.

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of the data presented.

Matching costs (the District’s share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

NOTE 3 – SUBRECIPIENTS

No amounts were provided to subrecipients.

MORRISTOWN CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

NOTE 4 – SCOPE OF AUDIT

The District is an independent municipal corporation. All federal grant operations of the District are included in the scope of the single audit.

NOTE 5 – OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

NOTE 6 – NON-MONETARY FEDERAL PROGRAM

The District is the recipient of federal award programs that do not result in cash receipts or disbursements. The District was granted \$19,858 of commodities under the National School Lunch Program (Assistance Listing 10.555) and \$3,318 under the Fresh Fruit and Vegetable Program (Assistance Listing 10.582).

MORRISTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2024

NOTE A – SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on the basic financial statements of Morristown Central School District.
2. One item identified as a significant deficiency was disclosed during the audit of the basic financial statements of Morristown Central School District noted in the accompanying schedule of findings and questioned costs 2024-001. No instances of material weaknesses were disclosed.
3. No instances of noncompliance material to the financial statements of the Morristown Central School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed during the audit of the major federal award programs of Morristown Central School District.
5. The auditor’s report on compliance for the major federal award programs for Morristown Central School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a) related to the major federal award programs for Morristown Central School District.
7. The Programs tested as major programs include:

U.S. Department of Education

Passed-Through NYS Education Department:

COVID-19 American Rescue Plan - Elementary and Secondary
School Emergency Relief

84.425U

8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. Morristown Central School District qualifies as a low-risk auditee.

MORRISTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

June 30, 2024

NOTE B – FINDINGS – FINANCIAL STATEMENT AUDIT

Finding Control Number: 2024-001

Significant Deficiency

Reconciliation of Grant Activity

Criteria

Management needs to monitor transactions related to specific grant activities, including reporting, review, and submission to grantor agencies. Reconciliation between the general ledger and the grant reimbursement requests or related submissions should be conducted periodically to ensure the accuracy of the reporting by the District internally within the general ledger and externally to the grantor.

Condition

The District did not reconcile grant submissions for the Afterschool Program to the general ledger to ensure transactions related to the grant were adequately reported within the Special Aid Fund.

Context

During our audit substantive test of revenues within the Special Aid fund, it was noted for the fiscal year ended June 30, 2024, receivables of \$41,510, revenues of \$16,522 and expenditures of \$7,685 were not reported. Additionally immaterial revenue balances of \$47,436 were underreported for the year ended June 30, 2023.

Effect

The District underreported grant transactions for the June 30, 2023 and 2024 fiscal years within the Special Aid fund related the Afterschool Program Grant.

Cause

The District did not sufficiently monitor grant reimbursement requests to ensure the transactions within the general ledger were properly reported in the period in which they occurred.

MORRISTOWN CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

June 30, 2024

NOTE B – FINDINGS – FINANCIAL STATEMENT AUDIT

Finding Control Number: 2024-001 – Continued

Significant Deficiency

Reconciliation of Grant Activity

Recommendation

We recommend the District review internal processes to ensure grants obtained for the benefit of the District are sufficiently monitored and reconciled between grant submissions and financial reporting within the Special Aid Fund.

Views of Responsible Officials and Planned Corrective Actions

The Assistant Business Manager will more closely collaborate with grant administrators moving forward and reconcile independent grant administrator spreadsheets with District financial software on a regular basis rather than just year-end. Also, the Assistant Business Manager will have quarterly meetings with independent grant administrators to review grant revenues and expenditures and ensure that grant administrator reporting records agree with District financial records.

**NOTE C – FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT**

There were no findings to report.

MORRISTOWN CENTRAL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2024

NOTE A – FINDINGS – FINANCIAL STATEMENT AUDIT

Finding Control Number: 2023-001

Instances of Noncompliance with Laws or Regulations

Surplus Unexpended Funds in Excess of 4% Limitation

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

The District exceeded the 4% limitation of unexpended surplus funds within the General Fund by \$433,539 during the fiscal year.

