

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE

REVENUE ANTICIPATION NOTES

In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants described in "TAX MATTERS" herein, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Notes is not treated as a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. We note that, for tax years beginning after December 31, 2022, interest on the Notes will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (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 amount, accrual, or receipt 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 Code.

\$1,385,280

CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS



HERKIMER COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$1,385,280 Revenue Anticipation Notes, 2024

(the "Notes")

Dated: July 11, 2024

Due: October 31, 2024

The Notes are general obligations of the City School District of the City of Little Falls, Herkimer County, New York (the "District"), all of the taxable real property within which 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 will be issued without the option of prior redemption.

The Notes are not subject to redemption prior to maturity. At the option of the purchaser(s), the Notes will be issued as registered notes or registered in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of \$5,000 or multiples thereof, except for one necessary odd denomination, as may be determined by such successful bidder(s), except for one necessary odd denomination.

Alternatively, if the Notes are issued as registered notes, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the notes purchased if the purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination, as may be determined by such successful bidder(s). If the Notes are issued as registered notes, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the District, subject to any statutory and regulatory requirements as may be in effect from time to time. 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 approving legal opinion as to the validity of the Notes of Hodgson Russ LLP, Bond Counsel, Albany, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or as may be agreed upon on with the purchaser(s), or about July 11, 2024.

ELECTRONIC BIDS for the Notes must be submitted on Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com, on July 2, 2024 by no later than 11:00 A.M. E.T. 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.

June 28, 2024

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 NOTICES OF EVENTS AS DEFINED IN THE RULE. SEE "APPENDIX D – FORM UNDERTAKING TO PROVIDE NOTICES OF EVENTS" HEREIN.

**CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS
HERKIMER COUNTY, NEW YORK**

**DISTRICT OFFICIALS
2023-2024 BOARD OF EDUCATION**

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Payroll Clerk/District Treasurer

JENNIFER WINKLER
Accounts Payable/Deputy District Treasurer



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisors



Bond Counsel

No person has been authorized by City School District of the City of Little Falls 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 City School District of the City of Little Falls.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS
HERKIMER COUNTY, NEW YORK

Relating To
\$1,385,280 Revenue Anticipation Notes, 2024

This Official Statement, which includes the cover page and appendices, has been prepared by the City School District of the City of Little Falls, Herkimer County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of \$1,385,280 principal amount of Revenue Anticipation Notes, 2024 (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"). 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 District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount. See "NATURE OF OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Notes are dated July 11, 2024 and mature, without option of prior redemption, on October 31, 2024. 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, with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) registered book-entry-only form registered to 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 among others, the Education Law, the Local Finance Law and pursuant to a revenue anticipation note resolution that is anticipated to be adopted by the Board of Education, on July 1, 2024 in anticipation of the receipt of 2024-2025 State Aid payments and other revenues to be received by the District in the 2024-2025 fiscal year.

The Notes are being issued to provide monies to meet a cash flow deficit expected to occur during the period that the Notes are outstanding (see "APPENDIX – C & C1 – MONTHLY CASH FLOW"). Such cash flow deficit is the result of a delay in the receipt of State aid revenues, which receipt is not timely with the cash flow needs of the School District.

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, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, 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 District on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 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 OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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

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

Certificated Notes

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 except for one necessary odd denomination. 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 City School District of the City of Little Falls is situated in central New York State, in the southeast sector of Herkimer County. The City of Syracuse is located approximately 65 miles to the west and the City of Albany is approximately 60 miles to the east. Major highways serving the School District include Interstate 90 and New York State Routes 5 and 20.

The School District encompasses approximately 57.41 square miles and includes the City of Little Falls and various portions of the Towns of Danube, Fairfield, Herkimer, Little Falls, Manheim and Stark. The character of the School District is primarily rural with the majority of homes being single family. Commercial activity and industrial development in the District are centered in and around the City of Little Falls.

Transportation is provided to and from the School District by New York State Routes 5 and 20 and Interstate 90. Major airline service is provided at the Hancock International (Syracuse) Airport, which is located about 75 miles to the west of the School District and Albany International Airport located approximately 65 miles to the east.

Electricity is supplied throughout the School District by National Grid. The City of Little Falls maintains its own water supply and distribution system, primarily supported from user charges. The balance of the School District is supplied from well water. Sanitary sewage collection and treatment facilities have been constructed within the City of Little Falls, but not within the rest of the District. Police protection is provided by the New York State Police, the County Sheriff's Offices and the City of Little Falls Police Department. Fire protection and ambulance service is provided by the City of Little Falls Fire Department.

There is a downtown shopping center in the City of Little Falls which is home to a Price Chopper supermarket as of 2013. This has had a significant impact on the downtown business sector as well as the entire community by keeping shoppers in the area rather than having to visit a neighboring area for their daily needs. A major industrial manufacturer also completed an \$8 million expansion in 2014 and an industrial gas supplier has completed a new distribution facility in the Town of Manheim at a cost of \$8 million. A new solar energy project has been implemented on a property within the school district, and PILOT payments have commenced as of the 2020-21 school year.

Source: District officials.

Population

The current estimated population of the District is 6,561. (Source: 2022 U.S. Census Bureau estimate)

Larger Employers

Selected major employers located within the School District are as follows:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Little Falls Hospital	Health Care	410
Twin Rivers Paper Corporation	Manufacturing	220
Little Falls City School District	Education	216
Carton Filler Acquisition Corp.	Manufacturing	110
City of Little Falls	Municipality	90
Alpine Nursing Home	Health Care	85
Ideal Wood Products	Manufacturing	55

Source: District officials.

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, are the Towns, City, and County listed below. The figures set below with respect to such Towns, City, and Counties is included for information only. It should not be inferred from the inclusion of such data in the Official Statement that the City, Towns, or the County is necessarily representative of the District, or vice versa.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2018-2022</u>	<u>2000</u>	<u>2006-2010</u>	<u>2018-2022</u>
City of:						
Little Falls	\$ 15,139	\$ 23,860	\$ 28,302	\$ 34,583	\$ 50,521	\$ 82,143
Towns of:						
Danube	13,572	17,714	29,633	32,500	40,000	88,333
Fairfield	15,063	23,944	33,828	45,069	56,016	93,750
Herkimer	17,211	18,478	34,450	42,296	44,681	91,478
Little Falls	21,587	27,351	42,533	50,046	67,167	107,054
Manheim	15,429	23,860	27,388	39,032	53,724	80,106
Stark	14,128	19,844	33,376	34,545	50,972	83,125
County of:						
Herkimer	16,141	21,908	34,394	40,570	53,288	87,801
State of:						
New York	23,389	30,948	47,173	51,691	67,405	100,846

Note: 2019-2023 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2018-2022 American Community Survey data.

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 Herkimer. The information set forth below with respect to the County and the State is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County or State, are necessarily representative of the School District, or vice versa.

	<u>Annual Average</u>								
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Herkimer County	6.8%	6.2%	5.5%	5.7%	4.9%	4.9%	5.8%	3.9%	4.1%
New York State	6.3%	5.3%	4.9%	4.7%	4.1%	4.0%	7.0%	4.3%	4.2%

	<u>2024 Monthly Figures</u>					
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
Herkimer County	5.5%	5.5%	5.6%	4.9%	N/A	N/A
New York State	4.3%	4.5%	4.2%	3.9%	N/A	N/A

Note: Unemployment rates for May and June of 2024 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

Subject to the provisions of the State Constitution, the School District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the School District and any special laws applicable to the School District. Under such laws, there is no authority for the School District to have a charter or adopt local laws.

The Board of Education which is the policy-making body of the School District, consists of seven members with overlapping five-year terms. 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. The President of the Board is the Chief Fiscal Officer of the School District.

Financial Organization

Pursuant to the Local Finance Law, the President of the Board is the chief fiscal officer of the School District. However, certain of the financial functions of the School District are the responsibility of the Superintendent of Schools and the School District Business Manager.

Budgetary Procedures

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

After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified District residents are eligible to participate.

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 “School District Tax Cap”), then a majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the School District Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District Tax Cap 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 Vote Results

The budget for the 2022-23 fiscal year was approved by the qualified voters on May 17, 2022 by a vote of 403 to 87. The District’s adopted budget for 2022-23 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 0.80%, which is below the District tax levy limit of 2.0%.

The budget for the 2023-24 fiscal year was approved by the qualified voters on May 16, 2023 by a vote of 255 to 51. The District’s adopted budget for 2023-24 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 0.25%, which is below the District tax levy limit of 2.0%.

The budget for the 2024-25 fiscal year was approved by the qualified voters on May 21, 2024 by a vote of 240 to 66. The District’s adopted budget for 2024-25 fiscal year remained within the Tax Cap imposed by Chapter 97 of the Laws of 2011. The budget called for a total tax levy increase of 1.42%, which is below the District tax levy limit of 4.7%.

Investment Policy

Pursuant to the statutes of the State, 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; (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; (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; 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) savings accounts or money market accounts of designated banks; (2) certificates of deposit issued by a bank or trust company located in and authorized to do business in the State; (3) demand deposit accounts in a bank or trust company located in and authorized to do business in the State; (4) obligations of New York State; and (5) obligations of the United States Government (U.S. Treasury Bills and Notes).

The School District's policy does not permit the School District to invest in so-called derivatives or reverse repurchase agreements and the School District has never invested in derivatives or reverse repurchase agreements.

State Aid

The District receives financial assistance from the State in the form of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. In its adopted budget for the 2024-25 fiscal year, approximately 66.87% of the revenues of the District are estimated to be received in the form of State aid. While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever.

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

The State is not constitutionally obligated to maintain or continue State aid to the District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which could eliminate or substantially reduce State aid could have a material adverse effect upon the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures (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 adoption of the State budget, which is due at the start of the State's fiscal year of April 1. The State's budget has been adopted by April 1 or shortly thereafter for over ten (10) years. The State's 2021-22 Enacted Budget was adopted on April 7, 2021. 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.

President Biden has signed into law the American Rescue Plan, a \$1.9 trillion COVID-19 relief package that includes \$350 billion to state, local and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, reopen schools and maintain vital services. The American Rescue Plan also includes an additional \$1,400 payment to eligible individuals and families, enhanced unemployment aid, rental and utility assistance to low and moderate income households, an increase in food stamp benefits, additional funding for child care and an increase in child care tax credits.

Since March 2020, the State has been awarded over \$14 billion in Federal education COVID response funding through the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act; Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (“CRRSA”); and the American Rescue Plan (“ARP”) Act. These funds are supporting the ability of local educational agencies to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools in the State. The District has been allocated a total of approximately \$2,864,132 in ARP funds and \$1,274,374 in CRRSA funds. As of June 30, 2022 the District has received \$1,234,881 ARP funds and \$254,874 CRRSA funds.

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.

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 2023-24 preliminary building aid ratios, the District expects to receive State building aid of approximately 96.6% 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 (2018-2019): The State 2018-19 Enacted Budget included nearly \$1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately \$859 million of that increase is comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid now stands at \$26.03 billion statewide, a 3.4% increase over the last year. The State 2018-19 Enacted Budget included an increase of \$618 million in Foundation Aid for school districts. Foundation Aid totaled nearly \$17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State 2018-19 Enacted Budget guaranteed that all school districts received an increase in Foundation Aid over their 2017-18 levels. \$50 million of the Foundation Aid increase was “set aside” for certain school districts to fund community schools. The State 2018-19 Enacted Budget fully funded all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of \$240 million was approved for increases in all expense-based aids in 2018-19. The State 2018-19 Enacted Budget allowed the Governor to reduce aid to school districts mid-year if receipts from the federal government were less than what was expected.

School District Fiscal Year (2019-2020): The State 2019-2020 Enacted Budget included a total of \$27.69 billion for School Aid, a year-to-year funding increase of \$956 million or 3.6% and will provide additional funding for Foundation Aid of \$338.0 million and \$409.65 million in reimbursements for expense-based aids. In addition, the 2019-2020 Enacted Budget increases the Community Schools set-aside funding amount by \$49.99 million to a total of \$250.0 million. This increased funding is targeted to districts with failing schools and/or districts experiencing significant growth in English language learners. The State 2019-2020 Enacted Budget increased the minimum community schools funding amount from \$75,000 to \$100,000. This ensured all high-need districts across the State could apply the funds to a wide-range of activities.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased federal support. This reduction in State Operating Funds support was offset by approximately \$1.1 billion in funding provided to the State through the federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these federal funds, State aid in the school district fiscal year 2020-2021 was expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas. Out-year growth in School Aid reflected current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget.

School District Fiscal Year (2021-2022): The State's 2021-22 Enacted Budget included \$29.5 billion in State aid to school districts, and significantly increased funding for schools and local governments, including a \$1.4 billion increase in Foundation Aid and a three-year phase-in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget included the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which included, 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 were allocated to expand full-day kindergarten programs. Under the budget, school districts were reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year. Under the budget, local governments also received full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding, and full restoration of \$10.3 million in proposed Video Lottery Terminal (VLT) aid cuts, where applicable.

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): On February 1, 2023, Governor Kathy Hochul delivered the Executive Budget to the New York State Legislature. The 2023-24 Executive Budget includes a \$3.1 billion or a 10% increase in school aid, the largest in State history, totaling \$34.5 billion in school aid. The foundation aid formula will be fully funded for the first time in the program's history by way of a \$2.7 billion increase, including a dedication of \$250 million to establish high-impact tutoring programs. There is a \$392 million increase in all other school aid programs including expense-based aids, categorical aids, and competitive grants. A \$20 million in grant funding will establish new Early College High School and Pathways in Technology Early College High School Programs. An investment of \$10 million over two years in competitive funding for school districts, boards of cooperative educational services, and community colleges will be made to promote job readiness. An additional \$125 million will be used to expand high-quality full-day prekindergarten, resulting in universal prekindergarten to be phased into 95 percent of the State. In fiscal years 2022 and 2023, public school districts were awarded \$14 billion of federal elementary and secondary school emergency relief funds, available for use over multiple years. The 2023-24 Executive Budget is subject to approval by the State Legislature and then it must be signed into law by the Governor. There is no assurance that the 2023-24 Executive Budget will be adopted and no way to predict what changes the Governor and the Legislature may agree to.

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

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.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a “gap elimination adjustment” as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date.

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students’ Educational Rights v. State of New York (“NYSER”) and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs’ causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a “sound basic education” as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the Campaign for Fiscal Equity case that absent “gross education inadequacies”, claims regarding state funding for a “sound basic education” must be made on a district-by-district basis based on the specific facts therein. On October 14, 2021 Governor Kathy Hochul announced that New York State has reached an agreement to settle and discontinue the New Yorkers for Students’ Educational Rights v. New York State case, following through on the State’s commitment to fully fund the current Foundation Aid formula to New York’s school districts over three years and ending the State’s prior opposition to providing this much-needed funding to our students. 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 historic Campaign for Fiscal Equity 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, the Executive and Legislature agreed to fully fund Foundation Aid by the FY 2024 budget and enshrined 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

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 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.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years, unaudited estimates for the 2023-2024 fiscal year, and budgeted new figures comprised of State aid.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2018-2019	\$22,037,516	\$12,475,008	56.61%
2019-2020	22,498,423	13,125,749	58.34
2020-2021	22,975,235	12,749,101	55.49
2021-2022	24,975,293	14,949,753	59.86
2022-2023	28,567,233	18,492,179	64.73
2023-2024 (Budgeted)	31,425,209	21,679,881	68.99
2023-2024 (Unaudited)	31,425,029	21,679,881	68.99
2024-2025 (Budgeted)	33,912,608	22,678,863	66.87

Source: Audited financial statements for the 2018-2019 fiscal year through and including the 2022-2023 fiscal year, unaudited estimates for the 2023-2024 fiscal year and the budget of the District for the 2024-2025 fiscal year. This table is not audited.

District Facilities

The School District currently operates the following facilities:

<u>Name</u>	<u>Grades</u>	<u>Year (s) Built</u>
Benton Hall Elementary School	K-5	1895, 1898, 1929, 1997, 2020
Middle School/High School	6-12	1968; 1976, 1995, 2003, 2020

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2019-20	1,124	2024-25	1,080
2020-21	1,089	2025-26	1,085
2021-22	1,112	2026-27	1,090
2022-23	1,097	2027-28	1,095
2023-24	1,078	2028-29	1,100

Source: District officials.

