

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 10, 2025**

**NEW ISSUE**

**BOND ANTICIPATION NOTES**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "TAX MATTERS" herein.*

The Notes will **NOT** be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(B) of the Internal Revenue Code of 1986 as amended.

**\$26,975,000**

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
ORANGE COUNTY, NEW YORK**

**\$26,975,000 Bond Anticipation Notes - 2025**

**Dated: July 30, 2025**

**Due: June 26, 2026**

The Notes are general obligations of the Highland Falls-Fort Montgomery Central School District, Orange County, New York, all the taxable 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 the Obligation" herein. The Notes will be issued without the option of prepayment, with interest payable at maturity.

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

If the Notes are issued in registered form registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

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

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of an unqualified legal opinion as to the validity of the Notes of Hawkins Delafield and Wood LLP, New York, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in New York, New York or as may be agreed upon, with the Purchaser(s), on or about July 30, 2025.

**Facsimile or telephone bids will be received THURSDAY July 17, 2025 until 11:00 a.m. Prevailing Time, pursuant to the terms of the Notice of Sale.**

*THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12, 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 NOTES. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER, AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE NOTES. THE SCHOOL DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS REQUIRED BY SAID RULE.*

DATED: July 10, 2025

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
ORANGE COUNTY, NEW YORK**

School District Officials

**2025-26 BOARD OF EDUCATION**

Anne Lawless - President  
Faith Aprilante - Vice President

Aaron Falk  
Trish Kinney  
Gabe O'Connell  
Kristen O'Dell  
Monique Wolf  
Erik Mitchell- West Point Liaison

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Michael McElduff – Superintendent of Schools  
Christopher Carballo – Assistant Superintendent for Business  
Rachel Adelstein – Assistant Superintendent for Curriculum, Instruction & Technology  
Emily Kirwan – School District Treasurer  
Lori Sheldon – District Clerk

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School District Attorney

Shaw Perelson May & Lambert LLP

**BOND COUNSEL**

**Hawkins, Delafield and Wood**

**MUNICIPAL ADVISOR**



**R. G. Timbs, Inc.**

No person has been authorized by the School District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds 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 the School District.

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**PREPARED WITH THE ASSISTANCE OF:**

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**OFFICIAL STATEMENT**

of the

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
ORANGE COUNTY, NEW YORK**

Relating To

**\$26,975,000 Bond Anticipation Notes - 2025**

This Official Statement, which includes the cover page, has been prepared by the Highland Falls-Fort Montgomery Central School District, Orange County, New York (the “District,” “County” and “State,” respectively) in connection with the sale by the School District of \$26,975,000 Bond Anticipation Notes - 2025 (the “Notes”).

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

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

**Description of the Notes**

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof. The School District will act as Paying Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s). Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

**Nature of the Obligation**

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

The Notes are 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. For the payment of such principal and interest the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District without limitation as to rate or amount.

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 the State is specifically precluded from restricting the power of the District to levy taxes on real estate, therefore. However, Chapter 97 of the New York Laws of 2011, as amended (the “Tax Levy Limit Law”), imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. As the Notes are being issued to finance voter approved capital expenditures, the Notes qualify for such exclusion to the annual tax levy limitation. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments. (See “THE TAX LEVY LIMITATION LAW” herein.)

## Remedies Upon Default

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and while remedies for enforcement of payment are not expressly included in the District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. 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. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Notes, the owners of such Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the District to assess, levy and collect an ad valorem tax, upon all taxable property of the District subject to taxation by the District sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "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. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), 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 the 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 or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the 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.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may 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.

### **Section 99-b of The State Finance Law**

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the SFL, 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 or note issued by a school district for school purposes shall file with the State Comptroller, a verified statement describing such bond or note 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 or note. Such investigation by the State Comptroller shall set forth a description of all such bonds and notes 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 and notes 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 the bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any such successive allotments, apportionments or payment of such State aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes 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 and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes 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 or notes pursuant to said section of the SFL.

### **No Past Due Debt**

No principal or interest payment on District indebtedness is past due. The District was late on an interest payment of \$1,950 that was due on May 1, 2024 to DTCC. DTCC received the payment on May 3, 2024.

### **Bankruptcy**

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes 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 become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

## **Market Matters Affecting Financings of The State and Municipalities of The State**

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

If and when an owner of any of the Notes should elect to sell all or a part of the Notes prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Notes are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the School District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District relies in part on State aid to fund its operations. 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. State aid appropriated and apportioned to the District can be paid only if the State has such monies available, therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available, therefore. (See "State Aid" and "Events Affecting New York School Districts" herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "Tax Matters" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the School District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Notes. (See "The Tax Levy Limit Law" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the School District could impair the financial condition of such entities, including the School District and the ability of such entities, including the School District to pay debt service on the Notes.

### **Cyber Security**

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operation controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber

threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

## **Purpose and Authorization**

The Bonds are authorized to be issued pursuant to the Constitution and laws of the State of New York, including among others, the Education Law, and the Local Finance Law, and pursuant to a bond resolution dated April 13, 2023, authorizing the issuance of obligations of the District in the amount of \$35,625,600 for the financing of construction of alterations and improvements to District school buildings and sites (the “Project”).

The proceeds of the Notes will provide \$26,975,000 in new monies for the Project.

## **Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for those Notes issued as book-entry-only, if so requested. The Notes will be issued as fully-registered Notes 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, only if requested by the purchaser prior to the initial issuance of Notes. One fully-registered note certificate will be issued for each of the notes 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, National Securities Clearing Corporation 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](http://www.dtcc.com) and [www.dtc.org](http://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 affect 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 of them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults and proposed amendments to the Notes 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.

Redemption proceeds, distributions and dividend 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 not its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments 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-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

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.

## **THE SCHOOL DISTRICT**

### **General Information**

The District, located approximately 50 miles north of New York City, is situated in southeastern portion of Orange County on the west bank of the Hudson River. The U.S. Military Academy of West Point (“West Point”) borders portions of the Village of Highland Falls (the “Village”) within the Town of Highlands (the “Town”). The District has a land area of approximately 31 square miles and includes the entire Village and nearly all of the unincorporated area of the Town.

The District operates three school buildings. A portion of the school enrollment is comprised of high school students from West Point and the Garrison Union Free School District in Putnam County. The character of the District is residential in nature with retail business activity available in the Village. The majority of homes within the District are single-family. Some District residents are employed by West Point which employs approximately 2,200 military and civilian personnel. In addition, residents of the District commute to jobs throughout the County as well as the greater New York Metropolitan area.

Municipal services, which include police and fire protection, water and sewer services, a library system and park facilities are provided by the Village and the Town. Electricity and natural gas are provided throughout the District by Orange & Rockland Utilities. Verizon provides telephone services to the District residents. Cable TV and internet services are provided by Spectrum.

### **District Population**

The 2023 population of the School District is estimated to be 13,129 (Source: 2023 U.S. Census Bureau estimate)

## Selected Wealth and Income Indicators

Per capital income statistics are not available for the District as such. The smallest areas for which such statistics are available, which include the District are the Town, County and Village listed below. The Figures set below with respect to such Town, County, Village and State are included for information only. It should not be inferred from the inclusion of such data in this Official Statement that the Town, County, Village or State are necessarily representative of the District, or vice versa.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>	<u>2006-2010</u>	<u>2016-2020</u>	<u>2019-2023</u>
Village Of:						
Highland Falls	\$29,006	\$40,841	\$46,274	\$73,672	\$103,443	\$105,515
Town Of:						
Highlands	19,328	29,545	39,633	84,926	102,625	137,951
County Of:						
Orange	28,944	31,272	42,019	82,480	87,032	113,255
State Of:						
New York	30,948	40,898	49,520	67,405	87,270	105,060

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

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

## District Facilities

<u>Name</u>	<u>Grades</u>	<u>Year Built</u>	<u>Current Maximum Capacity</u>	<u>Date of Last Addition or Alteration</u>
Fort Montgomery Elementary School*	K-2	1930	200	1962
Highland Falls Elementary School	Closed/Vacant	1962	250	
Highland Falls Middle School	3-8	1930	350	2016
James L O'Neill High School	9-12	1970	750	2021

\*Currently this school is in the middle of an alteration and addition project.

Source: District Officials

## District Employees

The District employs a total of 192 full -time and 12 part-time employees with representation by the various bargaining units listed below:

<u>Bargaining Unit</u>	<u>Employees</u>	<u>Expiration Date</u>
Teachers Association (NYSUT)	119	6/30/2026
Aides/Monitors	29	6/30/2026
Custodial Association	18	6/30/2027
Clerical Association	14	6/30/2027
Administrators	7	6/30/2025*
Oher T&C Employees	4	
JROTC	2	6/30/2026
IT Technician	2	6/30/2026
Chief Administrator	1	6/30/2026

\*Currently under negotiations.

Source: District Officials

## Historical and Projected Enrollment

<u>Fiscal Year</u>	<u>Actual</u>	<u>Fiscal Year</u>	<u>Projected</u>
2020-21	941	2025-26	930
2021-22	986	2026-27	930
2022-23	972	2027-28	930
2023-24	947	2028-29	930
2024-25	930	2029-30	930

Source: District Officials

## Employee Pension Benefits

All non-teaching and non-certified administrative employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York and Local Employees' Retirement -System ("ERS"). Teachers and certified administrators are members of the New York State Teachers' Retirement System ("TRS"). Payments to TRS are deducted from the School District's State aid

payments. Both the ERS and the TRS (together, the “Retirement Systems”) are non-contributory with respect to members hired prior to July 27, 1976. Other than those in Tier V and Tier VI, all members hired on or after July 27, 1976, with less than 10 years of service must contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, pension reform legislation was signed into law that created a new Tier V pension level. 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 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, which has since been changed to 5 years as of April 9, 2022 (for both Tier V and Tier VI).
- 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.

Members of the TRS have a separate Tier V benefit structure that will achieve equivalent savings as other civilian public employees. It includes:

- Raising the minimum age an individual can retire without penalty from 55 to 57 years.
- Contributing 3.5% of their annual wages to pension costs rather than 3% and continuing this increased contribution so long as they accumulate additional pension credits.
- Increasing the 2% multiplier threshold for final pension calculations from 20 to 25 years.

In accordance with constitutional requirements, Tier V applies only to public employees hired after December 31, 2009 and before April 2, 2012.

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 would vest in the system after ten years of employment; and employees will continue to make employee contribution throughout employment. As of April 9, 2022, vesting requirements were modified, resulting in employees becoming vested after five years.

The District is required to contribute at an actuarially determined rate. The actual contribution for the last five years and the budgeted figures for the 2024-2025 and 2025-2026 fiscal years are as follows:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2019-2020	\$309,685	\$1,000,484
2020-2021	349,335	977,373
2021-2022	322,808	1,102,235
2022-2023	265,849	1,157,280
2023-2024	362,194	1,193,012
2024-2025 (Budgeted)	424,650	1,348,135
2025-2026 (Budgeted)	480,000	1,300,000

Source: District records

Source: Audited financial statements for the 2019-2020 fiscal year through the 2023-2024 fiscal year and the adopted budgets of the District for the 2024-2025 and 2025-2026 fiscal years. This table is not audited.

**Retirement Incentive Program** – 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 does not currently have 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 (2020-21 to 2025-26) is shown below:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2020-2021	14.6%	9.53%
2021-2022	16.2	9.8
2022-2023	11.6	10.29
2023-2024	13.1	9.76
2024-2025	15.2	10.11
2025-2026	16.5	9.59*

\*Estimated

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

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period; but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by 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 12.5% 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 will allow school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such 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 Reserve.

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

## **Other Post-Employment Benefits**

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits 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** - refers to "other post-employment benefits," meaning other than pension benefits. OPEB consists 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** - requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. However, GASB 75 also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity and requires: (a) explanations of how and why the OPEB liability changed from year to year (b) amortization and reporting of deferred inflows and outflows due to assumption changes, (c) use of a discount rate that takes into account resources of an OPEB plan and how they will be invested to maximize coverage of the liability (d) a single actual cost method and (e) immediate recognition of OPEB expense and effects of changes to benefit terms.

Under GASB 75, a total OPEB liability is determined for each municipality or school district. A net change in the total OPEB Liability is calculated as the sum of changes for the year including service cost, interest, difference between expected and actual experience, changes in benefit terms, changes in assumptions or other inputs, less the benefit payments made by the School District for the year.

Based on the most recent actuarial valuation dated July 1, 2020, and financial data as of June 30, 2024, the School District's beginning year total OPEB liability was \$47,412,506, the net change for the year was \$2,180,763 resulting in a total OPEB liability of \$49,593,269 for a fiscal year ending June 30, 2024. The aforementioned liability is recognized and disclosed in accordance with GASB 75 standards in the School District's June 30, 2024 financial statements.

The total OPEB liability is required to be determined through an actuarial valuation every two years, at a minimum. However, OPEB plans with fewer than 100 members may use an alternative measurement method in place of an actuarial valuation. Additional information about GASB 75 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

There is no authority in current State law to establish a trust account or reserve fund for this liability. While State Comptroller Thomas P. DiNapoli proposed a bill in April of 2015 that would create an optional investment pool to help local governments fund their OPEB liabilities, such legislation has not advanced past the committee stage.

The School District's total OPEB liability is expected to increase. As is the case with most municipalities, this is being handled by the School District on a "pay-as-you-go" basis. Substantial future increases could have a material adverse impact upon the School District's finances and could force the School District to reduce services, raise taxes or both.