Views of Responsible Officials and Planned Corrective Actions

The District has continued to receive additional federal aid monies related to the COVID-19 relief efforts. We have utilized the federal grant monies for a number of purchases normally assumed by the General Fund, resulting in the surplus unassigned fund balance. The District intends to utilize balances in the following fiscal year to reduce judgment and claim liabilities reported as well as fund additional balances within capital and other reserves. The District will monitor funds balances to prevent this from happening in the future.

Current Status

No similar finding were noted in the 2024 audit.

**NOTE B – FINDINGS AND QUESTIONED COSTS – MAJOR
FEDERAL AWARD PROGRAMS AUDIT**

There were no prior year audit findings.

EXTRA CLASSROOM ACTIVITY FUNDS

INDEPENDENT AUDITOR'S REPORT ON EXTRA CLASSROOM ACTIVITY FUNDS

BOARD OF EDUCATION MORRISTOWN CENTRAL SCHOOL DISTRICT

Opinion

We have audited the accompanying statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Morristown Central School District for the year ended June 30, 2024 and the related note to the financial statement.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the statement of cash receipts and disbursements of the Extra Classroom Activity Funds of Morristown Central School District for the year then ended June 30, 2024, in accordance with cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Morristown Central 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 opinion.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance auditing standards generally accepted in the United States of America and Appendix E of the Minimum Program for Audit of Financial Records of New York State School Districts, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Morristown Central 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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Morristown Central 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.

Banner & Company

Watertown, New York
October 10, 2024

MORRISTOWN CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS – STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2024

	Cash Balances 7/1/2023	Cash Receipts	Cash Disbursements	Cash Balances 6/30/2024
Class of:				
2024	\$ 7,285	\$ 18,531	\$ 24,676	\$ 1,140
2025	6,294	14,436	8,960	11,770
2026	5,746	5,718	3,784	7,680
2027	2,774	1,049	484	3,339
2028	991	4,538	3,119	2,410
2029	-	4,728	3,906	822
Athletics Association	4,017	405	2,321	2,101
Student Council	1,324	5,640	5,895	1,069
Yearbook	2,567	5,227	4,252	3,542
National Honor Society	1,009	913	662	1,260
Jr. Honor Society	426	469	379	516
Band	3,116	1,250	719	3,647
Sales Tax	229	160	234	155
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 35,778	\$ 63,064	\$ 59,391	\$ 39,451
	<hr/>	<hr/>	<hr/>	<hr/>

See note to the financial statement.

MORRISTOWN CENTRAL SCHOOL DISTRICT

EXTRA CLASSROOM ACTIVITY FUNDS - NOTE TO FINANCIAL STATEMENT

June 30, 2024

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The Extra Classroom Activity Funds of the Morristown Central School District represents funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extra Classroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management.

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

To the Board of Education
Morristown Central School District

In planning and performing our audit of the financial statements of Morristown Central School District (the District) for the year ended June 30, 2024, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters.

Condition: Maintenance of Fixed Asset Schedule

We noted several updates were required to report additions and disposals of capital assets following the initial report provided by management.

Recommendation

We recommend the District implement procedures for tracking all additions and deletions included compiling a paper trail to support the transaction and to ensure the completeness of the fixed asset worksheet maintained.

Management's Response

The District hired Assetworks, an independent inventory specialist to perform a District-wide inventory this summer. Currently, the District is awaiting the final inventory reports and training on the asset software. The Assistant Business Manager will then perform the additions and disposals of any assets moving forward in the software and provide the necessary reports from the software.

Condition: Bank Reconciliation

During our test of balances, we noted errors within the bank reconciliation reports in which interfund balances were not consistently presented. Also, documentation for bank reconciliation did not include auditable evidence of a review being conducted.