Employees

The School District employs a total of 198 full time and 15 part time employees. The collective bargaining agents, if any, which represent them and the dates of expiration of the various collective bargaining agreement are as follows:

<u>Number of Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
127	NYSUT, Teachers	June 30, 2026
5	SAANYS, Administrators	June 30, 2025
55	CSEA, Clerical/Custodian	June 30, 2028
16	CSEA, Teacher Aides	June 30, 2028
7	CSEA, Bus Drivers	June 30, 2028

Source: District officials.

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 last five years, unaudited figures for the 2023-2024 fiscal year and budgeted figures for the 2024-2025 fiscal year are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2018-2019	\$ 412,118	\$ 836,391
2019-2020	412,118	824,077
2020-2021	400,359	711,040
2021-2022	408,242	773,342
2022-2023	411,959	871,298
2023-2024 (Unaudited)	341,705	905,000
2024-2025 (Budgeted)	360000	930,000

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 offered an incentive in the 2017-2018 fiscal year, but no employees participated. The District currently does not offer early retirement incentive programs for its employees.

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

A chart of average ERS and TRS rates as a percent of payroll (2019 to 2025) is shown below:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2018-19	14.9%	10.62%
2019-20	14.6	8.86
2020-21	14.6	9.53
2021-22	16.2	9.80
2022-23	11.6	10.29
2023-24	13.1	9.76
2024-25	15.2	10.11*

*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 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. The District has established a TRS fund and funded it with \$155,750 to date.

Retirement System Assumptions. The investment of monies and assumptions underlying same, of the Retirement Systems covering the School District’s employees is not subject to the direction of the School 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 School District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post Employee 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. For the fiscal year ended June 30, 2018, the District implemented GASB 75. 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.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

The District contracted with an actuarial firm to calculate its actuarial valuation under GASB 75.

The following table outlines the changes to the Total OPEB Liability during the 2022 and 2023 fiscal years, by source.

	June 30, 2021	June 30, 2022
Balance beginning at:	\$ 65,221,019	\$ 68,701,464
<u>Changes for the year:</u>		
Service cost	2,480,674	2,497,680
Interest on total OPEB liability	1,477,538	1,505,286
Changes in Benefit Terms	416,174	
Differences between expected and actual experience	-	417,809
Changes in Assumptions or other inputs	795,613	(6,642,407)
Benefit payments	(1,689,554)	(1,717,287)
Net Changes	\$ 3,480,445	\$ (3,938,919)
	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Balance ending at:	<u>\$ 68,701,464</u>	<u>\$ 64,762,545</u>

Source: Audited financial statements of the District. The above table is not audited. For additional information regarding the District's OPEB liability see "APPENDIX – E" attached hereto.

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.

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.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the 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, 2023 and is attached hereto as “APPENDIX – E”. Certain financial information of the District can be found attached as Appendices to the Official Statement.

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State by the 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 issues 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.

New York State Comptroller Report of Examination

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

The State Comptroller's office released its most recent audit report of the District on June 14, 2019. The purpose of the audit was to determine whether the Board and District officials effectively managed financial condition and fund balance for the period from July 1, 2017 to October 31, 2018. Key findings and recommendations of the audit report are summarized below:

Key Findings:

- For the last three completed fiscal years (2015-16 through 2017-18) surplus fund balance exceeded the statutory limit by \$1.15 to \$1.83 million or 5.3 to 8.5 percentage points.
- The District has generated operating surpluses totaling approximately \$1.5 million over the last three fiscal years. Although total budget variances were generally reasonable, District officials failed to use surplus funds in a manner that benefits the taxpayers and reduces the surplus fund balance.
- District officials have not developed a comprehensive multiyear financial plan.

Key Recommendations:

- Reduce the surplus fund balance to within the statutory limit and use the surplus funds to finance one-time expenditures or needed reserves, pay off debt or reduce property taxes.
- Develop a comprehensive multiyear financial plan.

The District provided a complete response to the State Comptroller's office on May 15, 2019. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

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

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

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 to Fiscal Stress” or “No Designation”. Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of “No Designation.” This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity’s financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past three fiscal years of the District are as shown on the following page:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2023	No Designation	16.7
2022	No Designation	13.3
2021	No Designation	8.3

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

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

TAX INFORMATION

Taxable Valuations

Total Taxable Assessed Valuations:

<u>Years Ending June 30:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	\$ 143,689,166	\$ 144,898,655	\$ 145,832,077	\$ 147,228,592	\$ 148,456,317

Full Valuation Computed Using Regular State Equalization Rates:

<u>Years Ending June 30:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	\$ 319,490,546	\$ 331,563,709	\$ 352,584,407	\$ 384,603,163	\$ 434,419,733

Note: On November 7, 2023, State voters approved a proposed amendment to the State Constitution that removed a constitutional debt limitation previously imposed on small city school districts. A small city school district is one that is partly or wholly within a city having fewer than one hundred twenty-five thousand inhabitants. The State Constitution previously provided that small city school districts were not allowed to contract indebtedness for education purposes that would exceed an amount equal to five percent of the average full valuation of taxable real estate in the school district. The approved amendment to the State Constitution eliminated that constitutional debt limitation applicable to small city school districts, rendering small city school districts subject to the same ten percent limitation applicable to other school districts in the State.

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
City of: Little Falls	\$ 144.50	\$ 150.12	\$ 155.50	\$ 158.07	\$ 155.58
Towns of: Danube	35.20	35.56	35.64	35.49	35.01
Fairfield	36.74	36.03	34.67	35.39	37.51
Herkimer	30.34	29.86	29.66	30.01	30.89
Little Falls	38.13	37.80	36.65	36.48	36.85
Manheim	40.98	40.94	39.78	38.87	37.51
Stark	49.29	49.13	48.32	48.58	47.44

Tax Collection Procedure

Tax payments are due September 1 of each year. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged for the next 30 days. On November 1 uncollected taxes are returnable to the County for collection. The School District receives this amount from the County prior to the end of the School District’s fiscal year, thereby assuring 100% tax collection annually. Tax sales are held annually by the County.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Total Tax Levy	\$ 8,786,172	\$ 8,959,488	\$ 9,046,365	\$ 9,119,159	\$ 9,124,491
Amount Uncollected ⁽¹⁾	1,236,767	1,477,416	709,551	1,288,611	1,259,447
% Uncollected	14.08%	16.49%	7.84%	14.13%	13.80%

Note: The 2024-2025 tax levy is \$9,253,763.

⁽¹⁾ The District is reimbursed by the County for all unpaid taxes. See “Tax Collection Procedure” herein.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years, unaudited figures for the 2023-2024 fiscal year and budgeted figures for the 2024-2025 fiscal year comprised of Real Property Taxes.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes & Tax Items</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2018-2019	\$22,037,516	\$8,796,834	39.92%
2019-2020	22,498,423	8,974,084	39.89
2020-2021	22,975,235	9,187,392	39.99
2021-2022	24,975,293	9,300,871	36.91
2022-2023	28,567,233	9,401,187	32.91
2023-2024 (Unaudited)	31,425,029	9,330,705	29.69
2024-2025 (Budgeted)	33,912,608	9,253,763	27.29

Source: Audited financial statements for the 2018-2019 fiscal year through and including the 2022-2023 fiscal year, unaudited estimates for the 2023-2024 fiscal year and the budget of the District for the 2024-2025 fiscal year. This table is not audited.

Ten Larger Taxpayers – 2022 Assessment Roll for 2022-23 District Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Full Valuation</u>
National Grid/NiMo	Utility	\$14,028,878
Iroquois Gas Co.	Utility	6,967,321
Xpress Natural Gas, LLC	Energy	5,400,000
CSX Transportation, Inc.	Transportation	4,669,954
Eagle Creek Renewable Energy, LLC	Energy	1,568,700
Time Warner Cable	Utility	1,020,500
575 East Mill Street, LLC	Manufacturer	839,900
Twin Rivers, LLC	Manufacturing	697,000
Verizon	Utility	635,088
YEY Group, LLC	Commercial	569,470

The larger taxpayers listed above have a total estimated full valuation of \$36,396,811 which represents 24.52% of the tax base of the School District.

The District experiences the impact of tax certiorari filings on a regular basis. At this time, the level of tax certiorari filings are within acceptable norms and are not anticipated or believed to have a material impact on the District’s finances.

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.

The STAR program provides State-funded exemptions from school property taxes to homeowners for their primary residences. 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 \$90,550 or less in 2021-22 and \$92,000 or less in 2022-2023, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$70,700 for the 2021-22 school year and \$74,900 for the 2022-23 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

The 2022-23 Enacted State Budget provided \$2.2 billion in State funding for a new 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 municipalities applicable to the District:

<u>Municipality:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
City of Little Falls	\$ 11,340	\$ 4,050	4/9/2024
Town of Danube	50,400	18,000	4/9/2024
Town of Fairfield	48,540	17,890	4/9/2024
Town of Herkimer	57,240	21,090	4/9/2024
Town of Little Falls	47,880	17,360	4/9/2024
Town of Manheim	47,040	16,800	4/9/2024
Town of Stark	37,190	13,280	4/9/2024

\$1,232,650 of the District’s \$9,124,491 school tax levy for the 2023-2024 fiscal year was exempt by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January 2024. *Revised STAR amount.*

Approximately \$1,400,000 of the District’s \$9,253,763 school tax levy for the 2024-2025 fiscal year is expected to be exempt by the STAR Program. The District anticipates receiving full reimbursement of such exempt taxes from the State in January 2025.

Additional Tax Information

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

Senior citizens' exemptions are offered to those who qualify.

The total valuation of the School District is estimated to be categorized as follows: Residential-6%, Commercial-40% and Other – 54%.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the School District is approximately \$4,678 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, recent legislation has 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.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty of the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, as has been noted under "NATURE OF THE OBLIGATION," 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.

There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limitation Law imposes a statutory limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in such law. See "TAX LEVY LIMITATION LAW" herein.

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.

Debt Limit. The District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed five per centum of the average full valuation of the taxable real estate of the District and subject to certain enumerated deductions and exclusions set forth in the Local Finance Law. The constitutional method for determining average full valuation is by taking the assessed valuation of taxable real estate for the last five completed assessment rolls and applying thereto the ratio (special equalization ratio) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

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. No down payment is required in connection with the issuance of District obligations.

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

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

- (1) (a) Such obligations are authorized for a purpose for which the District is not authorized to expend money or

- (b) 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

(2) Such obligations are authorized in violation of the provisions of the Constitution.

The District generally complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, in connection with the adoption of bond resolutions, but it is not an absolute legal requirement and it is not a requirement in connection with the issuance of revenue anticipation 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.

Statutory Law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See “Payment and Maturity” under “Constitutional Requirements” herein, and “Details of Outstanding Indebtedness” herein).

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.

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see “Details of Outstanding Indebtedness” herein).

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30th:</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Bonds	\$ 3,009,386	\$ 2,305,891	\$ 1,868,365	\$ 29,631,565	\$ 27,391,351
Bond Anticipation Notes	<u>1,600,000</u>	<u>5,800,000</u>	<u>29,306,330</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$ 4,609,386</u>	<u>\$ 8,105,891</u>	<u>\$ 31,174,695</u>	<u>\$ 29,631,565</u>	<u>\$ 27,391,351</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the District evidenced by bonds and notes as of June 28, 2024.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2024-2025	\$ 25,127,113
<u>Bond Anticipation Notes</u>	--	0
<u>Revenue Anticipation Notes</u>	July 12, 2024	<u>1,385,280</u>
	Total Indebtedness	<u>\$ 26,512,393</u>

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Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 28, 2024:

Full Valuation of Taxable Real Property	\$	434,419,733
Debt Limit 10% thereof ⁽¹⁾		43,441,973

Inclusions:

Bonds.....	\$	25,127,113
Bond Anticipation Notes		<u>0</u>
Total Inclusions.....		<u>\$ 25,127,113</u>

Exclusions:

State Building Aid ⁽²⁾	\$	<u>0</u>
Total Exclusions.....		<u>\$ 0</u>

Total Net Indebtedness\$ 25,127,113

Net Debt-Contracting Margin.....\$ 18,314,860

The percent of debt contracting power exhausted is 57.84%

⁽¹⁾ On November 7, 2023, State voters approved a proposed amendment to the State Constitution that removed a constitutional debt limitation previously imposed on small city school districts. A small city school district is one that is partly or wholly within a city having fewer than one hundred twenty-five thousand inhabitants. The State Constitution previously provided that small city school districts were not allowed to contract indebtedness for education purposes that would exceed an amount equal to five percent of the average full valuation of taxable real estate in the school district. The approved amendment to the State Constitution eliminated that constitutional debt limitation applicable to small city school districts, rendering small city school districts subject to the same ten percent limitation applicable to other school districts in the State.

⁽²⁾ Based on preliminary 2024-2025 building aid estimates, the District anticipates State Building aid of 96.6% 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.

Note: 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.

Bonded Debt Service

A schedule of bonded debt service may be found in “APPENDIX – B” to this Official Statement.

Capital Project Plans

The District anticipates borrowing funds in the 2024-2025 fiscal year for the purchase of a 65-passanger bus with a not to exceed limit of \$175,000.

Other than noted above, there are currently no capital projects authorized or unissued by the District, nor are any contemplated.

Cash Flow Borrowings

The District issued revenue anticipation notes on July 13, 2023 pursuant to a revenue anticipation note resolution duly adopted by the Board of Education, on June 13, 2023 in anticipation of the receipt of 2023-2024 State Aid payments and other revenues to be received by the District in the 2023-2024 fiscal year.

The Notes are being issued pursuant to a revenue anticipation note resolution that is anticipated to be adopted by the Board of Education, on July 1, 2024 in anticipation of the receipt of 2024-2025 State Aid payments and other revenues to be received by the District in the 2024-2025 fiscal year.

The District is planning an additional revenue anticipation note issuance in the amount of \$1,038,960 in anticipation of the receipt of 2024-2025 State Aid payments and other revenues to be received by the District in the 2024-2025 fiscal year.

Other than as stated above the School District has not issued tax and/or revenue anticipation notes in the past five fiscal years and does not plan on issuing any in the foreseeable future.

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 bonds and bond anticipation notes are listed as of the respective municipalities.

<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:						
Herkimer	12/31/2022	\$ 16,651,343	\$ -	\$ 16,651,343	6.60%	\$ 1,098,989
City of:						
Little Falls	12/31/2022	4,899,482	-	4,899,482	100.00%	4,899,482
Town of:						
Danube	12/31/2022	178,903	-	178,903	64.48%	115,357
Fairfield	12/31/2022	-	-	-	3.20%	-
Herkimer	12/31/2022	733,379	-	733,379	0.60%	4,400
Little Falls	12/31/2022	240,000	-	240,000	71.58%	171,792
Manheim	12/31/2022	155,000	-	155,000	24.82%	38,471
Stark	12/31/2022	736,600	-	736,600	1.53%	11,270
Total:						<u>\$ 6,339,761</u>

(1) Bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.

(2) Water and sewer debt and appropriations are not available on the most recent State Comptroller's Report on Municipal Affairs for Local Finance Years Ended in 2022.

Source: Most recent available State Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2022 for the counties and towns listed above.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 28, 2024:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 25,127,113	\$ 3,829.77	5.78%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	31,466,874	4,796.05	7.24

(a) The current estimated population of the District is 6,561. (See "THE SCHOOL DISTRICT – Population" herein.)

(b) The District's full value of taxable real estate for the 2022-2023 fiscal year using regular state equalization rates is \$434,419,733.

(c) See "Debt Statement Summary" for the calculation of Net Direct Indebtedness, herein.

(d) Estimated net overlapping indebtedness is \$6,339,761. (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 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 Note when duly issued and paid for will constitute a contract between the District and the holder thereof. Under current law, provision is made for contract creditors of the 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 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 District may not be enforced by levy and execution against property owned by the 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.

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 District indebtedness is past due. The 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 investment risk.

The financial and economic 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 and in other jurisdictions, 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 another jurisdiction 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 and revenues 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 some 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 “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.

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.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. Any such future legislation would have an adverse effect on the market value of 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.

TAX MATTERS

The Notes

Hodgson Russ LLP, of Albany, New York, Bond Counsel, will deliver an opinion that, under existing law, the interest on the Notes is excluded from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for the purpose of the individual alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the “Code”). Interest on the Notes will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax. However, such opinion will note that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes. Prospective purchasers should consult their tax advisers as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Notes. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Tax Requirements

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

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

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

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

Bank Qualified

The Notes will be designated as “qualified tax-exempt obligations” pursuant to Code section 265.