## Major Employers<sup>1</sup>

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
United States Military Academy at West Point	Colleges & Technical Institutes	4,000
Orange Regional Medical Center	Healthcare	2,524
Crystal Run Health	Healthcare	2,050
Access: Supports for Living	Non-Profit Organizations	1,400
St. Luke's Cornwall Hospital	Healthcare	1,247
Elant, Inc.	Healthcare	1,200
Amscan, Inc.	Manufacturing & Distribution	800
C&S Wholesale Grocers, Inc.	Distribution	800
Empire Blue Cross/Blue Shield	Service	795
Spectrum Enterprise	Communications	750
Bon Secours Community Hospital	Healthcare	598
Cornerstone Family Healthcare	Healthcare	550
Amscan, Inc.	Distribution	525
The ARC of Orange County	Non-Profit Organizations	525
Horizon Family Medical Group	Healthcare	500
Kolmar Laboratories Inc	Manufacturing	500
Mirabito Energy Products	Distribution	500
Staples, Inc.	Distribution	460
Verla International LTD	Manufacturing	445
YRC Worldwide	Cargo & Freight	435
Adecco	Service	400
United National Foods, Inc. (UNFI)	Specialty Foods	400
Mediacom Communications Corp	Communications	395
Times Herald Record	Distribution/Publishing	395
Crystal Run Village Inc.	Non-Profit Organizations	391
Mid-Hudson Processing and Distribution USPS	Distribution	359
Allegiance Healthcare-Cardinal Health	Distribution	350
IBM Business Continuity & Resiliency Services	Service	350
Mount Saint Mary College	Education	350
Precision Pipeline Solutions	Utilities	350
St. Anthony Community Hospital	Healthcare	342
Medline Industries	Distribution	340
Superior Pack Group Inc	Packaging & Labeling	325
BFY Brands - Popcorners	Food Manufacturing	311
Coach USA	Transportation	300
Milmar Food Group	Manufacturing	300
Newburgh Auto Auction	Service	300
Pratt and Whitner	Manufacturing	300
President Container, Inc.	Education	300
Suny Orange	Education	300

1. Major Employers in Orange County.

Source: District Officials

## 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 Orange County. The data set forth below with respect to the County is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the School District is necessarily representative of the County or vice versa.

Year	County Unemployment Rate	New York State Unemployment Rate	U.S. Unemployment Rate
2020	8.4%	10.0%	8.1%
2021	4.7%	6.9%	5.3%
2022	3.2%	4.3%	3.6%
2023	3.4%	4.2%	3.7%
2024	3.7%	4.3%	4.1%

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

	<u>2024-2025 Monthly Figures</u>											
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Orange	3.5%	3.7%	4.1%	4.0%	3.3%	3.4%	3.4%	3.4%	4.1%	4.4%	3.9%	3.1%
New York State	4.0%	4.3%	4.8%	4.8%	4.0%	4.2%	4.2%	4.2%	4.6%	4.3%	4.1%	3.7%

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

## Investment Policy

Pursuant to Section 39 of the State's General Municipal Law, the District has an investment policy applicable to the investment of all moneys and financial resources of the District. The responsibility for the investment program has been delegated by the Board of Education to the Deputy Superintendent for who was required to establish written operating procedures consistent with the District's investment policy guidelines. According to the investment policy of the District, all investments must conform to the applicable requirements of law and provide for: the safety of the principal; sufficient liquidity; and a reasonable rate of return. Authorized Investments.

The District has designated five banks or trust companies which are located and authorized to conduct business in the State to receive deposits of money. The District is permitted to invest in special time deposits or certificates of deposit. In addition, the District has authorized pooled investments with Cutwater Asset Management/CLASS.

In addition to bank deposits, the District is permitted to invest moneys in direct obligations of the United States of America, obligations guaranteed by agencies of the United States where the payment of principal and interest are further guaranteed by the United States of America and obligations of the State. Other eligible investments for the District include: revenue and tax anticipation notes issued by any municipality, school district or district corporation other than the District (investment subject to approval of the State Comptroller); obligations of certain public authorities or agencies; obligations issued pursuant to Section 109(b) of the General Municipal Law (certificates of participation) and certain obligations of the District but only with respect to moneys of a reserve fund established pursuant to Section 6 of the General Municipal Law. The District may also utilize repurchase agreements to the extent such agreements are based upon direct or guaranteed obligations of the United States of America. Repurchase agreements are subject to the following restrictions, among others: all repurchase agreements are subject to a master repurchase agreement; trading partners are limited to banks or trust companies authorized to conduct business in the State or primary reporting dealers as designated by the Federal Reserve Bank of New York; securities may not be substituted; and the custodian for the repurchase security must be a party other than the trading partner. All purchased obligations, unless registered or inscribed in the name of the District, must be purchased through, delivered to and

held in the custody of a bank or trust company located and authorized to conduct business in the State. 5 Collateral Requirements.

All District deposits in excess of the applicable insurance coverage provide by the Federal Deposit Insurance Act must be secured in accordance with the provisions of and subject to the limitations of Section 10 of the General Municipal Law of the State. Such collateral must consist of the “eligible securities,” “eligible surety bonds” or “eligible letter of credit” as described in the law.

Eligible securities pledged to secure deposits must be held by the depository or third party bank or trust company pursuant to written security and custodial agreements. The District's security agreements provide that the aggregate market value of pledged securities must equal or exceed the principal amount of deposit, the agreed upon interest, if any, and any costs or expenses arising from the collection such deposits in the event of a default. Securities not registered or inscribed in the name of the District must be delivered, in a form suitable for transfer or with an assignment in blank, to the District or its designated custodial bank. The custodial agreements used by the District provide that pledged securities must be kept separate and apart from the general assets of the custodian and will not, under any circumstances, be commingled with or become part of the backing for any other deposit or liability. The custodial agreement must also provide that the custodian shall confirm the receipt, substitution or release of the collateral, the frequency of revaluation of eligible securities and the substitution of collateral when a change in the rating of a security may cause ineligibility.

An eligible irrevocable letter of credit may be issued, in favor of the District, by a qualified bank other than the depository bank. Such letters may have a term not to exceed 90 days and must have an aggregate value equal to 140% of the deposit obligations and the agreed upon interest. Qualified banks include those with commercial paper or other unsecured or short-term debt ratings within one of the three highest categories assigned by at least one nationally recognized statistical rating organization or a bank that is in compliance with applicable Federal minimum risk-based capital requirements.

An eligible surety bond must be underwritten by an insurance company authorized to do business in the State which has claims paying ability rated in the highest rating category for claims paying ability by at least two nationally recognized statistical rating organizations. The surety bond must be payable to the District in an amount equal to 100% of the aggregate deposits and the agreed interest thereon.

## **Form of School Government**

The District is an independent entity governed by an elected board of education comprised of seven members. District operations are subject to the provisions of the Education Law of the State affecting central school districts and school districts in general; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a rotating basis by the qualified voters at the annual elections of the District. The term of office for each board member is 3 years and the number of terms that may be served is unrestricted. A president is selected by the board from its members and this person is the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are: the adoption of annual budgets (subject to voter approval), the levy and collection of real property taxes, the authorization of the issuance of bonded debt (also generally subject to voter approval except in limited cases, the appointment of such employees as may be necessary, and such other duties as may be reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools who serves at its pleasure. The Superintendent is the chief executive officer of the school district and the educational system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the school and other educational, social and recreational activities under the direction of the Board of Education. Certain financial functions of the District are performed by the Assistant Superintendent for Business.

## **Budgetary Procedures**

Pursuant to the Education Law, the Board of Education of the School District annually prepares a budget for the ensuing fiscal year. A public hearing on such budget is held not less than seven 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 School District must mail a school budget notice to all qualified voters which contains the total budgeted 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 budget 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 School District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011 of the State of New York ("Chapter 97"), beginning with the 2012-13 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% (plus certain adjustments, if applicable) or the rate of inflation (the " Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy increase that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District Tax Cap also must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the third 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.

The budget for the 2023-24 fiscal year was adopted by the qualified voters on May 16, 2023 by a vote of 325 to 145. The School District's 2023-24 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The budget for the 2024-25 fiscal year was adopted by the qualified voters on May 21, 2024 by a vote of 263 to 115. The School District's 2024-25 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The budget for the 2025-26 fiscal year was adopted by the qualified voters on May 20, 2025 by a vote of 277 to 251. The School District's 2025-26 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

## **State Aid**

The District receives appropriations from the State. In its adopted budget for the 2025-26 fiscal year, approximately 40.57% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

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.

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. Since the 2010-11 State fiscal year, the State budget has been generally adopted on or before April 1, with the exception of the 2016-17 State budget which was not adopted until April 9, 2017, the 2023-24 State budget which was not adopted until May 3, 2023, the 2024-25 State budget which was not adopted until April 20, 2024 and the 2025-26 State Budget which was not adopted until May 9, 2025. 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 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**

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 were used to support local educational agencies' efforts to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools in the State. Such federal funding expired at the end of the 2023-24 fiscal year.

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

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

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

## State Aid History

The State's 2020- 2021 Enacted Budget - 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% 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 approximately \$27.9 billion, an annual increase of approximately \$100 million or 0.4%. 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 continued under existing aid formulas. Out-year growth in School Aid reflected then 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% of estimates or if actual disbursements exceed 101% of estimates. Pursuant to that provision, in October, 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. However, the 2020-2021 State aid declines were offset, in part, by \$1.1 billion of increased federal funding through the Coronavirus Aid, Relief, and Economic Security Act. With these federal funds, State aid totaled \$27.9 billion in the State's 2020-2021 Enacted Budget, an annual increase of approximately \$100 million or 0.4% from the 2019-2020 Enacted Budget. As of February 1, 2021, the State Education Department ("SED") advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding. Such approval was received and the State released all of the withheld funds prior to June 30, 2021.

The State 2021-22 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 includes the use of \$13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which includes, in part, the allocation of \$629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, \$105 million of federal funds are to be allocated to expand full-day kindergarten programs. Under the budget, school districts are to be reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year. Under the budget, local governments are to receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding, and will receive a full restoration of \$10.3 million in proposed Video Lottery Terminal (VLT) aid cuts where applicable.

The State 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 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 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.

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

The State's 2024-25 Enacted Budget provided \$35.9 billion in State funding to school districts for the 2024-25 school year, the highest level of State aid ever. This represented 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 maintained the "save harmless" provision, which 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 authorized a comprehensive study by the Rockefeller Institute and the State Department of Education to develop a modernized school funding formula.

The State's 2025-26 Enacted Budget provides \$37.6 billion in State funding to school districts for the 2025-26 school year, the highest level of State aid ever. This represents an increase of \$1.7 billion or 4.9 percent compared to the 2024-25 school year and includes a \$1.4 billion or 5.6 percent Foundation Aid increase. The State's 2025-26 Enacted Budget includes a 2% minimum increase in Foundation Aid to all school districts and makes a number of alterations to the Foundation Aid formula designed to reflect low-income student populations and provide additional aid to low-wealth school districts.

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

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

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

A case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* was heard on appeal on May 30, 2017 in *New Yorkers for Students' Educational Rights v. State of New York* ("NYSER") and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original

decision in the Court of Appeals in the 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 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 such funding. The litigation, which has been ongoing since 2014, sought to require New York State to fully fund the Foundation Aid formula that was put into place following the Campaign for Fiscal Equity cases, and has been previously opposed by the State. Foundation Aid was created in 2007 and takes school district wealth and student need into account to create and equitable distribution of state funding to schools, however, New York State has never fully funded Foundation Aid. The new settlement requires New York to phase-in full funding of Foundation Aid by the FY 2024 budget. In the 2022 Enacted State Budget approved in April 2022, the Executive and Legislature agreed to fully fund the Foundation Aid by FY 2024 budget and enacted this commitment into law. A breakdown of the currently anticipated Foundation Aid funding is available below:

- FY 2022: \$19.8 billion, covering 30% of existing shortfall
- FY 2023: Approximately \$21.3 billion, cover 50% of the anticipated shortfall
- FY 2024: Approximately \$23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school Districts
- FY 2025: Funding the full amount of Foundation Aid for all school districts.
- FY 2026: 2% minimum increase in Foundation Aid to all school districts. The State's 2025-26 Enacted Budget makes a number of alterations to the Foundation Aid formula designed to reflect low-income student populations and provide additional aid to low-wealth school districts.

The following table illustrates the percentage of total revenue of the District for each of the below fiscal years comprised of State aid, and budgeted figures for the 2024-2025 and 2025-2026 fiscal years.

Fiscal Year	Total Revenues	Total State Aid	Percentage of Total Revenues Consisting of State Aid
2019-2020	\$ 32,742,896	\$ 10,212,603	31.19%
2020-2021	33,027,604	10,517,076	31.84
2021-2022	34,276,086	12,180,821	35.54
2022-2023	36,168,392	14,300,744	39.54
2023-2024	41,778,533	18,361,960	43.95
2024-2025 (Budgeted)	39,895,141	19,302,020	48.38
2025-2026 (Budgeted)	40,362,582	16,373,841	40.57

Source: Audited financial statements for the 2019-2020 fiscal year through the 2023-2024 fiscal year and the adopted budgets of the District for the 2024-2025 and 2025-2026 fiscal years. This table is not audited.