Recommendation

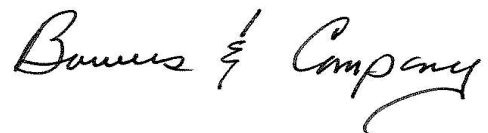
We recommend that District review current procedures related to bank reconciliations to ensure processes are adequately conducted to identify errors or other significant issues related to cash balances. Additionally, the reviewer of the bank reconciliation should sign when the review is complete.

Management's Response

The Assistant Business Manager will review the bank reconciliation procedures and adhere to those procedures when reconciling cash balances at month end. Also, the claims auditor will be reviewing bank statements monthly to verify account balances and monthly statement transactions. The Assistant Manager and Claims Auditor will devise a system to adhere to internal control measures.

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

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

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in dark ink and is positioned to the right of the main body of text.

Watertown, New York
October 10, 2024

October 10, 2024

To the President and Members
Of the Board of Education
Morristown Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morristown Central School District for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 10, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Morristown Central School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. We noted no transactions entered into by Morristown Central School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation and amortization is based on economic useful lives of capital asset classes.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 10, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

During our audit substantive test of revenues, it was noted that the District was not reconciling the Afterschool Program grant funds to grant documentation to ensure the accuracy of reporting for the fiscal year ended June 30, 2024. The finding was disclosed as a significant deficiency in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards.

Other Matters

We applied certain limited procedures to *Management’s Discussion and Analysis, the Schedule of Changes in the District’s Total OPEB Liability and Related Ratios, the Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund, the Schedule of the District’s Proportionate Share of the Net Pension Asset (Liability) – NYSLRS Pension Plan, and Schedule of District’s Contributions – NYSLRS Pension Plan*, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

Bowers & Company

Schedule 1: Material Misstatements Corrected by Management

Governmental Funds

General Fund

Adjusting Journal Entries JE # 1

To reconcile ASP grant

A2110-400-00-00	CONTRACTUAL EXPENSE	12,531	
A2110-450-00-00	SUPPLIES - TEACHING	9,759	
A3289.000	State Aid Other	89,875	
A9010-800-00-00	EMPLOYEES RETIREMENT SYST	7,428	
A9020-800-00-00	TEACHERS RETIREMENT SYSTE	2,626	
A9030-800-00-00	EMP BENEFITS - FICA	6,397	
A9040-800-00-00	WORKERS COMPENSATION	343	
A9060-800-00-00	HEALTH INSURANCE	4,946	
A2250-160-00-00	SWD - NI SALARIES		64,931
A2703.000	Refund of PY - Non transport		47,436
A391.02	Due From Federal Fund		21,538
Total		133,905	133,905

Adjusting Journal Entries JE # 2

To report settlement payout

A1930-400-00-00	Judgment and Claims	500,000	
A1920-400-00-00	Contractual		500,000
Total		500,000	500,000

Adjusting Journal Entries JE # 3

To adjust BOCES Refund out of BOCES Aid

A3103.000	BOCES Aid (Sect 3609a Ed	296,275	
A02701	Refund PY Exp-		296,275
Total		296,275	296,275

Adjusting Journal Entries JE # 4

To reallocate reserve contributions in excess of limitation

A00878	Fund Balance, Capital Reserve	231,281	
A008781	Fund Balance, Capital Reserve		200,000
A00917	Unassigned Fund Balance		31,281
Total		231,281	231,281

Schedule 1: Material Misstatements Corrected by Management - Continued

Governmental Funds - Continued

Special Aid Fund

Adjusting Journal Entries JE # 1

To report ASP reconciliation

630.00	Due to General Fund	21,538	
ASP24X-2330-450-00	Materials & Supplies	9,759	
410.00	Due From State and Federal		21,538
ASP24X-2330-160-00	Non-Instructional Salaries		2,017
ASP24X-9089-800-00	Employee Benefits Other		402
ASP24X3289.000	Other State Aid		7,340
Total		31,297	31,297

Capital Project Fund

Adjusting Journal Entries JE # 1

To report submission of SSBA reimbursement (receivable and deferred).