Other Impacts

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

Information Reporting and Backup Withholding

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

Future Legislation

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

No representation is made as to the likelihood of such proposals being enacted, or if enacted, the effective date of any such legislation, and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Notes or the tax consequences of ownership of the Notes.

Prospective purchasers of the Notes should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Notes at other than their original issuance at the respective prices set indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations, such as the consequences of market discount, as to which Bond Counsel expresses no opinion.

New York State Taxes

In the opinion of Bond Counsel, interest on the Notes is exempt, under existing statutes, from New York State and New York City personal income taxes.

Miscellaneous

All quotations from and summaries and explanations of provisions of laws do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes. Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Notes may affect the tax status of interest on the Notes. Unless separately engaged, Bond Counsel is not obligated to defend the District or the owners of the Notes regarding the tax status of the interest thereon in the event of an audit examination by the Service.

ALL PROSPECTIVE PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE NOTES.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Hodgson Russ LLP, Bond Counsel, Albany, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Village, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon (Subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York), without limitation as to rate or amount, provided, that the enforceability (but not the validity) of the Notes may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or Federal) affecting the enforcement of creditors' rights, (a) may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or federal) affecting the enforcement of creditors' rights, and (b) may be subject to the exercise of judicial discretion in appropriate cases, (ii) the District has the power to comply with its covenant included in its arbitrage certificate with respect to the Notes relating to compliance with the Code as it relates to the Notes; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable existing or future bankruptcy, insolvency or

other law (State or Federal) affecting the enforcement of creditors' rights; and (iii) assuming that the District complies with such covenants interest on the Notes is not includable in the gross income of the owners thereof for Federal income tax purposes under existing statutes and court decisions. Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual alternative minimum tax. Moreover, interest on the Notes may be subject to a branch profits tax of up to 30% when owned by certain foreign corporations. Furthermore, interest on the Notes may be subject to a tax at ordinary income rates when owned by "S Corporations" in certain cases. In addition, we note that, for tax years beginning after December 31, 2022, interest on the Notes will be included in the adjusted financial statement income of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Notes.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's 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 therein; (iii) the opinions expressed therein 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 District together with other legally available sources of revenue, if any, will be sufficient to enable the District to pay the principal of and interest on the Notes as the same respectively become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the Village, would materially affect the ability of the District to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the Village, 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 the light of the circumstances under which they were made, not misleading.

LITIGATION

The District is subject to a number of lawsuits in the ordinary conduct of its affairs. The 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 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 District, threatened against or affecting the District to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), unless the Notes are purchased for the purchaser's own account, as principal for investment and not for resale, the District will enter into a Disclosure Undertaking at closing, the form of which is attached hereto as "APPENDIX – D."

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

A purchaser buying for its own account shall deliver a municipal securities disclosure certificate that documents its intent to purchase the Notes as principal for investment and not for resale (in a form satisfactory to Bond Counsel) establishing that an exemption from the Rule applies.

Historical Compliance

Other than as noted below, 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.

On December 22, 2021, the District issued \$132,189 bonds for the purchase of buses. The District provided notice of the financial obligation on January 13, 2022. In addition, on January 13, 2022 the District provided notice of its failure to provide event filing information in connection with this event within 10 business days as required by its outstanding undertaking agreement.

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 municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. 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 paid by the District to Fiscal Advisors are partially contingent on a successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

If the Notes are issued in book-entry-only format, 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 have a rating completed after the sale at the expense of the purchaser(s) pending the approval of the District, including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA which is required by the District's Continuing Disclosure Undertakings. (See "APPENDIX – D", attached hereto).

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned their underlying rating of "A+" with a stable outlook to the District's outstanding bonds. The rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

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 Notes.

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.

Hodgson Russ LLP, Albany, 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: Mr. Ashraf Allam, Assistant Superintendent of Business and Technology, 15 Petrie Street, Little Falls, New York telephone (315) 823-1470, fax (315) 823-0321, email aallam@lfcisd.org.

The contact information for the District's Bond Counsel is as follows: Mr. A. Joseph Scott, III, Hodgson Russ LLP, 677 Broadway, Suite 401, Albany, NY 12207, telephone (518) 465- 2333, e-mail ascott@hodgsonruss.com.

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

CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS

Dated: June 28, 2024

FRANK MENDEL
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 1,437,308	\$ 1,001,861	\$ 2,483,772	\$ 1,070,875	\$ 1,522,298
Restricted Cash	278,947	555,122	1,314,365	1,080,013	559,640
Due from Other Funds	1,162,021	1,499,246	607,771	1,327,907	1,074,908
Due from Fiduciary Funds	380,976	381,116	-	-	-
State and Federal Aid Receivable	1,192,651	257,963	595,360	1,304,308	440,338
Due from Other Governments	-	704,703	741,125	680,939	1,712,248
Other Receivables	182,995	5,642	108,564	139,839	48,492
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,634,898</u>	<u>\$ 4,405,653</u>	<u>\$ 5,850,957</u>	<u>\$ 5,603,881</u>	<u>\$ 5,357,924</u>
 <u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 344,769	\$ 32,671	\$ 259,595	\$ 220,647	\$ 4,592
Accrued Liabilities	-	80,408	114,940	107,962	64,866
Notes and Loans Payable	-	-	-	-	-
Due to Other Funds	53,947	29,066	412,731	657,015	-
Due to Teachers' Retirement System	98,666	737,696	756,518	866,254	923,124
Due to Employees' Retirement System	876,018	98,666	107,256	101,202	84,848
Overpayments	-	-	70,004	56,803	-
Deferred Revenue	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>\$ 1,373,400</u>	<u>\$ 978,507</u>	<u>\$ 1,721,044</u>	<u>\$ 2,009,883</u>	<u>\$ 1,077,430</u>
 <u>FUND EQUITY</u>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	225,000	555,122	555,561	555,662	559,640
Assigned	257,503	291,042	71,759	40,454	100,397
Unassigned	2,778,995	2,580,982	3,502,593	2,997,882	3,620,457
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	<u>3,261,498</u>	<u>3,427,146</u>	<u>4,129,913</u>	<u>3,593,998</u>	<u>4,280,494</u>
 TOTAL LIABILITIES and FUND EQUITY	 <u>\$ 4,634,898</u>	 <u>\$ 4,405,653</u>	 <u>\$ 5,850,957</u>	 <u>\$ 5,603,881</u>	 <u>\$ 5,357,924</u>

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
REVENUES					
Real Property Taxes	\$ 6,999,454	\$ 7,025,134	\$ 7,279,267	\$ 7,482,072	\$ 7,621,963
Real Property Tax Items	1,786,468	1,771,700	1,694,817	1,705,320	1,678,908
Charges for Services	132,927	120,689	63,140	83,932	77,649
Use of Money & Property	52,404	60,605	33,009	25,260	25,760
Sale of Property and Compensation for Loss	277	5,445	11,590	17,706	22,665
Miscellaneous	352,003	427,336	226,505	457,949	451,445
Revenues from State Sources	12,325,104	12,475,008	13,125,749	12,749,101	14,949,753
Revenues from Federal Sources	63,339	151,599	64,346	453,895	147,150
Total Revenues	<u>\$ 21,711,976</u>	<u>\$ 22,037,516</u>	<u>\$ 22,498,423</u>	<u>\$ 22,975,235</u>	<u>\$ 24,975,293</u>
Other Sources:					
Interfund Transfers	-	-	-	-	223,500
Total Revenues and Other Sources	<u>\$ 21,711,976</u>	<u>\$ 22,037,516</u>	<u>\$ 22,498,423</u>	<u>\$ 22,975,235</u>	<u>\$ 25,198,793</u>
EXPENDITURES					
General Support	\$ 3,329,852	\$ 2,874,274	\$ 2,998,845	\$ 2,863,297	\$ 3,012,790
Instruction	10,597,943	10,530,167	10,824,649	10,763,521	11,072,485
Pupil Transportation	1,044,608	1,090,377	1,159,900	1,103,259	1,266,188
Community Services	-	-	-	-	-
Employee Benefits	6,039,964	6,492,662	6,685,449	6,878,310	7,383,672
Debt Service	670,951	691,078	644,021	658,135	2,992,136
Total Expenditures	<u>\$ 21,683,318</u>	<u>\$ 21,678,558</u>	<u>\$ 22,312,864</u>	<u>\$ 22,266,522</u>	<u>\$ 25,727,271</u>
Other Uses:					
Interfund Transfers	17,850	70,634	19,911	5,946	7,437
Total Expenditures and Other Uses	<u>\$ 21,701,168</u>	<u>\$ 21,749,192</u>	<u>\$ 22,332,775</u>	<u>\$ 22,272,468</u>	<u>\$ 25,734,708</u>
Excess (Deficit) Revenues Over Expenditures	<u>10,808</u>	<u>288,324</u>	<u>165,648</u>	<u>702,767</u>	<u>(535,915)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	2,962,366	2,973,174	3,261,498	3,427,146	4,129,913
Prior Period Adjustments (net) (1)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 2,973,174</u>	<u>\$ 3,261,498</u>	<u>\$ 3,427,146</u>	<u>\$ 4,129,913</u>	<u>\$ 3,593,998</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:	2023			2024	2025
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Adopted Budget
<u>REVENUES</u>					
Real Property Taxes	\$ 9,119,159	\$ 9,119,159	\$ 7,788,628	\$ 9,124,491	\$ 9,253,763
Real Property Tax Items	329,502	329,502	1,612,559	163,337	207,482
Charges for Services	93,000	93,000	39,555	51,500	36,500
Use of Money & Property	30,000	30,000	64,295	30,000	85,000
Sale of Property and Compensation for Loss	-	-	31,029	-	-
Miscellaneous	436,000	478,490	431,451	301,000	421,000
Revenues from State Sources	17,683,922	17,683,922	18,492,179	21,679,881	22,678,863
Revenues from Federal Sources	75,000	75,000	107,537	75,000	80,000
Total Revenues	\$ 27,766,583	\$ 27,809,073	\$ 28,567,233	\$ 31,425,209	\$ 32,762,608
Other Sources:					
Interfund Transfers	-	-	406,930	-	-
Total Revenues and Other Sources	\$ 27,766,583	\$ 27,809,073	\$ 28,974,163	\$ 31,425,209	\$ 32,762,608
<u>EXPENDITURES</u>					
General Support	\$ 3,467,630	\$ 3,361,349	\$ 3,326,099	\$ 5,265,501	\$ 5,230,159
Instruction	12,138,425	12,192,566	12,526,359	13,511,681	14,634,259
Pupil Transportation	1,470,520	1,503,878	1,499,024	1,507,391	1,519,776
Community Services	-	-	-	-	-
Employee Benefits	7,723,575	7,748,056	7,946,187	8,138,091	9,684,169
Debt Service	2,904,433	2,981,678	2,981,678	2,940,545	2,692,245
Total Expenditures	\$ 27,704,583	\$ 27,787,527	\$ 28,279,347	\$ 31,363,209	\$ 33,760,608
Other Uses:					
Interfund Transfers	62,000	62,000	8,320	62,000	152,000
Total Expenditures and Other Uses	\$ 27,766,583	\$ 27,849,527	\$ 28,287,667	\$ 31,425,209	\$ 33,912,608
Excess (Deficit) Revenues Over Expenditures	-	(40,454)	686,496	-	(1,150,000)
<u>FUND BALANCE</u>					
Fund Balance - Beginning of Year	-	-	3,593,998	-	3,643,123
Prior Period Adjustments (net)	-	40,454	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ 4,280,494	\$ -	\$ 2,493,123

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

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Excluding the Bonds		
	Principal	Interest	Total
2024	\$ 2,264,238	\$ 608,073	\$ 2,872,311
2025	2,069,238	547,401	2,616,639
2026	1,816,438	497,072	2,313,510
2027	1,851,438	460,611	2,312,049
2028	1,865,000	423,450	2,288,450
2029	1,900,000	386,150	2,286,150
2030	1,940,000	348,150	2,288,150
2031	1,980,000	309,350	2,289,350
2032	2,020,000	264,800	2,284,800
2033	2,065,000	219,350	2,284,350
2034	2,110,000	172,888	2,282,888
2035	2,155,000	125,413	2,280,413
2036	2,205,000	76,925	2,281,925
2037	1,150,000	27,313	1,177,313
TOTALS	\$ 27,391,351	\$ 4,466,944	\$ 31,858,295

APPENDIX - B1
City School District of the City of Little Falls

BONDS OUTSTANDING

As of June 30, 2021

Fiscal Year Ending June 30th	2019			2019		
	Refunding of 2010 Series Bonds			Buses		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 500,000	\$ 38,500	\$ 538,500	\$ 22,800	\$ 1,879	\$ 24,679
2025	270,000	13,500	283,500	22,800	1,168	23,968
TOTALS	\$ 770,000	\$ 52,000	\$ 822,000	\$ 45,600	\$ 3,047	\$ 48,647

Fiscal Year Ending June 30th	2021			2022		
	Bus Bonds			Capital Project		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 26,438	\$ 2,644	\$ 29,082	\$ 1,715,000	\$ 565,050	\$ 2,280,050
2025	26,438	1,983	28,421	1,750,000	530,750	2,280,750
2026	26,438	1,322	27,760	1,790,000	495,750	2,285,750
2027	26,438	661	27,099	1,825,000	459,950	2,284,950
2028	-	-	-	1,865,000	423,450	2,288,450
2029	-	-	-	1,900,000	386,150	2,286,150
2030	-	-	-	1,940,000	348,150	2,288,150
2031	-	-	-	1,980,000	309,350	2,289,350
2032	-	-	-	2,020,000	264,800	2,284,800
2033	-	-	-	2,065,000	219,350	2,284,350
2034	-	-	-	2,110,000	172,888	2,282,888
2035	-	-	-	2,155,000	125,413	2,280,413
2036	-	-	-	2,205,000	76,925	2,281,925
2037	-	-	-	1,150,000	27,313	1,177,313
TOTALS	\$ 105,751	\$ 6,609	\$ 112,361	\$ 26,470,000	\$ 4,405,288	\$ 30,875,288

CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS

ACTUAL MONTHLY CASH FLOW - 2023-2024

(General Fund)

2023-2024 CASH FLOW	2023		2024									12 MONTH TOTAL	
	July	August	September	October	November	December	January	February	March	April	May		June <i>estimated</i>
Beginning Balance:	\$1,424,600	\$74,829	\$(81,213)	\$5,938,669	\$4,586,062	\$3,116,756	\$2,695,963	\$4,367,570	\$2,464,511	\$5,652,698	\$4,290,920	\$3,752,236	\$1,424,600
Receipts:													
Property Taxes			5,388,463	1,291,525	55,340				1,286,859				8,022,187
STAR Revenues							1,232,651						1,232,651
Sales Tax	-												0
State Aid	427,403	230,034	2,494,730	99,218	1,689,304	1,409,573	3,294,615	1,792,257	4,796,139	908,226	1,693,039	1,693,039	20,527,578
Medicaid	-	14,889	8,905		8,107		12,385		13,461	7,867	19,679		85,292
Special Aid Fund & SSBA	-	506,539		87,214	902,796	7,412			5,719				1,509,680
BOCES Aid		12,340	32,677	23,468	188	1,875		553,610		381,990	1,750		1,007,898
School Food Service Aid	41,970			78,631	21,693	177,930	69,274	83,818	67,046	67,114	91,622	67,000	766,098
Retiree Insurance	1,213	4,278	1,900	3,360	1,977	3,586	4,792	3,079	2,540	3,108	42,995	10,000	82,828
Miscellaneous Receipts	112,419	217,899	160,895	163,134	55,249	12,918	54,700	3,923	5,703	62,450	11,152		860,440
Interest	2,580	186	817	12,914	11,042	7,333	5,658	4,348	5,561	9,042	7,877		67,357
RAN & Bond Issue	1,388,605												1,388,605
Total Receipts	\$1,974,189	\$986,164	\$8,088,387	\$1,759,463	\$2,745,696	\$1,620,627	\$4,674,076	\$2,441,034	\$6,183,028	\$1,439,796	\$1,868,114	\$1,770,039	\$35,550,615
Total Available Cash	\$3,398,790	\$1,060,994	\$8,007,174	\$7,698,133	\$7,331,758	\$4,737,382	\$7,370,039	\$6,808,604	\$8,647,539	\$7,092,494	\$6,159,034	\$5,522,276	\$36,975,215
Disbursements:													
Payroll and Fica/Med	287,958	250,021	917,315	1,392,698	888,929	942,446	880,678	874,437	1,397,248	892,168	955,908	2,146,287	11,826,096
Health/Dental Insurance	964,939	513,648	545,375	527,211	525,374		1,040,007	505,218	523,193	521,083	522,043	523,000	6,711,092
Accounts Payable	403,258	353,858	605,814	1,172,911	1,284,201	566,115	650,361	473,330	635,858	442,905	493,744	691,116	7,773,472
BOCES	1,385,280				1,516,499	503,776	431,422	493,582	438,542	426,168	435,103	500,000	6,130,372
Debt Service RAN/BAN													0
BAN Principal													0
BAN Interest													0
RAN Principal & Interest													0
Bond Principal		22,800				26,438		1,715,000		500,000			2,264,238
Bond Interest	282,525	1,879		19,250		2,644		282,525		19,250			608,073
Total Disbursements	\$3,323,960	\$1,142,207	\$2,068,505	\$3,112,071	\$4,215,003	\$2,041,419	\$3,002,469	\$4,344,093	\$2,994,841	\$2,801,575	\$2,406,798	\$3,860,403	\$35,313,343
Ending Balance:	\$74,829	\$(81,213)	\$5,938,669	\$4,586,062	\$3,116,756	\$2,695,963	\$4,367,570	\$2,464,511	\$5,652,698	\$4,290,920	\$3,752,236	\$1,661,872	\$1,661,872

CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS

ESTIMATED MONTHLY CASH FLOW -2024-2025

(General Fund)

2023-2024 CASH FLOW	2024												12 MONTH TOTAL
	July	August	September	October	November	December	January	February	March	April	May	June	
Beginning Balance:	\$1,661,872	\$384,290	\$(354,333)	\$4,899,407	\$4,753,496	\$3,272,688	\$2,134,932	\$3,005,639	\$973,677	\$4,064,187	\$2,861,110	\$2,214,013	\$1,661,872
Receipts:													
Property Taxes			\$ 4,500,000	\$ 2,609,769	\$ 70,000			-	1,290,000	-			8,469,769
STAR Revenues													0
Sales Tax	-												0
State Aid		230,034	2,494,730	99,218	1,689,304	1,409,573	3,294,615	1,792,257	4,796,139	908,226	1,693,039	1,693,039	20,100,175
Medicaid	-	-	8,905	-	8,107	-	12,385		13,461	7,867	19,679		70,403
Special Aid Fund & SSBA	-	506,539	-	87,214	902,796	7,412	-		5,719				1,509,680
BOCES Aid		-	603,490					553,610		381,990	1,750		1,540,840
School Food Service Aid		-	-	90,000	90,000	80,000	75,000	80,000	75,000	80,000	80,000	90,000	740,000
Retiree Insurance	1,213	4,278	1,900	3,360	1,977	3,586	4,792	3,079	2,540	3,108	42,995	10,000	82,828
Miscellaneous Receipts			182,482	163,134	55,249	12,918	54,700	3,923	5,703	62,450	11,152		551,710
Interest													0
RAN & Bond Issue	1,385,280		1,038,960										2,424,240
Total Receipts	\$1,386,493	\$740,850	\$8,830,467	\$3,052,694	\$2,817,434	\$1,513,488	\$3,441,492	\$2,432,868	\$6,188,563	\$1,443,641	\$1,848,616	\$1,793,039	\$35,489,645
Total Available Cash	\$3,048,366	\$1,125,140	\$8,476,133	\$7,952,101	\$7,570,930	\$4,786,176	\$5,576,424	\$5,438,507	\$7,162,240	\$5,507,827	\$4,709,725	\$4,007,052	\$37,151,518
Disbursements:													
Payroll and Fica/Med	298,037	258,772	949,421	1,441,443	920,042	975,432	911,502	905,043	1,446,152	923,394	989,365	2,221,407	12,240,009
Health/Dental Insurance	577,501	577,501	577,501	577,501	577,501	577,501	577,501	577,501	577,501	577,501	577,501	577,501	6,930,006
Accounts Payable	403,258	353,858	605,814	1,172,911	1,284,201	566,115	650,361	473,330	635,858	442,905	493,744	691,116	7,773,472
BOCES	1,385,280		-		1,516,499	503,776	431,422	493,582	438,542	426,168	435,103	500,000	6,130,372
Debt Service RAN/BAN													
BAN Principal		-											-
BAN Interest													-
RAN Principal & Interest			1,443,991										-
Bond Principal		22,800	-			26,438		1,750,000		270,000			2,069,238
Bond Interest		266,543	-	6,750		1,983		265,375		6,750			547,401
Total Disbursements	\$2,664,075	\$1,479,473	\$3,576,727	\$3,198,605	\$4,298,242	\$2,651,244	\$2,570,786	\$4,464,830	\$3,098,053	\$2,646,718	\$2,495,712	\$3,990,024	\$35,690,498
Ending Balance:	\$384,290	\$(354,333)	\$4,899,407	\$4,753,496	\$3,272,688	\$2,134,932	\$3,005,639	\$973,677	\$4,064,187	\$2,861,110	\$2,214,013	\$17,029	\$1,461,020

FORM UNDERTAKING TO PROVIDE NOTICES OF EVENTS

This undertaking to provide notice of certain designated events (the “Disclosure Undertaking”) is executed and delivered by the City School District of the City of Little Falls, a school district of the State of New York (the “Issuer”) in connection with the issuance of its **\$1,358,280 Revenue Anticipation Notes, 2024** (the “Security”). The Security has a stated maturity of 18 months or less. The Issuer hereby covenants and agrees as follows:

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

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

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

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and

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

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

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

Section 2. Definitions

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

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

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

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

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

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

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

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

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

- (a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Security Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Disclosure Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change; provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

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

Section 7. Undertaking to Constitute Written Agreement or Contract. This Disclosure Undertaking shall constitute the written agreement or contract for the benefit of Security Holders, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Disclosure Undertaking as of **July __, 2024**.

CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS

By: /s/_____
President of the Board of Education

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**CITY SCHOOL DISTRICT OF THE CITY OF LITTLE FALLS
HERKIMER COUNTY, NEW YORK**

**FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

JUNE 30, 2023

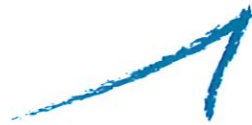
Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

**LITTLE FALLS
CITY SCHOOL DISTRICT**

Little Falls, New York

FINANCIAL REPORT

**For the Year Ended
June 30, 2023**



insero&co

Certified Public Accountants | Business Advisors

LITTLE FALLS CITY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Little Falls City School District
Little Falls, New York

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 Little Falls City School District (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter

During the year ended June 30, 2023, the School District conducted an appraisal of their fixed assets which resulted in a \$8,312,119 loss reported as a special item - change in estimate on the Statement of Activities. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; budgetary comparison schedules; the Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans; the Schedules of the School District's Proportionate Share of the Net Pension (Asset)/Liability; Schedule of Changes in the District's Total OPEB Liability and Related Ratios; and related notes 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 GASB, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit; Schedule of Project Expenditures - Capital Projects Fund; Schedule of Net Investment in Capital Assets; Balance Sheet - Non-Major Governmental Funds; Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds (supplementary information); and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 GAAS. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 6, 2023

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

The following is a discussion and analysis of the Little Falls City School District's (the School District) financial performance for the fiscal year ended June 30, 2023. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

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 School District's budget for the year; Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans; Schedules of the School District's Proportionate Share of the Net Pension (Asset)/Liability; and a Schedule of Changes in the School District's total OPEB Liability and Related Ratios related to the School District's unfunded actuarial liability for postemployment benefits.

District-Wide Financial Statements

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

The two District-wide financial statements report the School District's net position and how it has changed. Net Position - the difference between the School District's assets and deferred outflows of resources, and the School District's liabilities and deferred inflows of resources - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School 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 School District's funds, focusing on its most significant or "Major" Funds, not on the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The School District has two kinds of funds:

- **Governmental Funds:** Most of the School 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 one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Fund financial statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Student Activities Funds. The School 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 School 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

The School District's combined net deficit for the fiscal year ended June 30, 2023 increased by \$8,679,923. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2023</i>	<i>2022</i>	
<i>Current Assets</i>	\$ 5,015,092	\$ 5,613,302	\$ (598,210)
<i>Noncurrent Assets</i>	936,519	9,191,255	(8,254,736)
<i>Capital Assets, Net</i>	34,948,638	43,831,543	(8,882,905)
<i>Total Assets</i>	40,900,249	58,636,100	(17,735,851)
<i>Total Deferred Outflows of Resources</i>	15,874,602	18,058,926	(2,184,324)
<i>Current Liabilities</i>	3,877,830	4,771,056	(893,226)
<i>Noncurrent Liabilities</i>	93,673,709	97,161,893	(3,488,184)
<i>Total Liabilities</i>	97,551,539	101,932,949	(4,381,410)
<i>Total Deferred Inflows of Resources</i>	7,888,567	14,747,409	(6,858,842)
<i>Net Investment in Capital Assets</i>	7,038,761	13,705,533	(6,666,772)
<i>Restricted</i>	1,000,476	1,651,710	(651,234)
<i>Unrestricted</i>	(56,704,492)	(55,342,575)	(1,361,917)
<i>Total Net (Deficit)</i>	\$ (48,665,255)	\$ (39,985,332)	\$ (8,679,923)

Significant changes from the prior year are as follows:

- Current assets decreased primarily due to decreases in restricted cash in the Capital Fund as capital projects were substantially completed in the current year.
- Capital assets decreased primarily due to a fixed asset valuation performed by a third-party actuary.
- The decreases in noncurrent assets, noncurrent liabilities, deferred outflows of resources, and deferred inflows of resources are primarily related to changes in the actuarially determined proportionate share of the pension systems plan's net pension (asset)/liability and related deferred outflows and inflows of resources, along with recognition of GASB Statement No. 75, based on an actuarial valuation of the School District's OPEB plan.
- Current liabilities decreased primarily due to a decrease in accounts and retainage payable.
- Net investment in capital assets decreased primarily due to fixed asset valuation. The decrease in restricted net position is primarily due to completion of capital projects in the current year.

Our analysis in *Figure 2* considers the operations of the School District's activities.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2023</i>	<i>2022</i>	
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 213,523	\$ 290,643	\$ (77,120)
<i>Operating Grants</i>	2,758,015	4,053,548	(1,295,533)
<i>Capital Grants</i>	-	62,369	(62,369)
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	7,788,628	7,621,963	166,665
<i>Real Property Tax Items</i>	1,612,559	1,678,908	(66,349)
<i>Unrestricted State Sources</i>	18,412,434	14,885,106	3,527,328
<i>Use of Money and Property</i>	65,787	25,774	40,013
<i>Other General Revenues</i>	471,635	315,399	156,236
Total Revenues	\$ 31,322,581	\$ 28,933,710	\$ 2,388,871
PROGRAM EXPENDITURES			
<i>General Support</i>	\$ 5,410,463	\$ 4,005,284	\$ 1,405,179
<i>Instruction</i>	23,204,669	22,786,267	418,402
<i>Pupil Transportation</i>	1,669,278	1,664,493	4,785
<i>School Lunch Program</i>	791,365	684,437	106,928
<i>Interest on Debt</i>	614,610	155,228	459,382
Total Expenditures	\$ 31,690,385	\$ 29,295,709	\$ 2,394,676
<i>Special Item - Change in Estimate</i>	\$ (8,312,119)	\$ -	\$ (8,312,119)
DECREASE IN NET POSITION	\$ (8,679,923)	\$ (361,999)	\$ (8,317,924)

Significant changes from the prior year are as follows:

- Total revenues for the School District's Governmental Activities increased by 8.3%, and total expenses increased by 8.2%.
- Operating grants and capital grants decreased primarily due to decreased state and federal funding for various grant programs.
- State sources increased due to increased allocations of general and BOCES aid in the current year.
- Expenses as a whole increased as a result of changes in OPEB and pension related accounts.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 3 shows the change in the School District's fund balances for the year.

As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balance of \$4,739,837. Capital Projects Fund decreased as remaining debt proceeds were spent on capital projects, while General Fund balance increased as a result of operations.

Figure 3

<i>Governmental Fund Balances</i>	<i>2023</i>	<i>2022</i>	<i>Total Dollar Change</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 4,280,494	\$ 3,593,998	\$ 686,496
<i>Non-Major Funds:</i>			
<i>School Lunch Fund</i>	82,464	79,046	3,418
<i>Capital Projects Fund</i>	-	646,687	(646,687)
<i>Miscellaneous Special Revenue Fund</i>	376,879	392,073	(15,194)
<i>Total Governmental Funds Fund Balance</i>	\$ 4,739,837	\$ 4,711,804	\$ 28,033

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Superintendent approves budgetary transfers that revise the School District budget line items and the Board reviews the transfers. Typically, these budget amendments consist of budget transfers between functions, which do not increase the overall budget. During the current year, the budget was amended for prior year encumbrances, and gifts and donations.

The School District received \$1,165,090 more in General Fund revenues and other financing sources than was budgeted, primarily due to more than expected State sources. Expenditures and other financing uses were higher than the revised budget (with carryover encumbrances) by \$538,537.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Figure 4 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ended June 30, 2023.

Figure 4

<i>Condensed Budgetary Comparison General Fund - 2023</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
<i>REVENUES</i>				
<i>Real Property Taxes</i>	\$ 9,119,159	\$ 9,119,159	\$ 7,788,628	\$ (1,330,531)
<i>Other Tax Items</i>	329,502	329,502	1,612,559	1,283,057
<i>State Sources</i>	17,683,922	17,683,922	18,492,179	808,257
<i>Federal Sources</i>	-	-	21,127	21,127
<i>Other, Including Financing Sources</i>	634,000	676,490	1,059,670	383,180
<i>Total Revenues and Other Financing Sources</i>	\$ 27,766,583	\$ 27,809,073	\$ 28,974,163	\$ 1,165,090
<i>Encumbrances</i>	\$ 40,454	\$ 40,454		
<i>EXPENDITURES</i>				
<i>General Support</i>	\$ 3,472,320	\$ 3,361,349	\$ 3,350,285	\$ 11,064
<i>Instruction</i>	12,174,189	12,192,566	12,602,385	(409,819)
<i>Pupil Transportation</i>	1,470,520	1,503,878	1,499,209	4,669
<i>Employee Benefits</i>	7,723,575	7,748,056	7,946,187	(198,131)
<i>Debt Service</i>	2,904,433	2,981,678	2,981,678	-
<i>Other Financing Uses</i>	62,000	62,000	8,320	53,680
<i>Total Expenditures and Other Financing (Uses)</i>	\$ 27,807,037	\$ 27,849,527	\$ 28,388,064	\$ (538,537)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the School District had invested in a broad range of capital assets. Capital assets, net of related depreciation and amortization, decreased \$8,882,905 during 2023.

Figure 5

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2023</i>	<i>2022</i>	
<i>Land</i>	\$ 28,350	\$ 477,202	\$ (448,852)
<i>Construction in Progress</i>	-	29,799,978	(29,799,978)
<i>Improvements Other Than Buildings, Net</i>	95,084	298,694	(203,610)
<i>Buildings, Net</i>	32,733,060	11,982,895	20,750,165
<i>Equipment, Net</i>	1,324,895	792,459	532,436
<i>Intangible Lease Assets, Net</i>	767,249	480,315	286,934
<i>Total</i>	\$ 34,948,638	\$ 43,831,543	\$ (8,882,905)

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Capital asset activity for the year ended June 30, 2023 included the following:

Construction in Progress	\$ 239,938
Intangible Lease Asset	433,944
Equipment	172,303
Total Additions	846,185
(Less) Change in Estimate	(8,312,119)
(Less) Retainage Closed From Prior Year	(261,296)
(Less) Depreciation Expense	(1,008,665)
(Less) Amortization Expense	(147,010)
	<u>(8,882,905)</u>
Net Change in Capital Assets	\$ (8,882,905)

Debt Administration

Debt, both short and long-term, including lease liabilities, considered a liability of Governmental Activities, decreased by \$1,925,349 in 2023, as shown in *Figure 10*. Total indebtedness represented 161.35% of the constitutional debt limit, exclusive of building aid estimates. The District received consent from the New York State Comptroller to issue obligations in excess of the allowable limit, pursuant to paragraph c of §104.00 of the Local Finance Law.