## Federal Aid

The District receives a significant amount of its revenue from the Federal government. The primary source of federal monies is a tuition contract with DoDEA for the education of military connected children who live on West Point. According to District officials, exempt property of the U.S. Military Academy represents approximately 70% of the total assessments of the District. The second component of aid to the District is Section 7002 Aid which is the payment for tuition for the education of the children of the military personnel stationed at West Point. See "Market Factors Affecting the State and School Districts of the State" in the most recent official statement for a discussion concerning overpayments of impact aid to the District.

The federal aid amount in the 2025-26 budget is \$8,219,724.

## Fiscal Stress Monitoring

The New York State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent information to School District officials, taxpayers, and policy makers regarding the various levels of fiscal stress under which the State's diverse school districts are operating.

The fiscal stress scores are based on financial information submitted as part of each School District's ST-3 report filed yearly with the State Education Department. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the OSC system creates an overall fiscal stress score which classifies whether a district 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 State Comptroller for the past five fiscal years of the District are as follows:

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

Note: See the official website of the New York State Comptroller for more information on FSMS. Reference to websites implies no warranty of accuracy of information therein.

## 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 most recent State Comptroller audit report of the District dated June 10, 2022 was to determine whether District officials adequately managed and secured network user accounts.

### Key Findings

- The Technology Department did not establish comprehensive written procedures for managing network user accounts..

- Forty-eight network user accounts, including 22 non-student accounts, 16 generic accounts, and 10 student accounts, were unneeded and should have been disabled..

### **Key Recommendations**

- Establish comprehensive written procedures for managing network user accounts..
- Regularly review enabled network user accounts and ensure that unneeded user accounts are immediately disabled.

District officials agreed with the recommendations and have indicated they planned to initiate corrective action.

A copy of the report can be found on the State Comptroller's website..

There is an information and technology audit completed by the State Comptroller's office which is pending release.

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

### **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 were issued is the Education Law and the Local Finance Law.

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

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

Other than "Estimated Calculation of Overlapping Indebtedness", this Official Statement does not include the financial data of any other political subdivisions of the State having power to levy taxes within the School District.

### **Financial Statements**

The School District retains an independent Certified Public Accountant, whose most recent report covers the period ended June 30, 2024, and may be found attached hereto as Appendix B

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

**TAX INFORMATION**  
**Assessed and Full Valuations**

Fiscal Year Ended  
 June 30:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Assessed Valuations:					
Highlands	\$ 513,574,315	\$ 515,570,945	\$ 516,097,421	\$ 518,070,766	\$ 520,207,387
Total	<u>\$ 513,574,315</u>	<u>\$ 515,570,945</u>	<u>\$ 516,097,421</u>	<u>\$ 518,070,766</u>	<u>\$ 520,207,387</u>
Equalization Rates:					
Highlands	93.00%	96.00%	100.00%	100.00%	100.00%
Full Valuations:					
Highlands	\$ 552,230,446	\$ 537,053,068	\$ 516,097,421	\$ 518,070,766	\$ 520,207,387
Total	<u>\$ 552,230,446</u>	<u>\$ 537,053,068</u>	<u>\$ 516,097,421</u>	<u>\$ 518,070,766</u>	<u>\$ 520,207,387</u>

Equalized values shown here are those used by the School District for tax levy purposes as provided in the Real Property Tax Law. In some cases, equalization rates established specifically for school tax apportionment may have been used, as is also provided in the Real Property Tax Law.

**Tax Rate per \$1,000 Assessed Value**

Fiscal Year Ending June  
 30:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Highlands	\$ 22.01	\$ 21.93	\$ 21.91	\$ 22.14	\$ 22.47

**Tax Collection Procedure**

The Board of Education of the District levies real property taxes which become a lien upon the final adoption of the school tax roll by the Board of Education. School taxes are collected by the Town. Such taxes are collected between September 1 and November 2 and may be paid during the month of September without interest. Generally, payments received on or after October 1 must include interest computed at 1% per month from September 1. On or about November 1, the Town Receiver of Taxes transmits a listing of unpaid taxes to the District. Certified listings of unpaid taxes must be provided to the County not later than November 15.

Unpaid school taxes with 7% added thereto are relieved by the County and thereafter collected and enforced in the same manner as real property taxes levied for county purposes. The County must remit the full amount of unpaid taxes to the District by April 1 of the succeeding calendar year. Thus the District is guaranteed 100% of its taxes in the year of levy.

The District is not responsible for the collection of taxes of any other unit of government.

## Tax Collection Record

Fiscal Year Ended June 30:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025*</u>
Total Tax Levy	\$11,135,120	\$11,305,952	\$11,305,952	\$11,305,952	\$11,469,172	\$11,688,233
Amount Uncollected	828,639	551,899	420,855	414,001	424,990	\$396,899
% Uncollected	7.44%	4.88%	3.72%	3.66%	3.71%	3.40%

\*Tax Collection figures as of 11/13/2024

## Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the below fiscal years comprised of Real Property Taxes.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes</u>	<u>Percentage of Total Revenues Consisting of Real Property Taxes</u>
2019-2020	\$ 32,742,896	\$ 10,357,575	31.63%
2020-2021	33,027,604	10,582,219	32.04
2021-2022	34,276,086	10,626,532	31.00
2022-2023	36,168,392	10,711,644	29.62
2023-2024	41,778,533	10,922,431	26.14
2024-2025 (Budgeted)	39,895,141	11,688,233	29.30
2025-2026 (Budgeted)	40,362,582	11,912,078	29.51

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

## Major Taxpayers 2025

### For 2024-25 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Value</u>
Orange & Rockland	Utility	\$16,381,393
State of New York	State Lands	12,769,200
Central Hudson	Utility	11,155,183
CSX Corporation	Residential	6,550,874
West Point Realty Inc.	Motel	6,004,000
Sidamon-Eristoff Company	Railroad	5,053,900
Highland Greens MHP, LLC	Mobile Home Park/Apartments	3,850,000
Highland Falls Preservation LP	Apartments	3,425,000
MRS Realty Corp.	Apartments	2,679,000
One the Square Apartments	Apartments	2,610,000
Total		<hr/> \$70,478,550

1. The above taxpayers represent 13.55% of the School District's 2024-25 Assessed value of \$520,207,387

Please refer to the Litigation section of this Official Statement for pending or outstanding tax certioraris that are known to have a material impact on the District.

## General Fund Operations

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. (A statement of such revenues and expenditures for the five-year period ending June 30, 2024 is contained in the Appendices). As reflected in the Appendices, the District derives the bulk of its annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

## STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$98,700 or less in 2024 and \$107,300 or less in 2025, increased annually according to a cost-of-living adjustment, are eligible for a "full value" exemption of the first \$84,000 for the 2024-25 school year and the first \$86,100 for the 2025-26 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross Income not in excess of \$250,000 (\$500,000 in the case of a STAR Credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

The 2019-20 Enacted State Budget made several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption was lowered to \$250,000, compared with a \$500,000 limit for the credit. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit

can increase up to two percent annually. Homeowners with STAR Adjusted Gross Income of \$250,000 or less have the option to select the credit or the exemption.

The 2020-21 Enacted State Budget further modified the STAR program. Under such legislation, property owners with property tax delinquencies greater than one year are not eligible for the Basic STAR exemption or the Basic STAR credit. Recipients of the Enhanced STAR exemptions and credits are not impacted by this program; they may continue to receive STAR benefits even if their property taxes are delinquent.

## **Real Property Tax Rebate**

Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of Tax Levy Limitation Law. School districts budgets must comply in their 2014-15 and 2015-16 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount was increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrated "three-year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must have provided certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they did provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015 and was signed into law by the Governor on June 26, 2015. The program began in 2016 and was fully phased in 2019.

## **TAX LEVY LIMITATION LAW**

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor. The Tax Levy Limit Law modifies current law by imposing a limit on the amount of real property taxes that a school district may levy. The Law affected school district tax levies for the school district fiscal year beginning July 1, 2012.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy 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").

The Tax Levy Limit Law requires that a school district submit its proposed tax levy (not its proposed budget) to the voters each year and imposes a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the CPI, as described in the Law. Tax levies that do not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a tax levy in excess of the limit. In the event the voters reject the tax levy, the school district's tax levy for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year, without any stated exceptions.

There are exceptions for school districts to the tax levy limitation provided in the law, 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.

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

## **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 in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, 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, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. 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.

Debt Limit the District has the power to contract indebtedness for any school district purpose so long as the principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions. The constitutional method for determining full valuation by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio which

such assessed valuation bears to the full valuation as 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.

### **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 laws, including the Education Law.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation of the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 for construction costs until the plans and specifications for such project have been approved by the Commissioner of Education of the State. Except on rare occasions, the District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

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 a twenty-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, estops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The District has complied with such procedure with respect to the Notes.

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

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

Statutory law in the State 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 2 years from the date of the first issuance of such notes and provided that such renewal issues do not exceed 5 years beyond the original date of borrowing.

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short term general obligation indebtedness including revenue, tax anticipation, budget, and capital notes.

### **Status of Indebtedness**

#### **Debt Outstanding End of Fiscal Year**

Fiscal Year Ending June 30:	2020	2021	2022	2023	2024
Serial Bonds	\$ 615,000	\$ 16,875,000	\$ 15,290,000	\$ 13,645,000	\$ 12,545,000
Bond Anticipation Notes	17,615,000	-	-	-	-
<b>Total Debt Outstanding</b>	<b>\$ 18,230,000</b>	<b>\$ 16,875,000</b>	<b>\$ 15,290,000</b>	<b>\$ 13,645,000</b>	<b>\$ 12,545,000</b>

## Status of Outstanding Bond Issues

Year of Issue:	2021	
Amount Issued:	\$16,375,000	
Purpose/Instrument:	Construction/Serial Bond	
Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2026	\$ 1,060,000	\$ 228,400
2027	1,045,000	207,200
2028	1,065,000	186,300
2029	1,085,000	165,000
2030	1,105,000	143,300
2031	1,110,000	121,200
2032	1,115,000	99,000
2033	1,040,000	76,700
2034	1,060,000	55,900
2035	1,085,000	34,700
2036	<u>650,000</u>	<u>13,000</u>
Totals:	\$ 11,420,000	\$ 1,330,700

## Total Annual Bond Principal and Interest Due

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>%Paid</u>
2026	\$ 1,060,000	\$ 228,400	\$ 1,288,400	10.10%
2027	1,045,000	207,200	1,252,200	19.93%
2028	1,065,000	186,300	1,251,300	29.74%
2029	1,085,000	165,000	1,250,000	39.54%
2030	1,105,000	143,300	1,248,300	49.33%
2031	1,110,000	121,200	1,231,200	58.99%
2032	1,115,000	99,000	1,214,000	68.51%
2033	1,040,000	76,700	1,116,700	77.27%
2034	1,060,000	55,900	1,115,900	86.02%
2035	1,085,000	34,700	1,119,700	94.80%
2036	<u>650,000</u>	<u>13,000</u>	<u>663,000</u>	100.00%
Totals:	\$ 11,420,000	\$ 1,330,700	\$ 12,750,700	

## **Status of Short-Term Indebtedness**

The District does not currently have any outstanding short-term debt.

### **Cash Flow Borrowings**

The District currently does not have a revenue or tax anticipation note outstanding.

### **Capital Project Plans**

The District has an active Facilities Committee that continues to discuss the needs of the facilities to continue providing a premier experience for the students and staff of the District.

The District voters approved a \$44,435,600 Capital project on March 28, 2023. The project consists of improvements of heating and cooling systems, electrical upgrades, roof replacements, kitchen renovations, and security and safety enhancements as well as the building of an addition to the Fort Montgomery Elementary School. Most of the work will be completed during the summer of 2024 through fall 2025. The District issued a \$720,000 Bond Anticipation Note May 15, 2024 for a portion of said project which was paid off June 27, 2024.

The proceeds of the notes will provide \$26,975,000 of new monies for the project.

### **Building Aid Estimate**

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. The District has not applied for such estimate but anticipates that aid may be received on its outstanding indebtedness at their Building Aid Ratio of 84.1%.

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.

A fundamental reform of building aid was enacted as Chapter 383 of the Laws of 2001. The provisions legislated, among other things, a new "assumed amortization" payout schedule for future State building aid payments based on an annual "average interest rate" and mandatory periods of probable usefulness with respect to the allocation of building aid. The School 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 School District will receive in relation to its outstanding debt. See "State Aid" herein.

## Debt Statement Summary

As of July 10, 2025

<u>Town</u>	<u>Taxable Assessed Valuation</u>	<u>State Equalization</u> <u>Rate</u>	<u>Taxable Full Valuation</u>
Highlands	\$ 520,207,387	100.00%	\$ 520,207,387
Total			<u>\$ 520,207,387</u>
Debt Limit: 10% of Full Valuation			\$ 52,020,739
Inclusions:			
Serial Bonds			\$ 11,420,000
Bond Anticipation Notes			-
Total Inclusions:			<u>\$ 11,420,000</u>
Exclusions:			
Building Aid Estimate <sup>1</sup>			<u>\$0</u>
Total Exclusions:			<u>\$0</u>
Total Net Indebtedness Before Giving Effect to This Issue:			\$ 11,420,000
New Monies This Issue:			<u>26,975,000</u>
Total Net Indebtedness After Giving Effect to This Issue:			\$ 38,395,000
Net Debt Contracting Margin			\$ 13,625,739
Percentage of Debt-Contracting Power Exhausted			73.81%

Notes: 1. Pursuant to the provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing building debt. Since the Gross Indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building Aid Estimate and therefore is not permitted to deduct Estimated Building Aid.