H410	Due from State and Federal	189,983	
H691	Deferred Inflow		189,983
Total		189,983	189,983

Adjusting Journal Entries JE # 2

To net due to general and due from general within mini project

630.00	Due To General Fund	100,000	
391.00	Due From General Funds		100,000
Total		100,000	100,000

Schedule 1: Material Misstatements Corrected by Management - Continued

Government-Wide

Non-Current Governmental Assets

Adjusting Journal Entries JE # 1

To record CY additions to fixed assets

102.00	Buildings	157,150	
103.00	Improvements other than Building	29,131	
104.00	Equipment	667,869	
105	Construction WIP	321,786	
158.00	Total Non-Current Government Assets		1,175,936
Total		1,175,936	1,175,936

Adjusting Journal Entries JE # 2

To record CY deletions of Fixed Assets.

114.00	AD-Equipment	159,114	
158.00	Total Non-Current Government Assets	129,762	
104.00	Equipment		288,876
Total		288,876	288,876

Adjusting Journal Entries JE # 3

To record CY depreciation of Fixed Assets

158.00	Total Non-Current Government Assets	608,239	
112.00	AD-Buildings		293,607
113.00	AD-Improvements		6,245
114.00	AD-Equipment		308,387
Total		608,239	608,239

Schedule 2: Immaterial Misstatements Uncorrected by Management

Governmental Funds

General Fund

To report HRA account balances as of 6/30/24

480.00	Prepaid Expenditures	41,485	
9060-800-02-00	HEALTH INSURANCE HRA		41,485
Total		41,485	41,485

FORM OF BOND COUNSEL'S OPINION

August 14, 2025

Morristown Central School District
County of St. Lawrence
State of New York

Re: Morristown Central School District, St. Lawrence County, New York
\$4,844,000 Bond Anticipation Notes, 2025

Ladies and Gentlemen:

As Bond Counsel to the Morristown Central School District, County of St. Lawrence, State of New York, (the "District"), we have examined a record of proceedings relating to the issuance of \$4,844,000 Bond Anticipation Notes, 2025 (the "Notes"), of the Morristown Central School District, St. Lawrence County, State of New York (the "District"). The Notes are dated August 14, 2025 and are being issued pursuant to the Constitution and laws of the State of New York, including the Education Law and Local Finance Law, resolutions of the District in respect of the Notes and a Certificate of Determination dated on or before August 14, 2025 of the President of the Board of Education relative to the form and terms of the Notes.

In our opinion, the Notes are valid and legally binding general obligations of the District for which the District has validly pledged its faith and credit and, unless paid from other sources, all taxable real property within the District is subject to levy of ad valorem real estate taxes to pay the Notes and interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereinafter enacted.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. The President of the Board of Education of the District, in executing the Arbitrage and Use of Proceeds Certificate, has certified to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes is excluded from gross income under Section 103 of the Code. We have examined such Arbitrage and Use of Proceeds Certificate of the District delivered concurrently with the delivery of the Notes, and, in our opinion, such certificate contains provisions and procedures under which such requirements can be met.

In our opinion (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including the City of New York. Bond counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual of interest on the Notes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage and Use of Proceeds Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes or adjusted gross income for purposes of personal income taxes imposed by the State of New York and the City of New York. We call attention to the fact that the rights and obligations under the Notes and the Arbitrage and Use of Proceeds Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against New York municipal corporations such as the School District. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Notes has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. The opinions expressed herein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the School District, together with other legally available sources of revenue, if any, will be sufficient to enable the School District to pay the principal of or interest on the Notes as the same respectively become due and payable. Reference should be made to the Official Statement for factual information, which, in the judgment of the School District would materially affect the ability of the School District to pay such principal and interest. We have not verified the accuracy, completeness or fairness of the factual information contained in the Official Statement and, accordingly, no opinion is expressed by us as to whether the School District, in connection with the sale of the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in light of the circumstances under which they were made, not misleading.

We have examined the first executed Note of each said issue and, in our opinion, the form of said Note and its execution are regular and proper.

Very truly yours,

WJ Marquardt PLLC