Figure 6

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2023</i>	<i>2022</i>	
Bonds Payable	\$ 27,428,099	\$ 29,712,481	\$ (2,284,382)
Installment Purchase Debt	16,915	24,253	(7,338)
Lease Liabilities	470,949	104,578	366,371
Total	\$ 27,915,963	\$ 29,841,312	\$ (1,925,349)

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's bond rating is A1.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- In October 2022, the Herkimer-Fulton-Hamilton-Otsego BOCES board approved a \$50 Million Capital Improvement Project using an Inter-Municipal agreement funding structure. The district is responsible for about \$5.3 Million of that amount, to be paid over six years. Although the local share is low after the deduction of BOCES aid, the requirement to pay each annual share in full by July 1 while receiving aid in September presents a cash-flow challenge.
- The School District has experienced steady enrollment numbers while neighboring districts are losing population.
- The special needs population has been growing consistently over the past three years and now constitutes just over 20% of the student body. The cost of providing services is not always predictable and will require building some flexibility into future budgets if the trend continues in the coming years. Over the past year alone, those costs increased by over \$500,000.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Little Falls City School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, please feel free to contact Mr. Ashraf Allan, Business Manager, Little Falls City School District, at 15 Petrie Street, Little Falls, NY 13365; by phone at 315-823-1479; or via e-mail at aallam@lfcfsd.org.

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 1,522,377
Cash and Cash Equivalents - Restricted	19,389
Due From State and Federal Governments	1,693,370
Due From Other Governments	1,712,248
Other Receivables	49,201
Inventories	18,507
Total Current Assets	5,015,092

Noncurrent Assets

Restricted Cash	761,372
Restricted Investments	175,147
Capital Assets, Net:	
Nondepreciable	28,350
Intangible Lease Assets, Net	767,249
Depreciable Capital Assets, Net	34,153,039
Total Noncurrent Assets	35,885,157

Total Assets	40,900,249
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DEFERRED OUTFLOWS OF RESOURCES

Pensions	5,862,991
OPEB	10,005,525
Deferred Charges on Defeased Debt	6,086
Total Deferred Outflows of Resources	15,874,602

LIABILITIES

Current Liabilities

Accounts Payable	16,503
Accrued Liabilities	64,866
Due to Other Governments	803
Bond Interest and Matured Bonds	236,418
Overpayments and Collections in Advance	25,531
Unearned Revenues - Other	96,099
Due to Teachers' Retirement System	923,124
Due to Employees' Retirement System	84,848

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION (CONTINUED) JUNE 30, 2023

LIABILITIES (CONTINUED)

Current Portion of Long-Term Liabilities

Bonds Payable	\$ 2,291,446
Installment Purchase Debt	7,448
Due to Retirement Systems	34,241
Lease Liabilities	96,503
Total Current Liabilities	3,877,830

Noncurrent Liabilities and Obligations

Bonds Payable	25,136,653
Installment Purchase Debt	9,467
Due to Retirement Systems	16,229
Lease Liabilities	374,446
Compensated Absences	829,141
Other Postemployment Benefits Liability	64,762,545
Net Pension Liability - Proportionate Share	2,545,228
Total Noncurrent Liabilities and Obligations	93,673,709

Total Liabilities	97,551,539
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DEFERRED INFLOWS OF RESOURCES

Pensions	703,959
OPEB	7,184,608

Total Deferred Inflows of Resources	7,888,567
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NET POSITION

Net Investment in Capital Assets	7,038,761
Restricted	1,000,476
Unrestricted Net (Deficit)	(56,704,492)
Total Net (Deficit)	\$ (48,665,255)

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General Support	\$ 5,410,463	\$ -	\$ -	\$ (5,410,463)
Instruction	23,204,669	125,965	2,114,998	(20,963,706)
Pupil Transportation	1,669,278	-	-	(1,669,278)
School Lunch Program	791,365	87,558	643,017	(60,790)
Interest on Debt	614,610	-	-	(614,610)
Total Functions and Programs	\$ 31,690,385	\$ 213,523	\$ 2,758,015	(28,718,847)

GENERAL REVENUES

Real Property Taxes	7,788,628
Real Property Tax Items	1,612,559
Use of Money and Property	65,787
Unrestricted State Sources	18,412,434
Sale of Property	31,029
Miscellaneous	440,606

Total General Revenues 28,351,043

Special Item

Change in Accounting Estimate (8,312,119)

Change in Net Position (8,679,923)

Total Net (Deficit) - Beginning of Year (39,985,332)

Total Net (Deficit) - End of Year **\$ (48,665,255)**

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2023

	Major Funds		Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Special Aid Fund		
ASSETS				
Cash and Cash Equivalents - Unrestricted	\$ 1,522,298	\$ -	\$ 79	\$ 1,522,377
Cash and Cash Equivalents - Restricted	559,640	-	221,121	780,761
Investments - Restricted	-	-	175,147	175,147
Due From Other Funds	1,074,908	-	-	1,074,908
Due From State and Federal Governments	440,338	1,208,370	44,662	1,693,370
Due From Other Governments	1,712,248	-	-	1,712,248
Other Receivables	48,492	-	709	49,201
Inventories	-	-	18,507	18,507
Total Assets	\$ 5,357,924	\$ 1,208,370	\$ 460,225	\$ 7,026,519
LIABILITIES				
Payables				
Accounts Payable	\$ 4,592	\$ 11,911	\$ -	\$ 16,503
Accrued Liabilities	64,866	-	-	64,866
Due to Other Funds	-	1,074,829	79	1,074,908
Due to Other Governments	-	-	803	803
Due to Teachers' Retirement System	923,124	-	-	923,124
Due to Employees' Retirement System	84,848	-	-	84,848
Overpayments and Collections in Advance	-	25,531	-	25,531
Unearned Revenues	-	96,099	-	96,099
Total Liabilities	1,077,430	1,208,370	882	2,286,682
FUND BALANCES				
Nonspendable	-	-	18,507	18,507
Restricted	559,640	-	440,836	1,000,476
Assigned	100,397	-	-	100,397
Unassigned	3,620,457	-	-	3,620,457
Total Fund Balances (Deficit)	4,280,494	-	459,343	4,739,837
Total Liabilities and Fund Balances	\$ 5,357,924	\$ 1,208,370	\$ 460,225	\$ 7,026,519

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2023

Fund Balances - Total Governmental Funds **\$ 4,739,837**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation and amortization, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total Historical Cost	\$ 67,716,442	
(Less) Accumulated Depreciation	(32,381,669)	
(Less) Accumulated Amortization	<u>(386,135)</u>	34,948,638

The School District's proportionate share of the Employee Retirement Systems' collective net pension asset or liability is not reported in the funds.

ERS Net Pension Asset/Liability - Proportionate Share	\$ (1,658,220)	
TRS Net Pension Asset/Liability - Proportionate Share	<u>(887,008)</u>	(2,545,228)

Deferred outflows of resources, including deferred charges on defeased debt, OPEB, and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including OPEB and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Charges on Defeased Debt	\$ 6,086	
Deferred Outflows of Resources - OPEB	10,005,525	
Deferred Inflows of Resources - OPEB	(7,184,608)	
ERS Deferred Outflows of Resources - Pension	1,164,110	
ERS Deferred Inflows of Resources - Pension	(82,704)	
TRS Deferred Outflows of Resources - Pension	4,698,881	
TRS Deferred Inflows of Resources - Pension	<u>(621,255)</u>	7,986,035

Long-term liabilities, including bonds payable, lease liabilities, employee retirement incentive, compensated absences, and amounts due for other postemployment employee benefits are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	\$ (27,391,351)	
Unamortized Bond Premium	(36,748)	
Installment Purchase Debt	(16,915)	
Lease Liabilities	(470,949)	
Compensated Absences	(829,141)	
Other Postemployment Benefits Liabilities	(64,762,545)	
Due to Retirement Systems	<u>(50,470)</u>	(93,558,119)

Interest is accrued on outstanding balances of debt obligations in the District-wide financial statements.

Accrued Interest on Long-Term Debt		<u>(236,418)</u>
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Net (Deficit) of Governmental Activities **\$ (48,665,255)**

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	Major Funds		Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Special Aid Fund		
REVENUES				
Real Property Taxes	\$ 7,788,628	\$ -	\$ -	\$ 7,788,628
Real Property Tax Items	1,612,559	-	-	1,612,559
Charges for Services	39,555	-	-	39,555
Use of Money and Property	64,295	-	1,492	65,787
Sale of Property and Compensation for Loss	31,029	-	-	31,029
Miscellaneous	431,451	-	11,402	442,853
State Sources	18,492,179	213,636	12,969	18,718,784
Medicaid Reimbursement	86,410	-	-	86,410
Federal Sources	21,127	1,800,490	630,048	2,451,665
Sales - School Lunch	-	-	85,311	85,311
Total Revenues	28,567,233	2,014,126	741,222	31,322,581
EXPENDITURES				
General Support	3,326,099	-	-	3,326,099
Instruction	12,526,359	2,036,294	389,175	14,951,828
Pupil Transportation	1,499,024	(13,848)	-	1,485,176
Employee Benefits	7,946,187	-	27,504	7,973,691
Debt Service				
Principal	2,315,125	-	-	2,315,125
Interest	666,553	-	-	666,553
Cost of Sales	-	-	336,138	336,138
Capital Outlay	-	-	673,882	673,882
Total Expenditures	28,279,347	2,022,446	1,426,699	31,728,492
Excess (Deficiency) of Revenues Over Expenditures	287,886	(8,320)	(685,477)	(405,911)
OTHER FINANCING SOURCES AND (USES)				
Proceeds of Obligations	-	-	433,944	433,944
Operating Transfers In	406,930	8,320	-	415,250
Operating Transfers (Out)	(8,320)	-	(406,930)	(415,250)
Total Other Sources (Uses)	398,610	8,320	27,014	433,944
Net Change in Fund Balance	686,496	-	(658,463)	28,033
Fund Balances - Beginning of Year	3,593,998	-	1,117,806	4,711,804
Fund Balances (Deficit) - End of Year	\$ 4,280,494	\$ -	\$ 459,343	\$ 4,739,837

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

Net Change in Fund Balances - Total Governmental Funds **\$ 28,033**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.

Capital Outlay	\$ 584,889	
Amortization Expense	(147,010)	
Depreciation Expense	<u>(1,008,665)</u>	(570,786)

In the Statement of Activities, the net gain/loss related to a change in accounting estimate is recognized as a general revenue. As this change in accounting estimate is related to capital assets, it is not reported in the Governmental Fund financial statements.

Change in Estimate	\$ <u>(8,312,119)</u>	(8,312,119)
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Bond and lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, BAN premiums are recognized as revenue in the fund financial statements, but are amortized against interest expense in the Government-wide statements.

Installment Purchase Payment	\$ 7,338	
Proceeds of Leases	(433,944)	
Principal Payment - Leases	67,573	
Principal Payments and Refunded Debt	<u>2,240,214</u>	1,881,181

Long-term liabilities, such as those associated with employee benefits, and retainage payable are reported in the Statement of Net Position. Therefore, expenses which result in an increase or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to other postemployment benefits do not affect current financial resources and are, also, not reported in the Governmental Funds.

Other Postemployment Benefits Liabilities	\$ (1,598,858)	
Employee Retirement Incentive	49,732	
Retainage Payable	261,296	
Compensated Absences	<u>98,794</u>	(1,189,036)

Interest expense reported in the Statement of Activities includes changes in accrued interest, premiums on obligations, and deferred charges from advance refunding of bonds. These items are not included in interest expense in the Governmental Fund financial statements.

Amortization of Bond Premium	\$ 44,168	
Amortization of Deferred Amounts on Refunded Debt	(7,314)	
Change in Accrued Interest	<u>15,089</u>	51,943

Changes in the School District's proportionate share of net pension assets and liabilities have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not affect current financial resources and are, also, not reported in the Governmental Funds.

TRS	\$ (219,190)	
ERS	<u>(349,949)</u>	<u>(569,139)</u>

Net Change in Net Position of Governmental Activities **\$ (8,679,923)**

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2023

	<u>Custodial Funds</u>
ASSETS	
Cash - Unrestricted	<u>\$ 58,224</u>
Total Assets	<u><u>\$ 58,224</u></u>
NET POSITION	
Extraclassroom Activity Funds Balance	<u>\$ 58,224</u>
Total Net Position	<u><u>\$ 58,224</u></u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Extraclass Receipts	\$ 75,596
Total Additions	<u>75,596</u>
DEDUCTIONS	
Extraclass Disbursements	<u>77,755</u>
Change in Net Position	(2,159)
Net Position - Beginning of Year	<u>60,383</u>
Net Position - End of Year	<u><u>\$ 58,224</u></u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies**

The accompanying financial statements of the Little Falls City School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

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

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended:

- The primary government, which is the Little Falls City School District;
- 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 basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School 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 Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the Little Falls City School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's office, located 15 Petrie St. Little Falls, NY 13365.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Joint Venture

The Little Falls City School District is one of the component school districts in the Herkimer/Fulton/Hamilton/Otsego 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 that 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 (GML).

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

Separate financial statement of Herkimer/Fulton/Hamilton/Otsego Counties BOCES may be obtained by contacting the Executive Director of Business, Herkimer / Fulton / Hamilton / Otsego BOCES, 352 Gros Boulevard, Herkimer, NY 13350.

Basis of Presentation - District-Wide Financial Statements

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

The Statement of Net Position presents the financial position of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those specifically associated with and 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 restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Governmental Fund Financial Statements

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds - Accounts for the proceeds of specific revenue sources (other than capital projects) legally restricted to expend for specific purposes.**
 - **Special Aid Fund:** Accounts for the proceeds of specific revenue sources, such as federal, state, and local grants, legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

The School District reports the following Non-Major Governmental funds:

- **Special Revenue Funds - Accounts for the proceeds of specific revenue sources (other than capital projects) legally restricted to expend for specific purposes**
 - **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
 - **Miscellaneous Special Revenue Fund:** Accounts for Scholarship Funds awarded to individual students.
- **Capital Projects Fund:** Accounts for the financial resources used for the renovation of the School District's educational complex.

Fiduciary activities are those in which the School 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 School District and are not available to be used.

The School District reports the following Fiduciary Funds:

- **Custodial Fund:** Assets are held by the school District as agent for Extraclassroom Activity Funds.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Measurement Focus and Basis of Accounting

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. Non-exchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned 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 financial 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 School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

Cash and Investments

The School 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 School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (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. Investments are stated at fair value.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 1 Summary of Significant Accounting Policies - Continued

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. 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 School 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 Governmental 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 equal to inventories and prepaid amounts is reported as nonspendable, as these assets are not in spendable form in the current period.

Capital Assets

Capital assets are reported at actual cost for acquisitions, including the right to use assets acquired through financed lease arrangements, subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at acquisition value at the time received.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	15-50 Years
Building Improvements	20,000	15-50 Years
Furniture and Equipment	5,000	8-20 Years
Site Improvements	5,000	15-50 Years

The School District utilizes the straight-line method of depreciation, including amortization of intangible lease assets.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element 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 School District reports a deferred charge on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows of resources related to pensions and Other Postemployment Benefits (OPEB) plans in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions, and OPEB plans are described in Note 9 and 10, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District sometimes reports unavailable revenues under the modified accrual basis of accounting in the Balance Sheet - Governmental Funds. In the Statement of Net Position, the School District also reports deferred inflows of resources related to pensions and OPEB plans which are further described in Note 9 and 10, respectively.

Leases

The School District determines if an arrangement is or contains a lease at inception. The School District records assets and lease obligations for leases, which are initially based on the discounted future minimum lease payments over the term of the lease. The School District uses the rate implicit in the lease agreements. In some cases the implicit rate is not easily determinable, and the School District elects to use its incremental borrowing rate in calculating present value of lease payments.

Lease term is defined as the non-cancelable period of the lease plus any options to extend the lease when it is reasonably certain that it will be exercised. For leases with a term, including renewals, of 12 months or less, no intangible lease assets or lease obligations are recorded on the Statement of Net Position and the School District will recognize short-term lease expense for these leases on a straight-line basis over the lease term.

The School District's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Amortization expense for leases is recognized on the same basis as payments on the lease liabilities and is included in the education expense function. Interest expense is recognized using the effective interest method. Variable payments, short-term rentals, and payments associated with non-lease components are expensed as incurred.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

The Governmental Fund financial statements report unavailable revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed, and revenues are recorded.