## Estimated Overlapping Indebtedness

<u>Overlapping Unit</u>	<u>Applicable Equalized Value</u>	<u>Percent</u>	<u>Gross Indebtedness</u> <sup>1</sup>	<u>Exclusions</u>	<u>Net Indebtedness</u>	<u>Estimated Applicable Overlapping Indebtedness</u>
Orange County	\$ 520,207,387		\$ 212,880,656	N/A	\$ 212,880,656	\$ 2,440,504
Town of Highlands	\$ 520,207,387		\$ 7,758,800	N/A	\$ 7,758,800	\$ 6,074,264
Village of Highland Falls	\$ 316,431,730		\$ 9,339,500	N/A	\$ 9,339,500	\$ 9,339,500
<b>Total</b>						<u>\$ 17,854,269</u>

Source: Comptroller's Special Report on Municipal Affairs for Local Fiscal Years Ended in 2023.

Notes: Bonds and Bond Anticipation Notes as of 2024 fiscal year. Not adjusted to include subsequent bond and note sales.

N/A Information not available from source document.

## Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of July 10, 2025:

	Amount	Per Capita <sup>(a)</sup>	Percentage of Full Value <sup>(b)</sup>
Net Indebtedness	\$ 38,395,000	\$ 2,924.44	7.381%
Net Indebtedness Plus Net Overlapping Indebtedness	\$ 17,854,269	\$ 1,359.91	3.432%

(a) The District's estimated population is 13,129. (Source: 2023 U.S. Census Bureau estimate)

(b) The District's full valuation of taxable real estate for 2024-25 is \$520,207,387

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

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55

of the Code. The Tax Certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state, or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state, or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

#### Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District, in executing the Tax Certificate, will certify to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

#### Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

#### Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e.,

a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

#### Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the bond premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Note). An owner of a Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Notes.

#### Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

## Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation, or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

## **APPROVAL OF LEGAL PROCEEDINGS**

The validity of the Notes will be covered by the unqualified legal opinion of Hawkins Delafield and Wood LLP, Bond Counsel to the School District, such opinion to be delivered with the Notes. The proposed form of such opinion is attached hereto as Appendix C.

## **CONTINUING DISCLOSURE COMPLIANCE**

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, the School District will enter into an Undertaking to provide Continuing Disclosure, the description of which is attached hereto as "Appendix D".

The following Material Event Notices have been filed within the last five years:

- November 7, 2023. The principal and interest payment due on Wednesday, November 1, 2023 for the \$1,255,000 Serial bond, 2013 was not received by DTCC until the next succeeding business day, Thursday, November 2, 2023. There were no financial factors that contributed to the late payment.
- May 1, 2024. The audited financial statements for fiscal year ended June 30, 2023 was not complete by the required filing date of six months after the end of its fiscal year. The Annual Financial Information and Operating data was also not posted by the required filing date of six months after the end of its fiscal year due to the audit not being complete.
- May 3, 2024. The interest payment of \$1,950 due on Wednesday, May 1, 2024 for the \$1,255,000 Refunding Serial Bond wasn't received by DTCC until Friday, May 3, 2024 due to a processing error. There were no financial factors that contributed to the late payment.
- June 17, 2025. On July 31, 2024, Moody's Investor Ince., (Moody's) upgraded to "Aa3" from "A1" the issuer rating and GOULT rating of the School District. The School District did not notify their Financial Advisor until June 5, 2025 so therefore, the event did not get filed within the required 10 business days after the issuance.
- June 26, 2025. The audited financial statements for fiscal year ended June 30, 2024 was not complete by the required filing date six months after the end of its fiscal year. The Annual Financial Information and Operating data was also not posted by the required filing date of six months after the end of its fiscal year due to the audit not being complete.

## **LITIGATION**

General. In common with other school districts, the District from time to time receives various notices of claim and is a party to litigation. In the opinion of legal counsel to the District, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or actions pending which, if determined against the District, would have a material adverse effect on the financial condition of the District. There are no Child Victims Act cases filed against the District.

Tax Certiorari Claims. The District is also a party to various tax certiorari proceedings instituted under Article 7 of the Real Property Tax Law. In these actions, taxpayers claim that their current real property assessment is excessive and ask that such assessment be reduced. Generally, tax claims request a refund of taxes applicable to the alleged over assessment. Claims of this nature are filed continuously and some cases may not be settled for several years or more. It is not unusual for certain taxpayers to have multiple pending claims affecting a period of years. It is not possible to estimate the outcome of all pending tax certiorari cases. Tax certiorari claims are frequently settled for amounts substantially less than the original claims. In addition, settlements sometimes provide for reduced assessments in future years rather than a refund of taxes previously paid.

The District maintains a tax certiorari reserve which had a balance of \$303,293.42 at June 30, 2022. Pursuant to State law, the District has designated its tax certiorari reserve for the settlement of specific claims including certain large items. The District may also finance tax settlements by issuing debt pursuant to provisions set forth in the Local Finance Law.

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.

## **BOND RATING**

The Notes are issued as non-rated.

The most recent underlying rating assigned to the School District by Moody's Investor Service, is an Aa3 rating, which was assigned in connection with the issuance by the School District of \$16,375,000 School District (Serial) Bonds dated June 16, 2021.

A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. 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 rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating of the District's outstanding serial bonds may have an adverse effect on the market price of the bonds.

## **MUNICIPAL ADVISOR**

R.G. Timbs, Inc. 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 and has reviewed and commented on certain legal documents, including this Official Statement. 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.

## CUSIP IDENTIFICATION NUMBERS

If the Notes are issued in registered book-entry form, 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; that the District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

## MISCELLANEOUS

The execution and delivery of this Official Statement have been duly authorized by the Board of Education of the School District. Concurrently with the delivery of the Notes, the School 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 therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the School District is not guaranteed as to accuracy, completeness or fairness, the School District has no reason to believe and does not believe that such information is materially inaccurate or misleading, and to the knowledge of the School District, since the date of the Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the School District and no material adverse changes in the general affairs of the School District or in its financial condition as shown in the Official Statement other than as disclosed in or contemplated by the Official Statement. Certain information contained in the Official Statement has been obtained from sources other than the School District. All quotations from and summaries and explanations of provisions of laws herein do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

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.

R.G. Timbs, Inc. may place a copy of this Official Statement on its website at [www.RGTimbsInc.net](http://www.RGTimbsInc.net). 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. R.G. Timbs, 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 School District nor R.G. Timbs, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, R.G. Timbs, Inc. and the School District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damage caused by viruses in the electronic files on the website.

The School District's contact information is as follows: Christopher Carballo, Assistant Superintendent for Business, phone: (845) 446-9575; email: [Christopher.carballo@hffmcsd.org](mailto:Christopher.carballo@hffmcsd.org).

Additional copies of the Notice of Sale and the Official Statement may be obtained from the offices of R.G. Timbs, Inc., telephone number (877) 315-0100 or at [www.RGTimbsInc.net](http://www.RGTimbsInc.net).

**Highland Falls-Fort Montgomery Central School District**

**Dated: July 10, 2025**  
**Highland Falls, New York**

---

Anne Lawless  
President of Board of Education  
and Chief Fiscal Officer

**APPENDIX A**

**Financial Information**

## General Fund – Statement of Revenues, Expenditures and Fund Balance

Fiscal Year Ending June 30:	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	Budget
Beginning Fund Balance - July 1	\$12,323,114	\$14,200,403	\$15,914,494	\$16,606,776	\$17,123,113	\$17,835,218	E
<u>Revenues:</u>							
Real Property Taxes	\$10,357,575	\$10,582,219	\$10,626,532	\$10,711,644	\$10,922,431	\$11,688,233	
Other Tax Items	781,973	726,940	682,445	596,930	548,662	5,000	
Charges for Services	7,053,710	6,789,387	6,599,938	5,718,621	5,977,951	424,000	
Use of Money & Property	85,809	8,020	14,565	483,044	651,715	200,000	
Sale of Property/Comp. for Loss	0	48,156	36,927	19,700	500,000		
Miscellaneous	342,169	752,253	395,938	522,302	389,399	304,074	
State Aid	10,212,603	10,517,076	12,180,821	14,300,744	18,361,960	19,302,020	
Federal Aid	3,909,057	3,603,553	3,738,920	3,770,239	4,426,415	7,971,814	
Proceeds from Debt	0	0	0	45,168	0	0	
Interfund Transfer	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Revenues	\$32,742,896	\$33,027,604	\$34,276,086	\$36,168,392	\$41,778,533	\$39,895,141	
<u>Expenditures:</u>							
General Support	\$3,673,515	\$4,372,136	\$3,800,076	\$4,277,189	\$5,680,119	\$4,728,961	
Instruction	17,783,822	17,095,444	19,143,382	20,024,872	20,958,365	21,584,483	
Transportation	2,137,687	1,697,923	2,462,547	2,769,283	3,295,987	3,567,736	
Employee Benefits	6,070,781	6,004,661	6,122,891	6,481,254	6,555,700	7,826,102	
Debt Service	1,072,480	2,090,568	1,973,899	2,006,292	2,193,531	2,225,859	
Interfund Transfer	<u>127,322</u>	<u>52,781</u>	<u>81,009</u>	<u>93,165</u>	<u>2,382,726</u>	<u>62,000</u>	
Total Expenditures	\$30,865,607	\$31,313,513	\$33,583,804	\$35,652,055	\$41,066,428	\$39,995,141	
Adjustments	0	0	0	0	0	0	
Year End Fund Balance	\$14,200,403	\$15,914,494	\$16,606,776	\$17,123,113	\$17,835,218	\$17,735,218	E
Excess (Deficit) Revenues Over Expenditures	\$1,877,289	\$1,714,091	\$692,282	\$516,337	\$712,105	(\$100,000)	1

Source: Audited Annual Financial Reports and Annual Budget. This table is NOT audited.

Note:

1. Appropriated Fund Balance is planned to be used.

E. Estimated

## General Fund – Budget Summary

### 2025-26 Adopted Budget

Revenues:

Real Property Taxes & STAR	\$11,912,078
Other Tax Items	0
Charges for Services	279,000
Use of Money & Property	300,000
Sale of Property	0
Miscellaneous	3,277,939
State Aid	16,373,841
Federal Aid	8,219,724
Interfund Transfers	0
Appropriated Fund Balance	400,000
Total Revenues	<u>\$40,762,582</u>

Expenditures:

General Support	\$4,824,971
Instruction	22,412,534
Transportation	3,619,862
Employee Benefits	7,507,356
Debt Service	2,335,859
Interfund Transfers	62,000
Total Expenditures	<u>\$40,762,582</u>

Source: Adopted Budget of the School District.  
This table is NOT audited

## General Fund – Comparative Balance Sheet

Fiscal Year Ending June 30:	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Assets:</b>					
Unrestricted Cash	\$11,367,156	\$8,754,679	\$6,143,362	\$3,711,250	\$9,588,923
Restricted Cash	4,675,450	8,083,734	8,740,096	10,614,736	7,784,126
Due from State & Federal	257,876	366,331	1,101,543	2,298,219	1,484,042
Due from Other Funds	470,824	818,034	1,154,791	2,064,928	2,047,279
Due from Other Governments	507,617	744,195	3,794,258	1,166,757	538,202
Due from Fiduciary Funds	4,892	0	0	0	0
Other Receivables	7,119	179,808	3,760	6,062	3,490
Prepaid Expenditures	0	0	0	0	0
<b>Total Assets</b>	<b>\$17,290,934</b>	<b>\$18,946,781</b>	<b>\$20,937,810</b>	<b>\$19,861,952</b>	<b>\$21,446,062</b>
<b>Liabilities:</b>					
Accounts Payable	\$636,334	\$624,410	\$2,063,826	\$719,677	\$1,258,030
Accrued Liabilities	132,856	350,463	44,146	25,049	342,033
Due to Other Funds	868,847	555,345	515,097	101,037	101,037
Due to Fiduciary Funds	0	0	0	0	0
Due to Other Governments	0	0	0	0	0
Due Retirement System	1,157,952	1,249,493	1,438,422	1,560,473	1,581,244
Overpayments and Collections in Advance	185,532	190,239	0	0	0
Unearned Revenues	57,434	62,337	19,022	27,775	28,320
Deferred Revenues	51,576	0	250,521	300,155	300,175
Other Liabilities	0	0	0	4,673	5
<b>Total Liabilities:</b>	<b>\$3,090,531</b>	<b>\$3,032,287</b>	<b>\$4,331,034</b>	<b>\$2,738,839</b>	<b>\$3,610,844</b>
<b>Fund Balances:</b>					
Nonspendable	\$0	\$0	\$0	\$0	\$0
Restricted	4,675,450	8,083,734	8,087,125	10,614,736	8,316,822
Assigned	898,597	367,304	126,040	296,623	740,158
Unassigned	8,626,356	7,463,456	8,393,611	6,211,754	8,778,238
<b>Total Fund Balance</b>	<b>\$14,200,403</b>	<b>\$15,914,494</b>	<b>\$16,606,776</b>	<b>\$17,123,113</b>	<b>\$17,835,218</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$17,290,934</b>	<b>\$18,946,781</b>	<b>\$20,937,810</b>	<b>\$19,861,952</b>	<b>\$21,446,062</b>