Vested Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated annual sick and vacation leave.

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.

School District employees are granted vacation time 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 No. 16, "Accounting for Compensated Absences," the 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 Governmental Fund financial 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.

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 of current financial resources. Claims and judgements, other postemployment benefit payable and compensated absences that will be paid from governmental funds, are reported as a liability in the fund's 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 School 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.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Other Postemployment Benefits (OPEB)

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

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School 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 School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund in the year paid.

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 10 for additional information.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Equity Classifications - District-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, mortgages, notes, payables, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable** - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted** - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- **Committed** - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year and requires the same level of formal action to remove said constraint.
- **Assigned** - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority the Board of Education, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned** - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

The Board of Education of the School District has not adopted any resolutions to commit or assign fund balance. Currently, fund balance is assigned by the Business Official for encumbrances and the Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures, or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within New York State. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- Retirement Contribution Reserve (GML §6-r): Used for the purpose of 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. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the 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 GML §6-r. These reserves are accounted for in the General Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p): Used to reserve funds for payment of accrued employee benefits upon termination of an 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.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 1* Summary of Significant Accounting Policies - Continued**

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1. For the year ended June 30, 2023, the tax lien was issued on August 18, 2022. Taxes were collected during the period September 1, 2022 to November 30, 2022.

Uncollected real property taxes are subsequently enforced by the city and county in which the School District is located. An amount representing uncollected real property taxes must be transmitted by the city to the School District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable. There were no taxes receivable or associated deferred inflows of resources at June 30, 2023.

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the 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, and useful lives of long-lived assets.

New Accounting Standards

The School District adopted and implemented the following current Statement of the Governmental Accounting Standards Board (GASB) effective for the year ended June 30, 2023:

- GASB has issued Statement No. 96, "Subscription-Based Information Technology Arrangements," effective for the year ended June 30, 2023.

Future Changes in Accounting Standards

- GASB has issued Statement No. 101, "Compensated Absences," effective for the year ending June 30, 2025.

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 2 Participation in BOCES

During the year ended June 30, 2023, the School District's share of BOCES income amounted to \$2,068,417. The School District was billed \$4,211,059 for BOCES administration and program costs. Financial statements for the Herkimer County BOCES are available from the BOCES administrative office at 352 Gros Blvd, Herkimer, NY 13350-1446.

Note 3 Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate, and Foreign Currency Risks

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of \$3,342,275 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash and cash equivalents consisted of the following at June 30, 2023:

Restricted for School Lunch	\$	19,389
Restricted for General Fund Reserves		559,640
Restricted for Scholarships		<u>201,732</u>
Total	\$	<u>780,761</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has investments in donated Special Revenue Funds. The School District chooses to disclose its investments by specifically identifying each. The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are categorized as below:

<u>Investments</u>	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Type of Investment</u>	<u>Level</u>
Miscellaneous Special Revenue Fund	\$ 100,381	\$ 100,381	U.S. Mortgage Backed Securities	1
Miscellaneous Special Revenue Fund	<u>74,766</u>	<u>74,766</u>	Certificate of Deposit	2
Total	<u>\$ 175,147</u>	<u>\$ 175,147</u>		

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 3 Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks - Continued

The certificate of deposit is a one-year certificate of deposit maturing on November, 2023.

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

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

Note 4 Interfund Balances and Activity

Interfund balances at June 30, 2023 are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
Major Funds				
General Fund	\$ 1,074,908	\$ -	\$ 406,930	\$ 8,320
Special Aid Fund	-	1,074,829	8,320	-
Non-Major Funds				
Capital Projects Fund	-	79	-	406,930
Total	\$ 1,074,908	\$ 1,074,908	\$ 415,250	\$ 415,250

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 5 Capital Assets

Capital asset balances and activity for the year ended June 30, 2023, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Reclassifications</u>	<u>Ending Balance</u>
Capital Assets That Are Not Depreciated				
Land	\$ 477,202	\$ -	\$ (448,852)	\$ 28,350
Construction in Progress	29,799,978	239,938	(30,039,916)	-
Total Nondepreciable Historical Cost	<u>30,277,180</u>	<u>239,938</u>	<u>(30,488,768)</u>	<u>28,350</u>
Capital Assets That Are Depreciated				
Buildings	38,484,591	-	23,397,012	61,881,603
Improvements Other Than Buildings	926,837	-	1,055,324	1,982,161
Furniture and Equipment	2,285,939	172,303	212,702	2,670,944
Total Depreciable Historical Cost	<u>41,697,367</u>	<u>172,303</u>	<u>24,665,038</u>	<u>66,534,708</u>
Intangible Lease Assets				
Equipment	773,722	433,944	(54,282)	1,153,384
Total Historical Cost	<u>72,748,269</u>	<u>846,185</u>	<u>(5,878,012)</u>	<u>67,716,442</u>
Less Accumulated Depreciation				
Buildings	(26,501,696)	(890,289)	(1,756,558)	(29,148,543)
Improvements Other Than Buildings	(628,143)	(26,483)	(1,232,451)	(1,887,077)
Furniture and Equipment	(1,493,480)	(91,893)	239,324	(1,346,049)
Total Accumulated Depreciation	<u>(28,623,319)</u>	<u>(1,008,665)</u>	<u>(2,749,685)</u>	<u>(32,381,669)</u>
Accumulated Amortization				
Equipment	(293,407)	(147,010)	54,282	(386,135)
Total Historical Cost, Net	<u>\$ 43,831,543</u>	<u>\$ (309,490)</u>	<u>\$ (8,573,415)</u>	<u>\$ 34,948,638</u>

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

General Support	\$ 933,076
Instruction	171,432
Pupil Transportation	48,133
School Lunch Program	3,034
Total Depreciation/Amortization Expense	<u><u>\$ 1,155,675</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 6 Leases

The School District enters into lease agreements for certain equipment that are considered leases. The School District is not party to any material short term leases, and current leases do not require any material variable payments. At June 30, 2023, the School District reported \$1,153,384 in intangible lease assets, offset by accumulated amortization of \$386,135.

At June 30, 2023, the School District reported \$397,185 in intangible lease assets, offset by accumulated amortization of \$100,885, that were not included in the lease liability below. The following is a summary of the School District's intangible leases for the year ended June 30, 2023:

<u>Description of Lease</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Discount Rate</u>	<u>Outstanding June 30, 2023</u>
IPA 2021	7/1/2020	7/1/2024	0.46%	\$ 37,005
IPA 2022	12/1/2023	12/1/2027	5.31%	433,944
Total				<u><u>\$ 470,949</u></u>

The following is a summary of the maturity of lease liabilities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 96,503	\$ 23,229	\$ 119,732
2025	100,735	18,996	119,731
2026	86,557	14,543	101,100
2027	91,156	9,944	101,100
2028	95,998	5,101	101,099
Total	<u><u>\$ 470,949</u></u>	<u><u>\$ 71,813</u></u>	<u><u>\$ 542,762</u></u>

Interest paid for the current year amounted to \$1,925.

Note 7 Long-Term Debt

At June 30, 2023, the total outstanding indebtedness of the School District represented 161.35% of its statutory debt limit, exclusive of building aid. District received consent from the New York State Comptroller to issue obligations in excess of the allowable limit, pursuant to paragraph c of §104.00 of the Local Finance Law. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds (SIBs) - The School District borrows money in order to acquire land or equipment or construct buildings and 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. SIBs are sometimes issued directly with a financial institution or investor and are not offered for public sale. There are no terms that present additional risk to the School District associated with these direct borrowings or placements.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 7 Long-Term Debt - Continued

- **Installment Purchase Debt:** The School District leases equipment with intent to purchase. Accumulated depreciation and net book value of equipment under capital leases at June 30, 2023 is \$19,921 and \$23,526, respectively.

The following is a summary of the School District's long-term debt for the year ended June 30, 2023:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2023</u>
Bonds				
2019 Refunding Bond	07/18/2019	04/15/2025	5.00%	\$ 770,000
2022 Serial Bond	02/03/2022	02/01/2037	2-2.375%	26,470,000
2019 SIB	08/21/2019	08/21/2024	3.40%	45,600
2021 SIB	12/22/2021	12/22/2026	2.50%	105,751
Total Bonds				<u>27,391,351</u>
Installment Purchase Debt				
2020 Bobcat	08/24/2020	10/01/2025	1.49%	16,915
Plus Premium on Refinancing				<u>36,748</u>
Total Indebtedness				<u>\$ 27,445,014</u>

Interest expense on long-term debt during the year was:

Interest Paid	\$ 666,553
(Less) Interest Accrued in the Prior Year	(251,507)
Interest Accrued in the Current Year	236,418
Amortization of Deferred Charges on Defeased Debt	7,314
(Less) Amortization of Bond Premium	<u>(44,168)</u>
Total	<u>\$ 614,610</u>

Interest paid on the Serial Bonds varies from year to year, in accordance with interest rates specified in the bond agreements.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 7 Long-Term Debt - Continued

Long-term debt balances and activity for the year are summarized as follows:

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds	\$ 29,631,565	\$ -	\$ (2,240,214)	\$ 27,391,351	\$ 2,264,238
Installment Purchase Debt	24,253	-	(7,338)	16,915	7,448
Plus: Premium on Refunded Debt	80,916	-	(44,168)	36,748	27,208
Total	<u>\$ 29,736,734</u>	<u>\$ -</u>	<u>\$ (2,291,720)</u>	<u>\$ 27,445,014</u>	<u>\$ 2,298,894</u>

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
2019 Refunding Bonds	\$ 13,400	\$ -	\$ (7,314)	\$ 6,086	\$ 4,506
Total Deferred Charges on Defeased Debt	<u>\$ 13,400</u>	<u>\$ -</u>	<u>\$ (7,314)</u>	<u>\$ 6,086</u>	<u>\$ 4,506</u>

The following is a summary of the maturity of long-term indebtedness:

Year	Principal	Interest	Total
2024	\$ 2,271,686	\$ 608,372	\$ 2,880,058
2025	2,077,433	547,589	2,625,022
2026	1,817,710	497,091	2,314,801
2027	1,851,437	460,611	2,312,048
2028	1,865,000	423,450	2,288,450
2029-2033	9,905,000	1,527,800	11,432,800
2034-2037	7,620,000	402,538	8,022,538
Total	<u>\$ 27,408,266</u>	<u>\$ 4,467,451</u>	<u>\$ 31,875,717</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 7 Long-Term Debt - Continued

On July 18, 2019, the School District issued \$2,620,000 in general obligation bonds, with interest rates ranging between 2.0% and 5.0%. The School District issued the bonds to advance refund the \$2,770,000 outstanding general obligation bonds with an interest rate of 5.00%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$2,770,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$825,000 at June 30, 2023.

Note 8 Other Long-Term Obligations

- Compensated absences represent the value of the earned and unused portion of the liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.
- Due to Retirement Systems: Represents amounts to be amortized for a portion of the School District's prior years' required contributions to the New York State Employees' Retirement system. This liability is liquidated from the General and School Lunch Funds. See Note 9 for further information.

Other Long-Term Obligation balances and activity are summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 927,935	\$ -	\$ (98,794)	\$ 829,141	\$ -
Due to Retirement Systems	100,202	-	(49,732)	50,470	34,241
Total Long-Term Obligations	\$ 1,028,137	\$ -	\$(148,526)	\$ 879,611	\$ 34,241

Changes to other long-term obligations are reported net, as it is impractical to individually determine the amount of additions and deletions during the year.

The following is a summary of the maturity of amounts due to Employees' Retirement System:

Fiscal Year Ending June 30,	Principal
2024	\$ 34,241
2025	16,229
Total	\$ 50,470

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 9* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS) (System)

The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee 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 (RSSL) 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, New York 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Plan Descriptions and Benefits Provided - Continued

Employees' Retirement System (ERS) (System)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer, defined benefit pension plan. 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 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 School 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, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) – Continued

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. System member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions

The School District is required to contribute at an actuarially determined rate. The School District's contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2023	\$ 404,809	\$ 802,511
2022	364,764	711,092
2021	335,542	688,565

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

At June 30, 2023, the School 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, 2023 for ERS and June 30, 2022 for TRS. The total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The School District's proportionate share of the net pension (asset)/liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	ERS	TRS
Actuarial Valuation Date	4/1/2022	6/30/2021
Net Pension (Asset)/Liability	\$ 21,444,032,790	\$ 1,918,891,690
School District's Proportionate Share of the Plan's Total Net Pension (Asset)/Liability	1,658,220	887,008
School District's Share of the Net Pension (Asset)/Liability	0.007733%	0.046225%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

For the year ended June 30, 2023, the School District recognized pension expense of \$619,976 for ERS and \$1,073,939 for TRS in the District-wide financial statements. At June 30, 2023, the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 176,613	\$ 929,472	\$ 46,569	\$ 17,774
Changes of Assumptions	805,338	1,720,645	8,900	357,312
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	1,146,098	9,742	-
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	97,311	47,529	17,493	246,169
School District's Contributions Subsequent to the Measurement Date	84,848	855,137	-	-
Total	\$ 1,164,110	\$ 4,698,881	\$ 82,704	\$ 621,255

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	ERS	TRS
2024	\$ 246,791	\$ 603,931
2025	(66,749)	291,573
2026	358,228	(180,300)
2027	458,288	2,231,774
2028	-	274,716
Thereafter	-	795

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions

The total pension 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 liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2023	June 30, 2022
Actuarial Valuation Date	April 1, 2022	June 30, 2021
Investment Rate of Return	5.9%	6.95%
Salary Increases	4.4%	1.95% - 5.18%
Cost of Living Adjustments	1.5%	1.3%
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 the Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2022 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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2020.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

For ERS, 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 the target asset allocation percentage and by adding expected inflation. For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Measurement Date	ERS	TRS
	March 31, 2023	June 30, 2022
Asset Type		
Domestic Equity	4.3%	6.5%
International Equity	6.9%	7.2%
Global Equity	0.0%	6.9%
Real Estate Equity	4.6%	6.2%
Private Equity	7.5%	9.9%
Opportunistic/ARC Portfolio	5.4%	0.0%
Real Assets	5.8%	0.0%
Credit	5.4%	0.0%
Fixed Income	1.5%	0.0%
Domestic Fixed Income	0.0%	1.1%
Global Bonds	0.0%	0.6%
Private Debt	0.0%	5.3%
Real Estate Debt	0.0%	2.4%
High-Yield Bonds	0.0%	3.3%
Cash Equivalents	0.0%	(0.3)%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially determined. Based on 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 liability.

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

The following presents the School 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 School District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower or higher than the current rate:

<u>ERS</u>	<u>1% Decrease (4.90%)</u>	<u>Current Assumption (5.90%)</u>	<u>1% Increase (6.90%)</u>
School District's Proportionate Share of the Net Pension (Asset)/Liability	\$ 4,007,205	\$ 1,658,220	\$ (304,631)
<u>TRS</u>	<u>1% Decrease (5.95%)</u>	<u>Current Assumption (6.95%)</u>	<u>1% Increase (7.95%)</u>
School District's Proportionate Share of the Net Pension (Asset)/Liability	\$ 8,178,626	\$ 887,008	\$ (5,245,195)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates were as follows:

	<u>Dollars in Thousands</u>	
	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2023	June 30, 2022
Employers' Total Pension	\$ 232,627,259	\$ 133,883,474
Plan Net Position	(211,183,223)	(131,964,582)
Employers' Net Pension (Asset)/Liability	<u>\$ 21,444,036</u>	<u>\$ 1,918,892</u>
Ratio of Plan Net Position to the Employers' Total Pension Liability	90.8%	98.6%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 9 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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, 2023 represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$84,848.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October, and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 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, 2023 amounted to \$923,124.

Effect on Net Position

Changes in the net pension (asset)/liability and deferred outflows and inflows of resources for the year ended June 30, 2023 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension (Asset)/Liability	\$ (625,472)	\$ 2,283,692	\$ 1,658,220
Deferred Outflows of Resources	(1,303,021)	138,911	(1,164,110)
Deferred Inflows of Resources	2,155,358	(2,072,654)	82,704
Subtotal	226,865	349,949	576,814
TRS			
Net Pension (Asset)/Liability	(7,618,048)	8,505,056	887,008
Deferred Outflows of Resources	(4,422,931)	(275,950)	(4,698,881)
Deferred Inflows of Resources	8,631,171	(8,009,916)	621,255
Subtotal	(3,409,808)	219,190	(3,190,618)
Total Effect on Net Position	\$ (3,182,943)	\$ 569,139	\$ (2,613,804)

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 10 Postemployment Benefits Other than Pensions (OPEB)

General Information About the OPEB Plan

Plan Description - The School District provides medical, dental, and prescription drug benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during postemployment. Nevertheless, both types of benefits constitute compensation for employee services. The benefits provided to employees upon retirement are based on provisions in various contracts that the School District has in place with different classifications of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, as there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Employees Covered by Benefit Terms - At June 30, 2023, the following employees were covered by the benefit terms.