Source: Audited Financial Reports. This table is NOT audited

## **APPENDIX B**

### **Audited Financial Statements For The Fiscal Year Ended June 30, 2024**

*Note: Such Financial Reports and opinions were prepared as of the date thereof and have not been reviewed and/or updated by the District's Auditors in connection with the preparation and dissemination of this official statement. Consent of the Auditors for inclusion of the Audited Financial Reports in this Official Statement has neither been requested nor obtained.*

HIGHLAND FALLS-FORT MONTGOMERY  
CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2024  
INCLUDING REPORTS ON FEDERAL AWARDS  
AND EXTRACLASROOM ACTIVITY FUNDS

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
JUNE 30, 2024  
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**Nugent & Haeussler, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
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INDEPENDENT AUDITOR'S REPORT

To the President and Members  
of the Board of Education of  
Highland Falls-Fort Montgomery Central School District  
Highland Falls, New York 10928

Peter J. Bullis, CPA, FACFEI, DABFA  
Christopher E. Melley, CPA  
Gary C. Theodore, CPA  
Julia R. Fraino, CPA  
William T. Trainor, CPA  
Mark M. Levy, CPA, CFP  
Thomas R. Busse, Jr., CPA  
Brent T. Napoleon, CPA  
Jennifer L. Capicchioni, CPA  
Patrick M. Bullis, CPA  
Justin B. Wood, CPA  
Richard P. Capicchioni, CPA

Norman M. Sassi, CPA  
Walter J. Jung, CPA

*Report on the Financial Statements*

*Opinions*

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

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

*Basis for Opinions*

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

*Responsibilities of Management for the Financial Statements*

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

/OO<sup>M</sup> ANNIVERSARY

/925 - 2028

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Highland Falls-Fort Montgomery Central School District's basic financial statements. The supplemental schedules are required by the New York State Education Department and are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules 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 June 6, 2025, on our consideration of the Highland Falls-Fort Montgomery Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Highland Falls-Fort Montgomery Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Highland Falls-Fort Montgomery Central School District's internal control over financial reporting and compliance.

***Nugent & Haessler PC***

Montgomery, New York  
June 6, 2025

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis**

**Introductory Section**

The following is a discussion and analysis of Highland Falls-Fort Montgomery Central School District's financial performance for the fiscal year ended June 30, 2024. This section is a summary of the Highland Falls-Fort Montgomery Central School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2024 are as follows:

- District tax levy increase was 1.44% which was below the computed property tax cap limit for 2023-2024 school taxes.
- The District received additional Aid through the Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act.

**Overview of the Financial Statements**

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

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis  
(Continued)

Overview of the Financial Statements (Continued)

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

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

**District-Wide Financial Statements**

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

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

**District-Wide Financial Statements (Continued)**

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

**Fund Financial Statements**

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

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

All of the District's funds are governmental funds. The governmental funds include all of the District's basic services. Governmental funds generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information provided in the notes to the financial statements explains the relationship (or differences) between them.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

**Financial Analysis of the District as a Whole**

For the year ended June 30, 2024, the District's net position is \$(14,961,352). This is a \$1,378,112 increase from last year's net position. The following table provides a summary of the District's net position:

	<u>Summary of Net Position</u>			
	<u>School District Activities</u>			
	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 23,118,881	\$ 20,977,375	\$ 2,141,506	10.21%
Non-Current Assets	34,106,140	33,504,505	601,635	1.80%
Total Assets	<u>57,225,021</u>	<u>54,481,880</u>	<u>2,743,141</u>	<u>5.03%</u>
Deferred Outflows of Resources	12,593,866	15,580,321	(2,986,455)	-19.17%
Current Liabilities	4,979,430	4,543,249	436,181	9.60%
Non-Current Liabilities	64,175,483	64,247,428	(71,945)	-0.11%
Total Liabilities	<u>69,154,913</u>	<u>68,790,677</u>	<u>364,236</u>	<u>0.53%</u>
Deferred Inflows of Resources	15,625,326	17,610,988	(1,985,662)	-11.28%
Net Position:				
Net Investment in Capital Assets	21,561,140	19,813,077	1,748,063	8.82%
Restricted	12,665,635	15,483,468	(2,817,833)	-18.20%
Unrestricted	(49,188,127)	(51,636,009)	2,447,882	4.74%
Total Net Position	<u>\$(14,961,352)</u>	<u>\$(16,339,464)</u>	<u>\$ 1,378,112</u>	<u>-8.43%</u>

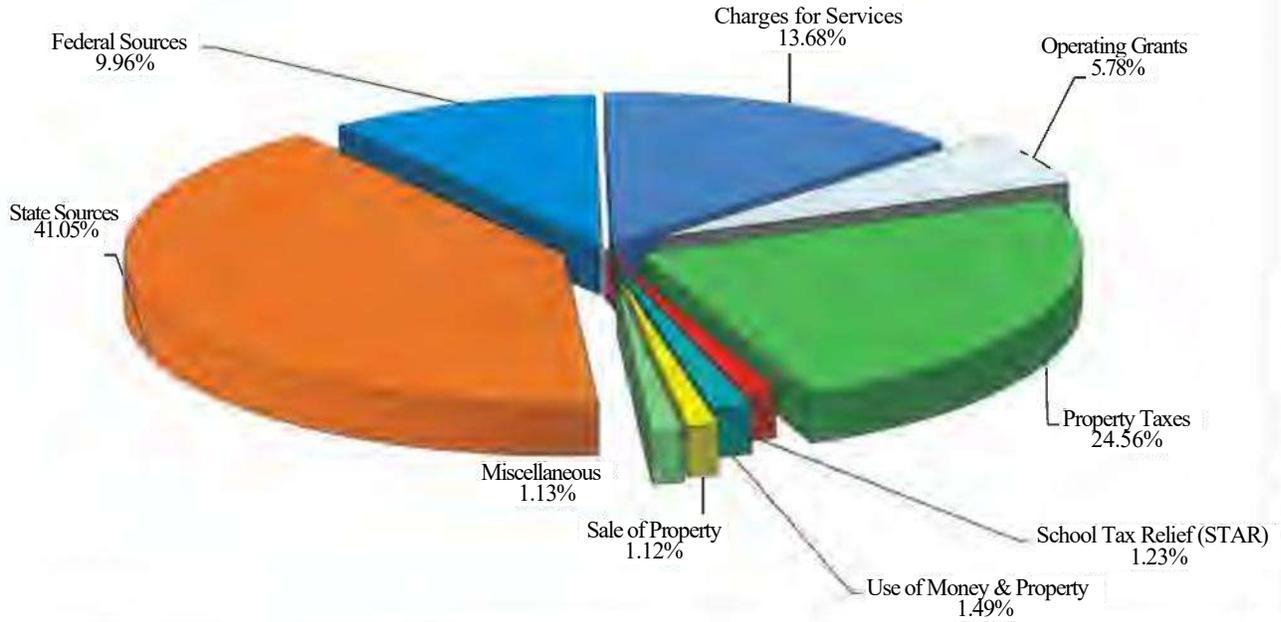
The following table and supporting graphs provide a summary of revenues, expenses and changes in net position for the years ended June 30 2024 and 2023:

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
STATEMENT OF ACTIVITIES  
SUMMARY OF CHANGES IN NET POSITION

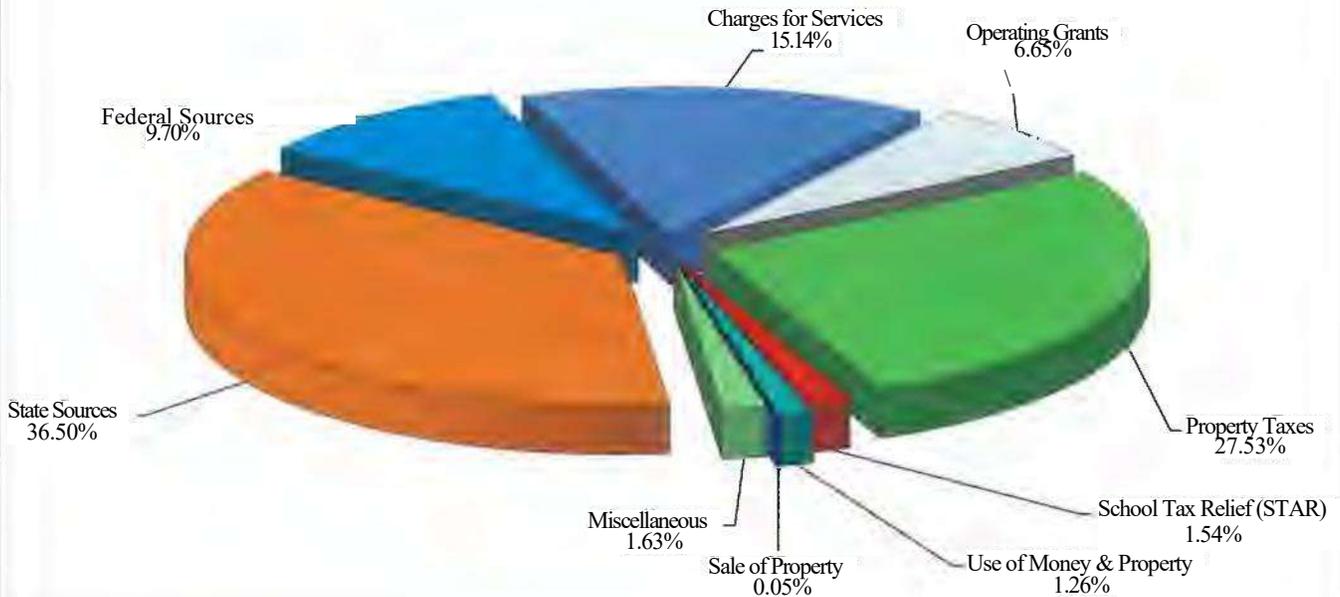
	FOR THE YEAR ENDED JUNE 30, 2024		FOR THE YEAR ENDED JUNE 30, 2023		\$ Change	
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 6,082,315	13.68%	\$ 5,883,467	15.14%	\$ 198,848	3.38%
Operating Grants	2,568,442	5.78%	2,583,158	6.65%	(14,716)	-0.57%
GENERAL REVENUES:						
Property Taxes	10,922,431	24.56%	10,711,644	27.53%	210,787	1.97%
School Tax Relief (STAR)	548,662	1.23%	596,930	1.54%	(48,268)	-8.09%
Use of Money & Property	661,146	1.49%	488,903	1.26%	172,243	35.23%
Sale of Property	500,000	1.12%	18,200	0.05%	481,800	100.00%
Miscellaneous	502,080	1.13%	633,098	1.63%	(131,018)	-20.69%
State Sources	18,250,411	41.05%	14,186,546	36.50%	4,063,865	28.65%
Federal Sources	4,426,415	9.96%	3,770,239	9.70%	656,176	17.40%
TOTAL REVENUES	<u>44,461,902</u>	<u>100.00%</u>	<u>38,872,185</u>	<u>100.00%</u>	<u>5,589,717</u>	<u>14.38%</u>
<u>EXPENSES</u>						
General Support	5,666,990	13.15%	3,951,785	9.91%	1,715,205	43.40%
Instruction	22,412,293	52.02%	22,128,783	55.50%	283,510	1.28%
Pupil Transportation	3,399,918	7.89%	2,888,499	7.25%	511,419	17.71%
Employee Benefits	8,857,367	20.56%	8,957,519	22.47%	(100,152)	-1.12%
Debt Service Interest	281,297	0.65%	311,233	0.78%	(29,936)	-9.62%
Depreciation and Amortization	1,855,822	4.31%	1,140,430	2.86%	715,392	62.73%
School Lunch Program	610,103	1.42%	489,780	1.23%	120,323	24.57%
TOTAL EXPENSES	<u>43,083,790</u>	<u>100.00%</u>	<u>39,868,029</u>	<u>100.00%</u>	<u>3,215,761</u>	<u>8.07%</u>
CHANGE IN NET POSITION	<u>\$ 1,378,112</u>		<u>\$ (995,844)</u>		<u>\$ 2,373,956</u>	

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK

**SOURCES OF REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

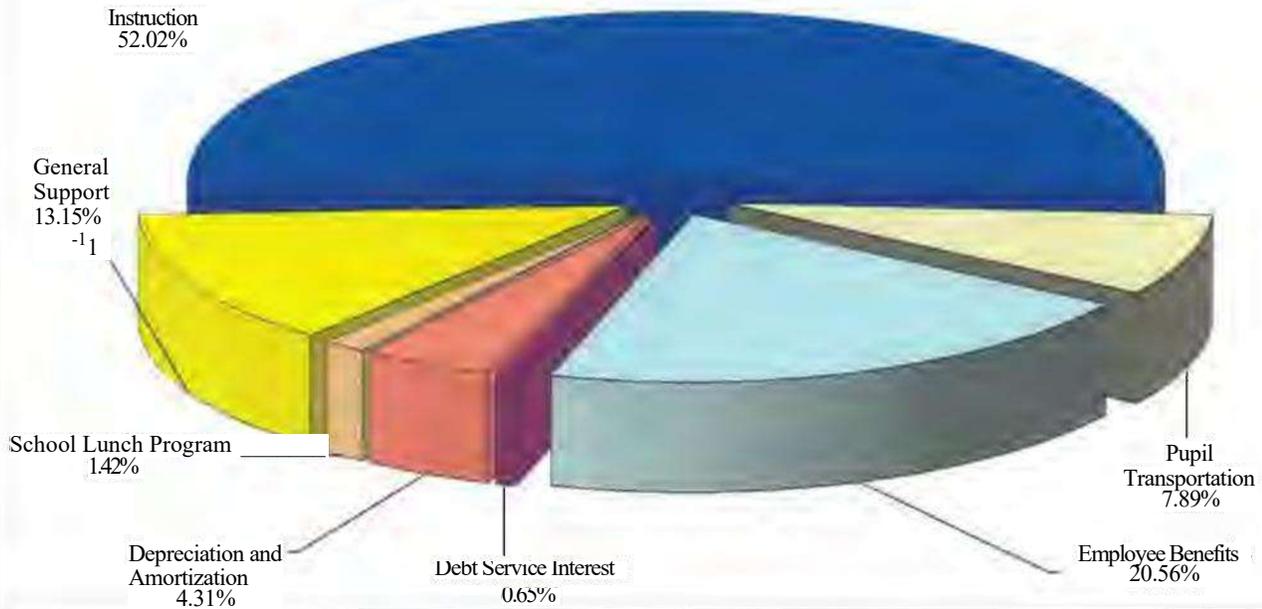


**SOURCES OF REVENUE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

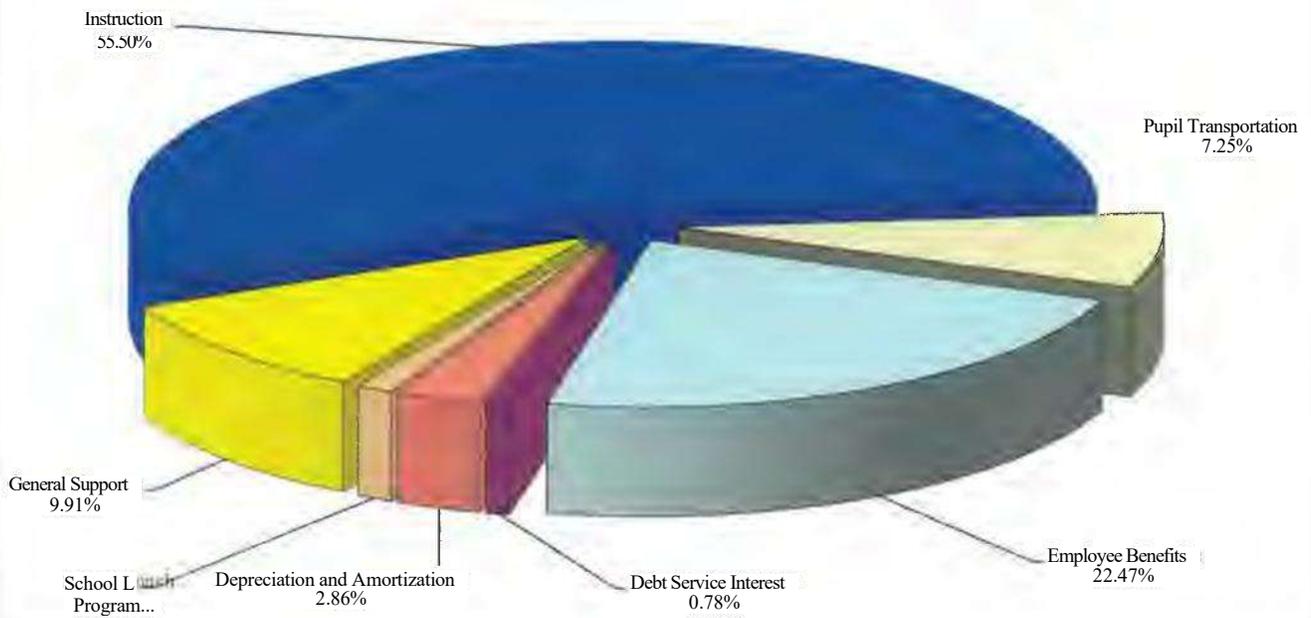


HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK

**EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2024**



**EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

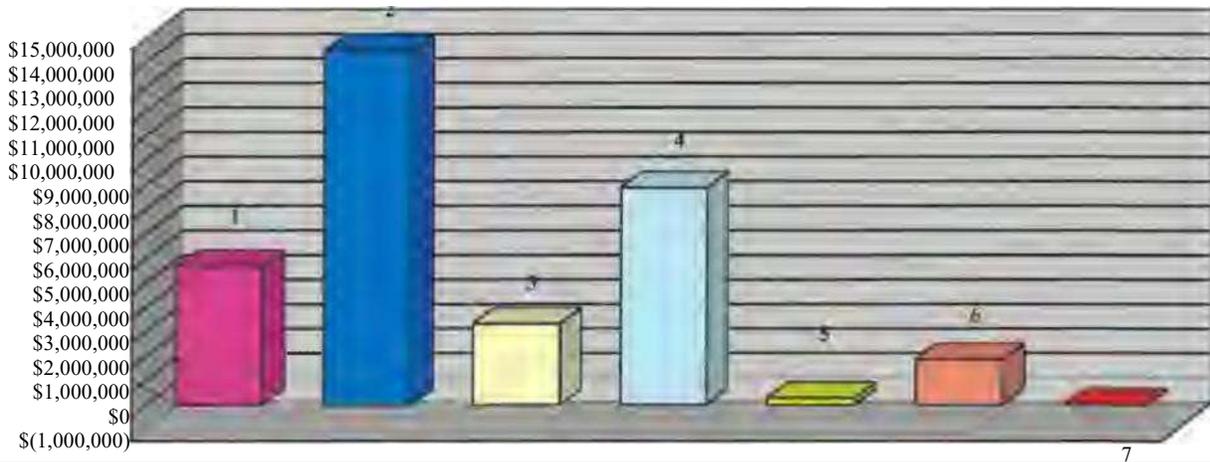


HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
STATEMENT OF ACTIVITIES  
NET COSTS

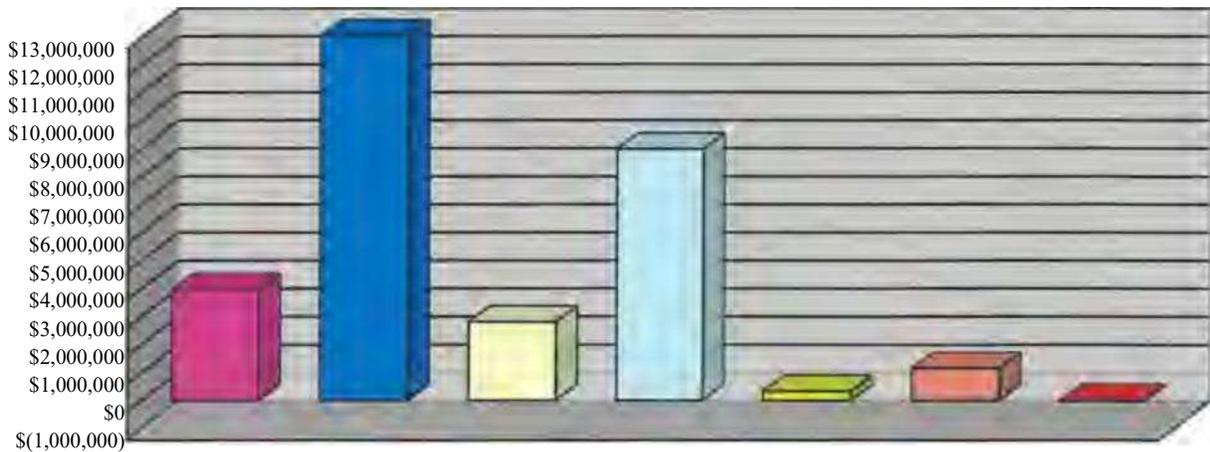
The following information is provided to disclose the net cost of governmental activities:

	TOTAL COST OF SERVICES 2023-2024	NET COST OF SERVICES 2023-2024	TOTAL COST OF SERVICES 2022-2023	NET COST OF SERVICES 2022-2023
General Support	\$ 5,666,990	\$ 5,663,033	\$ 3,951,785	\$ 3,948,723
Instruction	22,412,293	14,456,113	22,128,783	14,264,659
Pupil Transportation	3,399,918	3,316,773	2,888,499	2,793,126
Employee Benefits	8,857,367	8,857,367	8,957,519	8,957,519
Debt Service - Interest	281,297	281,297	311,233	311,233
Depreciation &	1,855,822	1,855,822	1,140,430	1,140,430
School Lunch Program	610,103	2,628	489,780	(14,286)
	<b>\$ 43,083,790</b>	<b>\$ 34,433,033</b>	<b>\$ 39,868,029</b>	<b>\$ 31,401,404</b>

**NET COST OF SERVICE 2023-2024**



**NET COST OF SERVICE 2022-2023**



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

**Financial Analysis of the District's Funds**

As discussed, the District's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the District consist of the General Fund, Special Aid Fund, School Lunch Fund, Miscellaneous Special Revenue, Debt Service Fund and Capital Projects Fund. The total fund balances allocated between nonspendable, restricted, assigned, and unassigned fund balance for each of these funds is as follows:

	June 30, 2024				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	0	\$ 8,316,822	\$ 740,158	\$ 8,778,238	\$ 17,835,218
<b>Special Aid</b>	0	12,839	0	0	12,839
<b>School Lunch</b>	2,890	230,201	0	0	233,091
<b>Special Revenue</b>	0	162,121	0	0	162,121
Capital Projects	0	451,753	0	0	451,753
Debt Service	0	575,620	0	5,853	581,473
	<b>\$ 2,890</b>	<b>\$ 9,749,356</b>	<b>\$ 740,158</b>	<b>\$ 8,784,091</b>	<b>\$ 19,276,495</b>

	June 30, 2023				
	Nonspendable	Restricted	Assigned	Unassi	Total
General	0	\$10,614,736	\$ 296,623	\$ 6,211,754	\$ 17,123,113
Special Aid	0	12,839	0	0	12,839
School Lunch	19,789	215,930	0	0	235,719
Special Revenue	0	<b>145,661</b>	<b>0</b>	0	<b>145,661</b>
Capital Projects	0	<b>0</b>	0	(486,565)	<b>(486,565)</b>
Debt Service	0	571,834	0	0	<b>571,834</b>
	<b>\$ 19,789</b>	<b>\$11,561,000</b>	<b>\$ 296,623</b>	<b>\$ 5,725,189</b>	<b>\$ 17,602,601</b>

General Fund Budget Highlights

**The original budget for the General Fund was revised by \$2,476,716 during the year. The amendments were for costs related to damages sustained as the result of storms and an earthquake.**

In the General Fund for the fiscal year ended June 30, 2024, actual revenues were greater than the final budgeted revenues by \$2,792,257 (7.60%). Revenue **sources** significantly over budget were state and federal aid, insurance recovery and interest earned.

Actual expenditures and encumbrances were greater than the final budgeted expenditures by \$293,593 (-.71%). The excess spending was the result of a transfer to the Capital Fund for voter approved projects. The transfer in the amount of \$2,300,000 was funded from the Capital Reserve.

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**

**Management Discussion and Analysis  
(Continued)**

**General Fund Budgetary Highlights (Continued)**

Factors that continue to affect the budget process are as follows:

- **Property Tax Cap** — The Property Tax Cap continues to put constraints on the budgeting process as we are limited to the revenues that can be raised; limiting the increases to the expenditure budget.
- **Employees Retirement Contributions and Teachers Retirement Contribution** have been fluctuating during the past few budget seasons. These fluctuations will be monitored in future years as it can affect other areas in the budget in a negative way.
- **Affordable Care Act** — The District continues to anticipate expenses and fees that will increase District health care costs as well as increases in the administration of soft costs related to managing the program. Calendar year 2015 was the first year that the District reported detailed health insurance information to the IRS for the employees of the District.

Management believes that the budget adopted for 2024-2025 is reasonably adaptable to any adverse changes that may arise based on the above factors.

**Other Fund Highlights**

**The Special Aid Fund ended the year with a fund balance of \$12,839.**

**The School Lunch Program Fund** ended the year with a fund balance of \$233,091. Revenue and other sources were less than expenditures by \$2,628.

**The Capital Projects Fund ended the year with a fund balance of \$451,753. The District began capital projects at the Elementary School during the year.**

**Debt Service Fund ended the year** with a fund balance of \$581,473. **This fund balance** will be appropriated in future years to offset principal and interest payments.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

Management Discussion and Analysis  
(Continued)

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2024, was \$34,106,142. The total increase in net investment was 1.80% for the District as a whole (see schedule below). The District's investment in capital assets, net of accumulated depreciation and amortization as of June 30, 2023 was \$33,504,505. The District expended \$2,221,189 to acquire equipment and construct capital assets during the fiscal year end. Depreciation expense for the year was \$1,649,026. Amortization was \$206,796.