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	182
Active Employees Enrolled in the Plan	177
Total	359

Total OPEB Liability

The School District's total OPEB liability of \$64,762,545 was measured as of July 1, 2022 and was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2023 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate	3.54%
Single Discount Rate	3.54%
Salary Scale	3.50%
Rate of Inflation	2.50%
Dental Trend	4.00%
Marital Assumption	70.00%
Participation Rate	100.00% for Retirees 85.00% for Spouses
Healthcare Cost Trend Rates	7.80% for 2024, decreasing to an ultimate rate of 3.94% for 2093 and later years

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

***Note 10* Postemployment Benefits Other than Pensions (OPEB) - Continued**

Total OPEB Liability - Continued

The long-term bond rate is based on the Bond Buyer Weekly 20-Year Bond GO Index as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2021 mortality improvement scale on a fully generational basis.

Rates of turnover and retirement rates are based on rates of decrement due to turnover and retirement based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation (August 2020). Please refer to Exhibits 6-1 through 6-4 for the complete turnover tables.

Election percentage: It was assumed that 100% of future retirees eligible for coverage will elect retiree group benefits.

Spousal Coverage: It was assumed that 85% of future retirees will elect spousal coverage upon retirement.

The annual rate of increase in healthcare costs were developed using the baseline projection of the SOA Long-Run Medical Cost Trend Model (v2024_f4). The short term (first 4 years) trend rates were based on the recent premium rate history for Little Falls Central School District. The long-term (after 4 years) trend rates were based on various assumptions.

Health Care Cost Trend rates were developed using the baseline projection of the SOA Long Run Medical Cost Trend Model (v2022_f4). The short term (first 4 years) bend rates were based on the recent premium rate history for Little Falls Central School District. The long-term (after 4 years) Trend rates were based on the following assumptions:

Rate of Inflation: 2.5%

Rate of Growth in Real Income / GDP per Capita: 1.4%

Extra Trend due to Technology and Other Factors: 1.0%

Health Share of GDP Resistance Point 24.9%

The actuarial assumptions used in the July 1, 2022 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 10 Postemployment Benefits Other than Pensions (OPEB) - Continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	<u>\$ 68,701,464</u>
Changes for the Year	
Service Cost	2,497,680
Interest Cost	1,505,286
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	417,809
Changes in Assumptions or Other Inputs	(6,642,407)
Benefit Payments	<u>(1,717,287)</u>
Net Change	<u>(3,938,919)</u>
Balance at June 30, 2023	<u>\$ 64,762,545</u>

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

	<u>1% Decrease (2.54%)</u>	<u>Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB Liability	\$ 76,151,615	\$ 64,762,545	\$ 55,664,569

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 54,294,376	\$ 64,762,545	\$ 78,380,348

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 10 Postemployment Benefits Other than Pensions (OPEB) - Continued

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

For the year ended June 30, 2023, the School District recognized OPEB expense of \$3,525,426.

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 344,893	\$ 745,613
Changes in Assumptions or Other Inputs	7,734,064	6,438,995
Contributions Subsequent to Measurement Date	1,926,568	-
Total	\$ 10,005,525	\$ 7,184,608

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other 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,	Amount
2024	\$ 149,582
2025	1,733,650
2026	783,079
2027	(978,949)
2028	(793,013)
Thereafter	-

Effect on Net Position

Changes in the OPEB liability and deferred outflows and inflows of resources for the year ended June 30, 2023 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
Other Postemployment Benefits Liability	\$ 68,701,464	\$ (3,938,919)	\$ 64,762,545
Deferred Outflows of Resources	(12,319,574)	2,314,049	(10,005,525)
Deferred Inflows of Resources	3,960,880	3,223,728	7,184,608
Total Effect on Net Position	\$ 60,342,770	\$ 1,598,858	\$ 61,941,628

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

***Note 11* Commitments and Contingencies**

Worker's Compensation

The School District participates in the Madison, Oneida, and Herkimer Workers' Compensation Consortium (Plan) for its workers' compensation insurance coverage. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control system. School Districts joining the plan must remain members for a minimum of one year; a member may withdraw from the Plan after that time by submitting a notice of withdrawal 120 days prior to the Plan's year end.

Plan members include 31 other school districts and 9 other governmental units, including BOCES, with the School District bearing its proportionate share of the Plan's assets and claims liabilities. 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 insured.

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 claim 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.

During the year ended June 30, 2023, the School District incurred premiums or contribution expenditures totaling \$-0-.

Risk Financing and Related Insurance - General Information

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

Other Items

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 12 Fund Balance Detail

At June 30, 2023, nonspendable, restricted, and assigned fund balance in the governmental funds was as follows:

	<u>Major Funds</u>	<u>Non-Major Funds</u>	
	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Misc. Special Revenue Fund</u>
Nonspendable			
Inventory	\$ -	\$ 18,507	\$ -
Total Nonspendable Fund Balance	<u>\$ -</u>	<u>\$ 18,507</u>	<u>\$ -</u>
Restricted			
Reserve for Retirement Contributions - ERS	\$ 226,850	\$ -	\$ -
Reserve for Retirement Contributions - TRS	157,006	-	-
Employee Benefit Accrued Liability Reserve	175,784	-	-
School Lunch	-	63,957	-
Scholarships	-	-	376,879
Total Restricted Fund Balance	<u>\$ 559,640</u>	<u>\$ 63,957</u>	<u>\$ 376,879</u>
Assigned			
Encumbered for:			
General Support	\$ 24,186	\$ -	\$ -
Instruction	76,026	-	-
Pupil Transportation	185	-	-
Total Assigned Fund Balance	<u>\$ 100,397</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned			
Remaining Unassigned	\$ 3,620,457	\$ -	\$ -
Total Unassigned Fund Balance	<u>\$ 3,620,457</u>	<u>\$ -</u>	<u>\$ -</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

Note 13 Restricted Fund Balances

Portions of restricted fund balance are reserved and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity of the General Fund reserves, for the year ended June 30, 2023, were as follows:

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Reserve for Retirement Contributions - ERS	\$ 225,244	\$ -	\$ 1,606	\$ -	\$ 226,850
Reserve for Retirement Contributions - TRS	155,901	-	1,105	-	157,006
Employee Benefit					
Accrued Liability Reserve	174,517	-	1,267	-	175,784
Total Restricted Fund Balance	<u>\$ 555,662</u>	<u>\$ -</u>	<u>\$ 3,978</u>	<u>\$ -</u>	<u>\$ 559,640</u>

Note 14 Stewardship, Compliance, and Accountability

Compliance With Real Property Tax Law §1318

As described in Note 1, Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. The School District's unexpended surplus at June 30, 2023 exceeded this limit by \$2,363,449. The excess was largely the result of unanticipated revenue and cost savings. School District management has discussed several options to address the excess fund balance issue.

Deficit Net Position

At June 30, 2023, the District-wide Statement of Net Position had a (deficit) net position of \$(48,665,255). This is primarily the result of the requirement to record other postemployment benefits liability with no requirement or mechanism to fund this liability (see Note 10). This deficit is not expected to be eliminated during the normal course of operations.

Budgetary Expenditures

At June 30, 2023, the school district reported total budgetary overexpenditures of \$538,537. Multiple instruction lines as well as total instruction along with employee benefits were overexpended. This is primarily the result of higher than anticipated costs and the total overexpenditure is offset by revenues in excess of budget of \$1,165,090.

Note 15 Tax Abatements

For the year ended June 30, 2023, property in the School District was subject to property tax abatements negotiated by the Herkimer County IDA (HCIDA).

HCIDA enters into various property tax abatement programs for the purpose of economic development. School District property tax revenue was reduced by \$490,789, and the School District subsequently received payment in lieu of taxes (PILOT) payments totaling \$223,217.

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-U.S. GAAP) FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real Property Taxes	\$ 9,119,159	\$ 9,119,159	\$ 7,788,628	\$ (1,330,531)
Other Tax Items	329,502	329,502	1,612,559	1,283,057
Charges for Services	93,000	93,000	39,555	(53,445)
Use of Money and Property	30,000	30,000	64,295	34,295
Sale of Property and Compensation for Loss	-	-	31,029	31,029
Miscellaneous	436,000	478,490	431,451	(47,039)
Interfund Revenues	75,000	75,000	86,410	11,410
Total Local Sources	<u>10,082,661</u>	<u>10,125,151</u>	<u>10,053,927</u>	<u>(71,224)</u>
State Sources	17,683,922	17,683,922	18,492,179	808,257
Federal Sources	-	-	21,127	21,127
Total Revenues	<u>27,766,583</u>	<u>27,809,073</u>	<u>28,567,233</u>	<u>758,160</u>
OTHER FINANCING SOURCES				
Operating Transfers In	-	-	406,930	406,930
Total Revenues and Other Financing Sources	<u>27,766,583</u>	<u>27,809,073</u>	<u>\$ 28,974,163</u>	<u>\$ 1,165,090</u>
Encumbrances Carried Forward From Prior Year	<u>40,454</u>	<u>40,454</u>		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u>\$ 27,807,037</u>	<u>\$ 27,849,527</u>		

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-U.S. GAAP) FOR THE YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES					
General Support					
Board of Education	\$ 47,650	\$ 44,354	\$ 43,416	\$ -	\$ 938
Central Administration	256,306	256,397	256,376	20	1
Finance	550,316	538,605	536,818	547	1,240
Staff	49,379	55,689	55,689	-	-
Central Services	1,817,986	1,733,635	1,701,202	23,619	8,814
Special Items	750,683	732,669	732,598	-	71
Total General Support	3,472,320	3,361,349	3,326,099	24,186	11,064
Instruction					
Instruction, Administration, and Improvement	932,007	888,595	887,845	750	-
Teaching - Regular School Programs for Children With Handicapping Conditions	6,303,203	6,314,578	6,270,353	46,210	(1,985)
Occupational Education	3,533,328	2,993,080	3,308,377	2,384	(317,681)
Teaching - Special School	-	550,105	653,617	-	(103,512)
Instructional Media	20,000	21,140	21,140	-	-
Pupil Services	552,641	572,562	562,101	543	9,918
Total Instruction	12,174,189	12,192,566	12,526,359	76,026	(409,819)
Pupil Transportation	1,470,520	1,503,878	1,499,024	185	4,669
Employee Benefits	7,723,575	7,748,056	7,946,187	-	(198,131)
Debt Service					
Principal	2,240,212	2,315,125	2,315,125	-	-
Interest	664,221	666,553	666,553	-	-
Total Debt Service	2,904,433	2,981,678	2,981,678	-	-
Total Expenditures	27,745,037	27,787,527	28,279,347	100,397	(592,217)
OTHER FINANCING USES					
Operating Transfers Out	62,000	62,000	8,320	-	53,680
Total Expenditures and Other Financing Uses	\$ 27,807,037	\$ 27,849,527	28,287,667	\$ 100,397	\$ (538,537)
Net Change in Fund Balance			686,496		
Fund Balance - Beginning of Year			3,593,998		
Fund Balance - End of Year			\$ 4,280,494		

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 404,809	\$ 364,764	\$ 335,542	\$ 412,118	\$ 403,630	\$ 405,905	\$ 394,211	\$ 427,807	\$ 421,959	\$ 388,379
Contributions in Relation to the Contractually Required Contribution	(404,809)	(364,764)	(335,542)	(412,118)	(403,630)	(405,905)	(394,211)	(427,807)	(421,959)	(388,379)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School District's Covered Payroll for Year Ended June 30,	2,610,467	2,429,549	2,432,967	2,447,085	2,448,230	2,434,303	2,275,351	2,099,339	2,059,887	*
Contributions as a Percentage of Covered Payroll	15.5%	15.0%	13.8%	16.8%	16.5%	16.7%	17.3%	20.4%	20.5%	*

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 855,137	\$ 802,511	\$ 711,092	\$ 688,565	\$ 824,077	\$ 724,907	\$ 801,495	\$ 866,818	\$ 1,107,491	\$ 986,605
Contributions in Relation to the Contractually Required Contribution	(855,137)	(802,511)	(711,092)	(688,565)	(824,077)	(724,907)	(801,495)	(866,818)	(1,107,491)	(986,605)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School District's Covered Payroll for Year Ended June 30,	8,310,369	8,188,888	7,461,616	7,771,614	7,759,670	7,397,010	6,838,695	6,337,089	6,317,690	6,071,415
Contributions as a Percentage of Covered Payroll	10.3%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%

* Information not available

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015
School District's Proportion of the Net Pension (Asset)/Liability	0.007733%	0.007651%	0.007185%	0.007489%	0.007796%	0.0076400%	0.0074516%	0.0074028%	0.0075344%
School District's Proportionate Share of the Net Pension (Asset)/Liability	\$ 1,658,220	\$ (625,472)	\$ 7,155	\$ 1,983,009	\$ 552,371	\$ 246,439	\$ 700,172	\$ 1,188,176	\$ 254,530
School District's Covered Payroll	2,603,102	2,371,698	2,416,359	2,457,327	2,353,165	2,308,940	2,174,139	2,074,406	2,055,407
School District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	63.7%	26.4%	0.3%	80.7%	23.5%	10.7%	32.2%	57.3%	12.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.6%	103.7%	99.9%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%
The Following is a Summary of Changes of Assumptions									
Inflation	2.90%	2.70%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	4.40%	4.40%	4.50%	4.20%	3.80%	3.80%	3.80%	3.80%	3.80%
Cost of Living Adjustments	1.50%	1.40%	1.50%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
Investment Rate of Return	5.90%	5.90%	6.80%	6.80%	7.00%	7.00%	7.00%	7.00%	7.00%
Discount Rate	5.90%	5.90%	6.80%	6.80%	7.00%	7.00%	7.00%	7.00%	7.00%
Society of Actuaries' Mortality Scale	MP-2021	MP-2020	MP-2019	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015
School District's Proportion of the Net Pension (Asset)/Liability	0.046225%	0.043961%	0.04579%	0.044420%	0.043194%	0.041557%	0.041266%	0.041060%	0.041060%
School District's Proportionate Share of the Net Pension (Asset)/Liability	\$ 887,008	\$ (7,618,048)	\$ 1,265,237	\$ (1,153,943)	\$ (781,056)	\$ (315,876)	\$ 441,974	\$ (4,368,490)	\$ (4,573,873)
School District's Covered Payroll	8,188,888	7,461,616	7,771,614	7,759,670	7,397,010	6,838,695	6,537,089	6,317,690	6,071,415
School District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	10.8%	102.1%	16.3%	14.9%	10.6%	4.6%	6.8%	69.1%	75.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.8%	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%
The Following is a Summary of Changes of Assumptions									
Inflation	2.40%	2.20%	2.20%	2.25%	2.25%	2.50%	3.00%	3.00%	3.00%
Salary Increases	1.95% - 5.18%	1.90% - 4.72%	1.90% - 4.72%	1.90% - 4.72%	1.90% - 4.72%	1.90% - 4.72%	4.0% - 10.9%	4.0% - 10.9%	4.0% - 10.9%
Cost of Living Adjustments	1.30%	1.30%	1.30%	1.50%	1.50%	1.50%	1.50%	1.63%	1.63%
Investment Rate of Return	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%	8.00%
Discount Rate	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%	8.00%
Society of Actuaries' Mortality Scale	MP-2020	MP-2019	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA	AA

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service Cost	\$ 2,497,680	\$ 2,480,674	\$ 1,643,100	\$ 1,540,763	\$ 1,537,744	\$ 1,959,674	\$	\$	\$	\$
Interest Cost	1,505,286	1,477,538	1,796,559	1,799,275	1,927,950	1,678,908	*	*	*	*
Changes of Benefit Terms and Actual Experience	-	416,174	-	-	640,307	-	*	*	*	*
Differences Between Expected and Actual Experience	417,809	-	(224,410)	-	(3,891,138)	-	*	*	*	*
Changes in Assumptions or Other Inputs	(6,642,407)	795,613	13,057,117	2,819,911	(5,832,461)	(7,057,636)	*	*	*	*
Benefit Payments	(1,717,287)	(1,689,554)	(1,476,935)	(1,372,960)	(1,520,477)	(1,507,240)	*	*	*	*
	(3,938,919)	3,480,445	14,795,431	4,786,989	(7,138,075)	(4,926,294)	*	*	*	*
Total OPEB Liability - Beginning of Year	68,701,464	65,221,019	50,425,588	45,638,599	52,776,674	57,702,968	*	*	*	*
Total OPEB Liability - End of Year	\$ 64,762,545	\$ 68,701,464	\$ 65,221,019	\$ 50,425,588	\$ 45,638,599	\$ 52,776,674	\$ 57,702,968	\$	\$	\$
Covered Employee Payroll	\$ 8,081,731	\$ 7,907,494	\$ 7,158,931	\$ 7,697,766	\$ 8,117,060	8,118,849	\$	\$	\$	\$
Total OPEB Liability as a Percentage of Covered Payroll	801%	869%	911%	653%	562%	650%	*	*	*	*
The Following is a Summary of Changes of Assumptions										
Healthcare Cost Trend Rates	7.8% - 3.94%	7.0% - 4.04%	7.0% - 4.04%	7.0% - 4.13%	7.0% - 4.13%	7.0% - 4.13%	7.0% - 4.13%	*	*	*
Salary Increases	3.50%	3.00%	3.50%	3.50%	3.50%	3.00%	3.00%	*	*	*
Inflation Rate	2.50%	2.50%	2.50%	2.40%	2.40%	2.20%	2.20%	*	*	*
Discount Rate	3.54%	2.14%	2.21%	3.50%	3.50%	3.60%	3.60%	*	*	*
Society of Actuaries' Mortality Scale	MP-2021	MP-2020	MP-2020	MP-2018	MP-2018	MP-2017	MP-2017	*	*	*

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed as it becomes available.