CAPITAL ASSETS

Net of Accumulated Depreciation and Amortization

	School District Activities		% Change
	June 30, 2024	June 30, 2023	
<u>Non-Depreciable Assets:</u>			
Land	\$ 152,475	\$ 152,475	0.00%
Construction in Progress	2,116,849	88,413	2294.27%
<u>Depreciable Assets:</u>			
Land Improvements	221,919	253,801	-12.56%
Building and Improvements	30,178,867	31,573,354	-4.42%
Furniture and Equipment	927,094	966,767	-4.10%
Vehicles	198,438	188,669	5.18%
<u>Amortizable Assets:</u>			
Furniture and Equipment	310,498	281,026	10.49%
<b>TOTALS</b>	<b>\$34,106,140</b>	<b>\$33,504,505</b>	<b>1.80%</b>

Long-Term Debt

At the end of the year, the District had total bonded debt outstanding of \$12,545,000. This amount is backed by the full faith and credit of the Highland Falls-Fort Montgomery Central School District with debt service fully funded by voter approved property taxes. Activity in bonded debt outstanding during the fiscal year was as follows:

	Beginning Balance	Issued	Paid	Ending Balance
Total Bonded Debt Outstanding	\$ 13,645,000	\$ 0	\$ 1,100,000	\$

Bond Ratings

Moody's Investors Service ("Moody's") has assigned a rating of "Aa3" to outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's Investors Service. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christopher Carballo, Assistant Superintendent for Business, at the District's business offices at 21 Morgan Road, Highland Falls, New York 10928.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2024

ASSETS

Unrestricted Cash	\$ 9,744,678
Restricted Cash	9,755,209
State & Federal Aid Receivable	3,074,412
Due from Other Governments	538,202
Other Receivables, Net	3,490
Inventories	2,890
Right to Use Asset, Net	310,498
Non Depreciable Capital Assets	2,269,324
Depreciable Capital Assets, Net	31,526,318
	<hr/>
TOTAL ASSETS	57,225,021

DEFERRED OUTFLOWS OF RESOURCES

Other Postemployment Benefits	6,571,744
Pensions	6,022,122
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<hr/> 12,593,866 <hr/>

LIABILITIES

Accounts Payable	1,567,700
Accrued Liabilities	360,536
Due to Other Governments	4,247
Due to Teachers' Retirement System	1,444,249
Due to Employees' Retirement System	136,995
Other Liabilities	6,287
Unearned Revenue	28,320
Deferred Revenues	306,096
Long-term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable	1,125,000
Due and Payable In More Than One Year:	
Bonds Payable	11,420,000
Compensated Absences	1,272,224
Net Pension Liability-Proportionate Share	1,889,990
Other Postemployment Benefits	49,593,269
TOTAL LIABILITIES	<hr/> 69,154,913 <hr/>

DEFERRED INFLOWS OF RESOURCES

Other Postemployment Benefits	14,403,620
Pensions	1,221,706
TOTAL DEFERRED INFLOWS OF RESOURCES	<hr/> 15,625,326 <hr/>

NET POSITION

Net Investment in Capital Assets	21,561,142
Restricted	12,665,635
Unrestricted (Deficit)	(49,188,129)
	<hr/>
TOTAL NET POSITION	(14,961,352)

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30 2024

	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE & CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS	
<u>FUNCTIONS &amp; PROGRAMS</u>				
General Support	\$ (7,276,457)	\$ 3,957	\$	\$ (7,272,500)
Instruction	(30,480,184)	5,973,994	1,982,186	(22,524,004)
Pupil Transportation	(4,408,292)	0	83,145	(4,325,147)
Debt Service - Interest	(281,297)	0	0	(281,297)
School Lunch Program	(637,560)	104,364	503,111	(30,085)
TOTAL FUNCTIONS & PROGRAMS	\$ (43,083,790)	\$ 6,082,315	\$ 2,568,442	(34,433,033)
<u>GENERAL REVENUES</u>				
Real Property Taxes				10,922,431
Other Tax Items				548,662
Use of Money & Property				661,146
Sale of Property & Compensation for Loss				500,000
Miscellaneous				502,080
State Sources				18,250,411
Federal Sources				4,426,415
TOTAL GENERAL REVENUES				35,811,145
CHANGE IN NET POSITION				1,378,112
NET POSITION, BEGINNING OF YEAR				(16,339,464)
NET POSITION, END OF YEAR				\$ (14,961,352)

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
BALANCE SHEET- GOVERNMENTAL  
JUNE 30 2024

	GENERAL	SPECIAL AID	SCHOOL LUNCH	SPECIAL REVENUE MISCELLANEOUS	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Unrestricted Cash	\$ 9,588,923	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,744,678
Restricted Cash	7,784,126	0	77,970	162,121	1,233,366	497,626	9,755,209
State & Federal Aid Receivable	1,484,042	1,405,102	185,268	0	0	0	3,074,412
Due from Other Governments	538,202	0	0	0	0	0	538,202
Due from Other Funds	2,047,279	0	17,190	0	0	83,847	2,148,316
Other Receivables, Net	3,490	0	0	0	0	0	3,490
Inventories	0	0	2,890	0	0	0	2,890
<b>TOTAL ASSETS</b>	<b>\$ 21,446,062</b>	<b>\$ 1,560,857</b>	<b>\$ 283,318</b>	<b>\$ 162,121</b>	<b>\$ 1,233,366</b>	<b>\$ 0</b>	<b>\$ 25,267,197</b>
<b>LIABILITIES &amp; FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 1,258,030	\$ 67,702	\$ 43,933	\$ 0	\$ 198,035	\$ 0	\$ 1,567,700
Accrued Liabilities	342,033	6,459	0	0	0	0	348,492
Due to Other Governments	0	4,235	12	0	0	0	4,247
Due to Other Funds	101,037	1,463,701	0	0	583,578	0	2,148,316
Due to Teachers' Retirement System	1,444,249	0	0	0	0	0	1,444,249
Due to Employees' Retirement System	136,995	0	0	0	0	0	136,995
Other Liabilities	5	0	6,282	0	0	0	6,287
Unearned Revenue	28,320	0	0	0	0	0	28,320
Deferred Revenues	300,175	5,921	0	0	0	0	306,096
<b>TOTAL LIABILITIES</b>	<b>3,610,844</b>	<b>1,548,018</b>	<b>50,227</b>	<b>0</b>	<b>781,613</b>	<b>0</b>	<b>5,990,702</b>
<b>FUND BALANCES</b>							
Nonspendable	0	0	2,890	0	0	0	2,890
Restricted	8,316,822	12,839	230,201	162,121	451,753	581,473	9,755,209
Assigned	740,158	0	0	0	0	0	740,158
Unassigned	8,778,238	0	0	0	0	0	8,778,238
<b>TOTAL FUND BALANCES</b>	<b>17,835,218</b>	<b>12,839</b>	<b>233,091</b>	<b>162,121</b>	<b>451,753</b>	<b>581,473</b>	<b>19,276,495</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 21,446,062</b>	<b>\$ 1,560,857</b>	<b>\$ 283,318</b>	<b>\$ 162,121</b>	<b>\$ 1,233,366</b>	<b>\$ 0</b>	<b>\$ 25,267,197</b>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30 2 24

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
<u>ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</u>				
<u>ASSETS</u>				
Unrestricted Cash	\$ 9,744,678	\$ 0	\$ 0	\$ 9,744,678
Restricted Cash	9,755,209	0	0	9,755,209
State & Federal Aid Receivable	3,074,412	0	0	3,074,412
Due from Other Governments	538,202	0	0	538,202
Due from Other Funds	2,148,316	0	(2,148,316)	0
Other Receivables, Net	3,490	0	0	3,490
Inventories	2,890	0	0	2,890
Right to Use Asset, Net	0	310,498	0	310,498
Non Depreciable Capital Assets	0	2,269,324	0	2,269,324
Depreciable Capital Assets, Net	0	31,526,318	0	31,526,318
<b>TOTAL ASSETS</b>	<b>25,267,197</b>	<b>34,106,140</b>	<b>(2,148,316)</b>	<b>57,225,021</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Other Postemployment Benefits	0	6,571,744	0	6,571,744
Pensions	0	6,022,122	0	6,022,122
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>25,267,197</b>	<b>\$ 46,700,006</b>	<b>\$ (2,148,316)</b>	<b>\$ 69,818,887</b>
<u>LIABILITIES DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES / NET POSITION</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,567,700	\$ 0	\$ 0	\$ 1,567,700
Accrued Liabilities	348,492	12,044	0	360,536
Due to Other Governments	4,247	0	0	4,247
Due to Other Funds	2,148,316	0	(2,148,316)	0
Due to Teachers' Retirement System	1,444,249	0	0	1,444,249
Due to Employees' Retirement System	136,995	0	0	136,995
Other Liabilities	6,287	0	0	6,287
Unearned Revenue	28,320	0	0	28,320
Deferred Revenue	306,096	0	0	306,096
Bonds Payable	0	12,545,000	0	12,545,000
Compensated Absences	0	1,272,224	0	1,272,224
Net Pension Liability-Proportionate Share	0	1,889,990	0	1,889,990
Other Postemployment Benefits	0	49,593,269	0	49,593,269
<b>TOTAL LIABILITIES</b>	<b>5,990,702</b>	<b>65,312,527</b>	<b>(2,148,316)</b>	<b>69,154,913</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Other Postemployment Benefits	0	14,403,620	0	14,403,620
Pensions	0	1,221,706	0	1,221,706
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>0</b>	<b>15,625,326</b>	<b>0</b>	<b>15,625,326</b>
<b>FUND BALANCES / NET POSITION</b>	<b>19,276,495</b>	<b>(34,237,847)</b>	<b>0</b>	<b>(14,961,352)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES / NET POSITION</b>	<b>25,267,197</b>	<b>\$ 46,700,006</b>	<b>\$ (2,148,316)</b>	<b>\$ 69,818,887</b>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
 HIGHLAND FALLS, NEW YORK  
 STATEMENT OF REVENUES EXPENDITURES & CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30 2024

	GENERAL	SPECIAL AID	SCHOOL LUNCH	MISCELLANEOUS SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>							
Real Property Taxes	\$ 10,922,431	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,922,431
Other Tax Items	548,662	0	0	0	0	0	548,662
Charges for Services	5,977,951	0	0	0	0	0	5,977,951
Use of Money & Property	651,715	0	0	10	0	9,421	661,146
Sale of Property & Compensation for Loss	500,000	0	0	0	0	0	500,000
Miscellaneous	389,399	0	0	112,463	0	218	502,080
State Sources	18,361,960	605,463	132,609	0	0	0	19,100,032
Federal Sources	4,426,415	1,348,319	370,502	0	0	0	6,145,236
Sales	0	0	104,364	0	0	0	104,364
<b>TOTAL REVENUES</b>	<b>41,778,533</b>	<b>1,953,782</b>	<b>607,475</b>	<b>112,473</b>	<b>0</b>	<b>9,639</b>	<b>44,461,902</b>
<b>EXPENDITURES</b>							
General Support	5,680,119	30,618	956	0	0	0	5,711,693
Instruction	20,958,365	1,683,623	0	96,013	0	0	22,738,001
Pupil Transportation	3,295,987	103,931	0	0	0	0	3,399,918
Employee Benefits	6,555,700	218,336	0	0	0	0	6,774,036
Debt Service:							
Principal	1,911,561	0	0	0	0	0	1,911,561
Interest	281,970	0	0	0	0	0	281,970
Cost of Sales	0	0	609,147	0	0	0	609,147
Capital Outlay	0	0	0	0	2,081,682	0	2,081,682
<b>TOTAL EXPENDITURES</b>	<b>38,683,702</b>	<b>2,036,508</b>	<b>610,103</b>	<b>96,013</b>	<b>2,081,682</b>	<b>0</b>	<b>43,508,008</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>3,094,831</b>	<b>(82,726)</b>	<b>(2,628)</b>	<b>16,460</b>	<b>(2,081,682)</b>	<b>9,639</b>	<b>953,894</b>
<b>OTHER SOURCES &amp; USES</b>							
Bond Anticipation Notes Paid from Current Appropriations	0	0	0	0	720,000	0	720,000
Operating Transfers In	0	82,726	0	0	2,300,000	0	2,382,726
Operating Transfers Out	(2,382,726)	0	0	0	0	0	(2,382,726)
<b>TOTAL OTHER SOURCES &amp; USES</b>	<b>(2,382,726)</b>	<b>82,726</b>	<b>0</b>	<b>0</b>	<b>3,020,000</b>	<b>0</b>	<b>720,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>712,105</b>	<b>0</b>	<b>(2,628)</b>	<b>16,460</b>	<b>938,318</b>	<b>9,639</b>	<b>1,673,894</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>17,123,113</b>	<b>12,839</b>	<b>235,719</b>	<b>145,661</b>	<b>(486,565)</b>	<b>571,834</b>	<b>17,602,601</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 17,835,218</b>	<b>\$ 12,839</b>	<b>\$ 233,091</b>	<b>\$ 162,121</b>	<b>\$ 451,753</b>	<b>\$ 581,473</b>	<b>\$ 19,276,495</b>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
<b>REVENUES</b>						
Real Property Taxes	\$ 10,922,431	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,922,431
Other Tax Items	548,662	0	0	0	0	548,662
Charges for Services	5,977,951	0	0	0	0	5,977,951
Use of Money & Property	661,146	0	0	0	0	661,146
Sale of Property & Compensation for Loss	500,000	0	0	0	0	500,000
Miscellaneous	502,080	0	0	0	0	502,080
State Sources	19,100,032	0	0	0	0	19,100,032
Federal Sources	6,145,236	0	0	0	0	6,145,236
Sales	104,364	0	0	0	0	104,364
<b>TOTAL REVENUES</b>	<b>44,461,902</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,461,902</b>
<b>EXPENDITURES</b>						
General Support	5,711,693	0	(22,482)	0	1,587,246	7,276,457
Instruction	22,738,001	6,320	1,412,242	0	6,323,621	30,480,184
Pupil Transportation	3,399,918	0	62,830	0	945,544	4,408,292
Employee Benefits	6,774,036	2,083,331	0	0	(8,857,367)	0
Debt Service:						
Principal	1,911,561	0	(48,527)	(1,143,034)	(720,000)	0
Interest	281,970	(673)	0	0	0	281,297
Cost of Sales	609,147	0	27,457	0	956	637,560
Capital Outlay	2,081,682	0	(2,081,682)	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>43,508,008</b>	<b>2,088,978</b>	<b>(650,162)</b>	<b>(1,143,034)</b>	<b>(720,000)</b>	<b>43,083,790</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>953,894</b>	<b>(2,088,978)</b>	<b>650,162</b>	<b>1,143,034</b>	<b>720,000</b>	<b>1,378,112</b>
<b>OTHER SOURCES &amp; USES</b>						
Bond Anticipation Notes Paid from Current Appropriations	720,000	0	0	0	(720,000)	0
Operating Transfers In	2,382,726	0	0	0	(2,382,726)	0
Operating Transfers Out	(2,382,726)	0	0	0	2,382,726	0
<b>TOTAL OTHER SOURCES &amp; USES</b>	<b>720,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(720,000)</b>	<b>0</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>1,673,894</b>	<b>\$ (2,088,978)</b>	<b>\$ 0</b>	<b>\$ 1,143,034</b>	<b>\$ 0</b>	<b>\$ 1,378,112</b>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

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

A. Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

1. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight and administrative involvement over these funds. The Extraclassroom Activity Funds have designated student management that is overseen by faculty advisors. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds have been included in this report. The District accounts for extraclassroom activities in its Miscellaneous Special Revenue Fund.