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2023

Note 1 **Budgetary Procedures and Budgetary Accounting**

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which 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. 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.

The following supplemental appropriations occurred during the year:

Adopted Budget	\$ 27,766,583
Carryover Encumbrances	<u>40,454</u>
Original Budget	<u>27,807,037</u>
Gifts and Donations	<u>42,490</u>
Final Budget	<u><u>\$ 27,849,527</u></u>

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

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid, School Lunch and Miscellaneous Special Revenue). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for the School Lunch Fund and Miscellaneous Special Revenue Fund are established internally.

Note 2 **Reconciliation of the General Fund Budget Basis to U.S. GAAP**

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the U.S. GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

JUNE 30, 2023

Note 3 **Schedules of the School District's Proportionate Share of the Net Pension (Asset)/Liability**

The Schedule of the School District's Proportionate Share of the Net Pension (Asset)/Liability, required supplementary information, will present ten years of information as it becomes available from the pension plans.

Note 4 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset)/Liability**

NYSLRS

Changes in Benefit Terms

The New York State Legislature lowered the vesting requirement for Tier 5 and Tier 6 from ten years to five years (Chapter 56 of the Laws of 2022), prior to the April 1, 2022 actuarial valuation.

NYSTRS

Changes in Benefit Terms

Effective with the 2022 actuarial valuation, the following plan change was effective: The number of years of credited service required for vesting changed from ten years to five years for Tier 5 and 6 members for purposes of eligibility for a service retirement benefit or a deferred-vested benefit.

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2023

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 27,766,583
Prior Year's Encumbrances	<u>40,454</u>
Original Budget	<u>27,807,037</u>
Gifts and Donations	<u>42,490</u>
Total Additions	<u>42,490</u>
Final Budget	<u><u>\$ 27,849,527</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next Year's Budget is a Voter Approved Budget	<u><u>\$ 31,425,209</u></u>	
Maximum Allowed (4% of the 2023-2024 Budget)		\$ 1,257,008
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		
Unrestricted Fund Balance:		
Assigned Fund Balance	\$ 100,397	
Unassigned Fund Balance	<u>3,620,457</u>	
Total Unrestricted Fund Balance	<u><u>3,720,854</u></u>	
(Less):		
Encumbrances Included in Assigned Fund Balance	<u>100,397</u>	
Total Adjustments	<u><u>100,397</u></u>	
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		<u><u>\$ 3,620,457</u></u>
Actual Percentage		11.5%

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2023

PROJECT TITLE	Expenditures				Unexpended (Overexpended) Balance	Proceeds of Obligations	Methods of Financing			Fund Balance (Deficit) June 30, 2023	
	Original Budget	Revised Budget	Prior Years	Current Year			Total	State Aid	Local Sources		Transfers to Other Funds
Benton Hall Elementary 001-012	\$ 10,448,113	\$ 10,046,577	\$ 9,968,435	\$ 78,142	\$ 10,046,577	\$ 9,483,737	\$ -	\$ 508,273	\$ 54,567	\$ 10,046,577	\$ -
Middle/High School 008-014	19,182,735	19,466,008	19,304,212	161,796	19,466,008	18,375,462	568,670	984,818	(462,942)	19,466,008	-
School Bus Garage 5003-003	794,153	266,035	266,035	-	266,035	251,131	-	13,459	1,445	266,035	-
Lease Liabilities	433,944	433,944	-	433,944	433,944	433,944	-	-	-	433,944	-
Subtotal	30,858,945	30,212,564	29,538,682	673,882	30,212,564	28,544,274	568,670	1,506,550	(406,930)	30,212,564	-
Total	\$ 30,858,945	\$ 30,212,564	\$ 29,538,682	\$ 673,882	\$ 30,212,564	\$ 28,544,274	\$ 568,670	\$ 1,506,550	\$ (406,930)	\$ 30,212,564	\$ -

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS JUNE 30, 2023

Capital Assets, Net	<u>\$ 34,948,638</u>
Add:	
Amount Deferred on Refunding	<u>6,086</u>
(Deduct):	
Premium on Serial Bonds	<u>(36,748)</u>
Short-Term Portion of Bonds Payable	<u>(2,264,238)</u>
Long-Term Portion of Bonds Payable	<u>(25,127,113)</u>
Short-Term Portion of Lease Liabilities	<u>(96,503)</u>
Long-Term Portion of Lease Liabilities	<u>(374,446)</u>
Short-Term Portion of Capital Leases	<u>(7,448)</u>
Long-Term Portion of Capital Leases	<u>(9,467)</u>
Net Investment in Capital Assets	<u><u>\$ 7,038,761</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2023

	Special Revenue Funds			Non-Major Governmental Funds
	School Lunch Fund	Miscellaneous Special Revenue Fund	Capital Project Fund	
ASSETS				
Cash and Cash Equivalents - Unrestricted	\$ -	\$ -	\$ 79	\$ 79
Cash and Cash Equivalents - Restricted	19,389	201,732	-	221,121
Investments - Restricted	-	175,147	-	175,147
Other Receivables, Net	709	-	-	709
Governments Due From State and Federal	44,662	-	-	44,662
Inventories	18,507	-	-	18,507
Total Assets	\$ 83,267	\$ 376,879	\$ 79	\$ 460,225
LIABILITIES				
Payables				
Due to Other Funds	\$ -	\$ -	\$ 79	\$ 79
Due to Other Governments	803	-	-	803
Total Liabilities	803	-	79	882
FUND BALANCES				
Nonspendable	18,507	-	-	18,507
Restricted	63,957	376,879	-	440,836
Total Fund Balances	82,464	376,879	-	459,343
Total Liabilities and Fund Balances	\$ 83,267	\$ 376,879	\$ 79	\$ 460,225

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds			Non-Major Governmental Funds
	School Lunch Fund	Miscellaneous Special Revenue Fund	Capital Project Fund	
REVENUES				
Use of Money and Property	\$ 10	\$ 1,301	\$ 181	\$ 1,492
Miscellaneous	2,247	9,155	-	11,402
State Sources	12,969	-	-	12,969
Federal Sources	630,048	-	-	630,048
Sales - School Lunch	85,311	-	-	85,311
Total Revenues	730,585	10,456	181	741,222
EXPENDITURES				
Instruction	363,525	25,650	-	389,175
Employee Benefits	27,504	-	-	27,504
Cost of Sales	336,138	-	-	336,138
Capital outlay	-	-	673,882	673,882
Total Expenditures	727,167	25,650	673,882	1,426,699
Excess (Deficiency) of Revenues Over Expenditures	3,418	(15,194)	(673,701)	(685,477)
OTHER FINANCING SOURCES				
Proceeds of Obligations	-	-	433,944	433,944
Operating Transfers (Out)	-	-	(406,930)	(406,930)
Total Other Sources (Uses)	-	-	27,014	27,014
Net Change in Fund Balances	3,418	(15,194)	(646,687)	(658,463)
Fund Balances - Beginning of Year	79,046	392,073	646,687	1,117,806
Fund Balances - End of Year	\$ 82,464	\$ 376,879	\$ -	\$ 459,343

**INDEPENDENT AUDITORS' 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
Little Falls City School District
Little Falls, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Little Falls City School District (the School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 6, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Schedule of Findings and Questioned Costs as items 2023-001 and 2023-002.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The 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 School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 6, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Little Falls City School District
Little Falls, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Little Falls City School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2023. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the School District, complied, in all material respects, with the 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, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the 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 the School District's federal programs.

Auditors' 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 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 GAAS, *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 School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 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 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 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 Auditors' 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.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 6, 2023

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass -Through Grantor Program Title	Federal ALN #	Pass -Through Grantor #	Passed -Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021231125	\$ -	\$ 366,220
Title I Grants to Local Educational Agencies	84.010	0021221125	-	386
		Subtotal	-	366,606
Special Education Cluster				
Special Education - Grants to States	84.027	0032230306	-	291,407
(COVID-19) Special Education - Preschool Grants	84.027X	5533220306	-	301
Special Education - Preschool Grants	84.173	0033220306	-	10,488
		Subtotal	-	302,196
Supporting Effective Instruction State Grants	84.367	0147231125	-	41,595
Rural Education Achievement Program	84.358	0016231125	-	26,668
Title IV Student Support and Academic Enrichment	84.424	0204231125	-	27,710
Title IV Student Support and Academic Enrichment	84.424	0204221125	-	284
			-	27,994
Education Stabilization Fund (ESF)				
(COVID-19) Elementary and Secondary School Emergency Relief (ESSER2)	84.425D	5891221125	-	392,904
(COVID-19) Elementary and Secondary School Emergency Relief (ARP ESSER3)	84.425U	5880211125	-	512,938
(COVID-19) Elementary and Secondary School Emergency Relief (ARP ESSER3)	84.425U	5882211125	-	84,405
(COVID-19) Elementary and Secondary School Emergency Relief (ARP ESSER3)	84.425U	5883211125	-	20,852
(COVID-19) Elementary and Secondary School Emergency Relief (ARP ESSER3)	84.425U	5884211125	-	24,154
(COVID-19) Elementary and Secondary School Emergency Relief	84.425W	5218201125	-	178
(COVID-19) Governor's Emergency Education Relief (GEER) Fund	84.425C	5895211125	-	21,127
		Subtotal	-	1,056,558
Total U.S. Department of Education			-	1,821,617
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster				
National School Lunch Program	10.555	Unknown	-	466,976
School Breakfast Program	10.553	Unknown	-	161,816
		Subtotal	-	628,792
(COVID-19) Pandemic EBT Food Benefits	10.542	N/A	-	1,256
Total U.S. Department of Agriculture			-	630,048
Total Expenditures of Federal Awards			\$ -	\$ 2,451,665

See Notes to Schedule of Expenditures of Federal Awards

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2023

***Note 1* Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs administered by the Little Falls City School District (the School District), an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

***Note 2* Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information 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). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

***Note 3* Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

***Note 4* Matching Costs**

Matching costs, such as the School District's share of certain program costs, are not included in the reported expenditures.

***Note 5* Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2023, the School District received \$45,088 worth of commodities under the National School Lunch Program (CFDA #10.555).

***Note 6* Subrecipients**

No amounts were provided to subrecipients.

***Note 7* Other Disclosures**

No insurance is carried specifically to cover equipment purchased with Federal Funds. Any equipment purchased with Federal Funds has only a nominal value and is covered by the School District's casualty insurance policies.

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

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

Section I Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

_____ yes none reported

Noncompliance material to financial statements noted?

yes _____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

_____ yes none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with §200.516(a) of Uniform Guidance?

_____ yes no

Identification of major programs:

CFDA Numbers _____

Name of Federal Program or Cluster _____

84.425C, 84.425D, 84.425U _____

Education Stabilization Fund _____

Dollar threshold used to distinguish between Type A and Type B
Programs:

\$ 750,000

Auditee qualified as low-risk?

_____ yes no

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2023

Section II Financial Statement Findings

2023-001 Fund Balance Limitation

Condition:

At June 30, 2023, unassigned fund balance in the General Fund was \$2,363,449 in excess of the allowable limit.

Criteria:

The School District is allowed, under New York State Real Property Tax Law §1318, to retain up to 4% of the succeeding year's budget in unassigned fund balance.

Cause:

For several years, revenues have exceeded expenditures, which has resulted in an accumulation of fund balance in the General Fund. For the year ended June 30, 2023, revenues and other financing sources exceeded expenditures and other financing uses by \$686,496. While the School District has funded some reserves, it has chosen to maintain more than the allowable limit in unassigned fund balance for reasons discussed below.

Effect:

The School District is not in compliance with New York State Real Property Tax Law §1318.

Recommendation:

We recommend continued formal long-term (three to five years) budgetary planning in conjunction with the annual budgetary process. We also recommend current fund balance reserve accounts be reviewed to determine appropriate levels from both a short-term and long-term planning perspective. As part of the budgeting process, we recommend the School District estimate the amount of unassigned fund balance anticipated at year end in order to determine amounts which should be used to reduce the tax levy in accordance with New York State Real Property Tax Law (Code §1318).

Management's Response:

The School District has discussed several options to address the excess fund balance issue. However, it should not go without mention that legislation has been recently proposed at the state level that would increase the fund balance limitation to 10% of the succeeding year's budget. The fact that this proposal is under consideration suggests the unrealistic limits of current law.

In addition, the School District is responsible for contributing \$5.3 Million towards the Herkimer-Fulton-Hamilton-Otsego BOCES Capital project starting in the 2023-2024 School Year and continuing for a period of 6 years. The availability of unreserved funds provides needed flexibility in meeting other obligations until aid is received at the start of the next School Year, especially since each payment is due on July 1 of each year.

Finally, as pointed out above, the School District was realistic in preparing revenue and expenditure estimates as indicated by the fact that both came within a variance of 2% of budget. With the uncertainty of future state aid and the continued pressure from uncontrollable costs such as health insurance premiums, pension obligations, and special education placements) maintaining a healthy fund balance is critical to sustaining the quality educational program the School District has worked so hard and for so long to develop.

The District will continue to review the Fund Balance and to consult with its financial advisors to make the best strategic decision regarding reserves that meets New York State Real Property Tax Law while also protecting the taxpayers from any adverse effects.

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2023

Section II Financial Statement Findings - Continued

2023-002 General Fund Budgetary Noncompliance

Condition:

For the year ended June 30, 2023, the School District's General Fund expenditures exceeded the voter approved budget by \$538,537.

Criteria:

In accordance with New York State Education Law, Section 1718, no board of education shall incur a district liability in excess of the amount appropriated by a district meeting unless such board is specially authorized by law to incur such liability.

Cause:

The School District encountered significant unexpected costs in the special education instruction and employee benefit areas.

Effect:

These unexpected costs led to actual expenses exceeding the budget.

Recommendation:

We recommend that the District more closely monitor expenses and make any necessary modifications wherever possible.

Management's Response:

The district incurred higher than expected increases in Students with Disabilities expenditures to an increase in unanticipated placements in outside settings, particularly in BOCES programs. The placement of three or four students can have a significant impact on spending. Although the district can certainly try to anticipate the year-to-year increase in this category, it can be difficult to make an estimate that results in significantly overestimating those costs if one or two students leave the district. District administration will take steps to bring budgeted and actual spending into better alignment. The second area of spending that drove the budget deficit was employee benefits, which resulted from a change in the pattern of employees taking district-sponsored benefits vs. taking the benefit buy-out. The district will take steps to better predict costs moving forward.

Section III Federal Award Findings and Questioned Costs

None.