B. Joint Venture

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

B. Joint Venture (Continued)

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

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

During the year ended June 30, 2024, the District was billed \$7,072,273 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,143,575. Financial statements for **BOCES are available from the BOCES administrative office at 53 Gibson Road, Goshen, New York 10924.**

C. Basis of Presentation

1. District-Wide Statements

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

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

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**C. Basis of Presentation (Continued)**

**2. Funds Statements**

The fund statements provide information about the District's governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

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

**Special Revenue Funds:** These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue funds include the following:

**Special Aid Fund:** This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted for to expenditures for specified purposes. Those legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

**School Lunch Fund:** This fund is used to account for the school lunch operations. The school lunch operation is supported by federal and state grants and charges participants for its services.

**Miscellaneous Special Revenue Fund:** This fund is used to account for other proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes and the specific revenue sources continue to make up a substantial portion of the inflows reported in the fund. Revenue reported in this fund includes gifts and donations that are restricted for scholarships and revenue generated by students through extraclassroom activities that are restricted for extraclassroom activities. Other resources, such as investment earnings and transfers, may also be reported in the fund.

**Capital Projects Fund:** This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

**Debt Service Fund:** This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

**D. Measurement Focus and Basis of Accounting**

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

The District-wide 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. - 23 -

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 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.

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September Pt and became a lien on August 24, 2023. Taxes were collected by the Town of Highlands during the period September 1, 2023 through October 31, 2023.

Uncollected real property taxes are subsequently enforced by Orange County. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following April 1.

F. Restricted Resources

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

G. Interfund Transactions

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

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types. Eliminations have been made for all interfund receivables and payables between the funds.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

G. Interfund Transactions (Continued)

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

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets 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.

I. Cash and Investments

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

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

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

J. Accounts Receivable

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

K. Leases Receivable

Leases receivable are recorded at the net present value of the lease, with a corresponding deferred inflow of resources.

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**L. 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 market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. A reserve for these non-liquid assets has been recognized in the School Lunch Fund to signify that a portion of fund balance is not available for other subsequent expenditures.

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

**M. Other Assets/Restricted Assets**

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants

**N. Capital Assets**

Capital assets are reported at cost for acquisitions. Donated assets are reported at estimated fair market value at the time received.

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

	<b><u>Capitalization</u></b>	<b><u>Depreciation</u></b>	<b><u>Estimated</u></b>
	<b><u>Threshold</u></b>	<b><u>Method</u></b>	<b><u>Useful Life</u></b>
<b>Buildings and Improvements</b>	<b>\$ 5,000</b>	<b>Straight Line</b>	50 years
Land Improvements	5,000	Straight Line	15 - 25 years
Furniture and Equipment	5,000	Straight Line	5 - 20 years
Vehicles	5,000	Straight Line	5 - 20 years

**O. Right to Use Assets**

A right to use asset is a lessee's right to use an asset over the life of the lease. Right to use assets are reported at present value.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

P. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. For additional information on pensions, see Note 9. The second relates to OPEB reporting in the district wide Statement of Net Position. For additional information on other postemployment benefits, see Note 11.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first is related to pensions reported in the district-wide Statement of Net Position. For additional information on deferred inflows related to pensions, see Note 9. The second is related to OPEB reported in the district wide Statement of Net Position. For additional information on deferred inflows related to other postemployment benefits, see Note 11.

Q. Unearned Revenue

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

R. Vested Employee Benefits

1. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical or personal time.

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

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

R. Vested Employee Benefits (Continued)

1. Compensated Absences (Continued)

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

2. Other Benefits

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

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

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

S. Short-Term Debt

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

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

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

The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that year. The deficiency notes may mature no later than the close of the second fiscal year after the year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the year following the year in which they were issued.

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**  
**HIGHLAND FALLS, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

**T. Accrued Liabilities and Long-Term Obligations**

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

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

**U. Equity Classifications**

**1. District-wide Statements**

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

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

**2. Funds Statements**

**In the governmental fund statements there are five classifications of fund balance:**

**Nonspendable:** Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance includes inventory in the School Lunch Fund of \$2,890.

**Restricted:** Includes amounts with constraints placed on the use of these amounts either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than General Fund are classified as restricted fund balance. The District has established the following reserves that have been included in restricted fund balance:

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

(Continued) U. Equity Classifications (Continued)

2. Funds Statements (Continued)

Capital Reserve

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

Unemployment Insurance Reserve

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

Tax Certiorari Reserve

Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General fund.

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the General Fund.

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**U. Equity Classifications (Continued)**

**2. Funds Statements (Continued)**

**Teachers Retirement Contribution Reserve**

According to amendments to General Municipal Law §6-r, this reserve must be used to finance retirement contributions to the New York State Teachers Retirement System ("TRS") and/or offset all or some of the amount **deducted** from the moneys apportioned to the District from the state under Education Law § 521. 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. This reserve is accounted for in the General Fund. The amount of moneys contributed to the TRS Sub-fund annually cannot exceed 2% of the total salaries of all teachers employed by the District paid during the previous fiscal year. In addition, the total balance of the TRS Sub-fund cannot exceed 10% of the total salaries of all teachers employed by the District paid during the previous fiscal year.

**Restricted fund balance at June 30, 2024 consisted**

**of: General Fund:**

Capital Reserve	\$	6,510,146
Unemployment Insurance Reserve		100,000
Tax Certiorari Reserve		280,801
Employee Benefit Accrued Liability Reserve		<b>419,834</b>
Teacher Retirement System Reserve		<b>606,041</b>
Retirement Contribution Reserve		<b>400,000</b>
General Fund Total	\$	<b>8,316,822</b>
Special Aid Fund		12,839
School Lunch Fund		230,201
Miscellaneous Special Revenue:		
Scholarships		18,741
Extraroom Activities		143,380
Capital Fund		451,753
Debt Service Fund		581,473
Total Restricted Fund Balance	\$	<b>9,755,209</b>

**Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The District did not classify any of its fund balances as committed as of June 30, 2024.**

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

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

U. Equity Classifications (Continued)

2. Funds Statements (Continued)

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

Order of Use of Fund Balance:

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

Limitation on Unexpended Surplus Funds:

NYS Real Property Tax Law §1318 limits the amount of unexpended surplus funds the District can retain to no more than 4% of the District's General Fund budget for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

V New Accounting Standards

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

- GASB Statement No. 99, *Omnibus 2022*, paragraphs 4-10 effective for the year ending June 30, 2024.
- GASB Statement 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62* effective for the year ending June 30, 2024.

GASB has issued Statement 99, *Omnibus 2022*, paragraphs 4 through 10. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

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JUNE 30, 2024

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

V. New Accounting Standards (Continued)

GASB has issued Statement 100, *Accounting Changes and Error Corrections An Amendment of GASB Statement No. 62*, the primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

W. Future Changes in Accounting Standards

GASB has issued Statement 101, *Compensated Absences*, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2025 financial statements.

GASB has issued Statement 102, *Certain Risk Disclosures*, the objective of this Statement is to provide users of governmental financial statements with essential information about risk related to government's vulnerabilities due to certain concentrations or constraints. The Statement requires a government that reports a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, the Statement requires a government to assess whether an event or events that could have a substantial impact, have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2026 financial statements.

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

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

A. Total Fund Balances of Governmental Funds [vs. Net](#) Position of Governmental Activities:

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:  
(Continued)

1. The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. The balances at June 30, 2024 were as follows:

Original Cost of Capital Assets	\$ 61,948,245
Accumulated Depreciation	<u>(28,152,603)</u>
	<u>\$ 33,795,642</u>

2. The cost of right to use assets (equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those right to use assets among the assets of the District as a whole, with the present value capitalized and amortization expensed annually over the period of use. The balances at June 30, 2024 are as follows:

Original Cost of Right of Use Assets	\$723,551
Accumulated Amortization	<u>(413,053)</u>
	<u>\$ 310,498</u>

3. In the Statement of Net Position, a liability is recognized for the District's proportionate share of the net pension liability attributable to each defined benefit pension plan in which the District participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan's fiduciary net position. If a pension plan's fiduciary net position exceeds its total pension liability, the District's proportionate share of the pension plan's net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily result from contributions subsequent to the measurement date, as well as changes in the components of the net pension liability or asset. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at June 30, 2024 were as follows:

Deferred Outflows of Resources - Pensions	\$ 6,022,122
Net Pension Liability - Proportionate Share	(1,889,990)
Deferred Inflows of Resources - Pensions	<u>(1,221,706)</u>
	<u>\$ 2,910,426</u>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:  
(Continued)

4. Interest is accrued in the Statement of Net Position, regardless of when it is due. This liability does not appear on the Balance Sheet because interest is expended when it is due, and thus requires the use of current financial resources. This liability at June 30, 2024 was as follows:

Accrued Interest	12,044
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5. Long-term liabilities and related deferred inflows and outflows are reported in the Statement of Net Position, but not in the Balance Sheet, because the liabilities are not due and payable in the current period. The balances at June 30, 2024 were as follows:

Bonds Payable	\$ 12,545,000
Compensated Absences	1,272,224
Deferred Outflow of Resources - OPEB	(6,571,744)
Other Postemployment Benefits	49,593,269
Deferred Inflows of Resources - OPEB	<u>14,403,620</u>
	<u>\$ 71,242,369</u>

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

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

1. Long-Term Revenue Differences

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

2. Capital Related Differences

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

3. Long-Term Debt Transaction Differences

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

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities: (Continued)

1. Pension Plan Transaction Differences

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

2. Other Postemployment Benefit (OPEB) Related Differences

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

Explanation of Differences between Governmental Funds Operative,  
Statement and the Statement of Activities

Total Revenues and Other Funding Sources

Total revenues reported in governmental funds (Schedule 5)	\$ <u>44,461,902</u>
Total revenues in the Statement of Activities (Schedule 2)	\$ <u>44,461,902</u>

Total Expenditures & Other Uses/Expenses

Total expenditures reported in governmental funds (Schedule 5)	\$ 43,508,008
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When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$1,416,677 were greater than depreciation of \$924,516. in the current year.

(572,163)

When the lease of right to use assets are financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are paid for. However, in the statement of Activities, the present value of those assets is capitalized and the expense is allocated over the period of use and reported as amortization expense. This is the amount by which amortization of \$206,796 was less than the present value of the right to use assets of \$236,268 purchased in the current year.

(29,472)

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30., 2024

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:  
(Continued)

Explanation of Differences between Governmental Funds Operating Statement  
and the Statement of Activities (Continued)

Total Expenditures & Other Uses/Expenses (Continued)

<p>In the Statement of Activities, certain operating expenses (judgments and claims, compensated absences, and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). The amount by which compensated absences earned exceeded the amount paid during the year.</p>	6,320
<p>In the entity wide statements, interest payable is recognized as an accrued liability under full accrual accounting whereas it is not under governmental fund accounting. This is the amount that interest payable last year exceeds the interest payable this year.</p>	(673)
<p>In the Statement of Activities, the expense for other postemployment benefits (OPEB) includes changes in the OPEB liability such as service cost, interest cost and change in benefit terms, as well as amortization of deferred outflows of resources and deferred inflows of resources related to OPEB. However, in the governmental funds, OPEB expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which the OPEB expense in the Statement of Activities exceeded the amount of financial resources used during the year.</p>	1,071,289
<p>In the Statement of Activities, pension expense related to ERS and TRS defined benefit pension plans is measured as the change in the District's proportionate shares of the net pension assets and liabilities as of the measurement dates for each plan. In the governmental funds however, these expenditures are recognized equal to the total of (1) the amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. This is the amount by which pension expense was more than the amount of financial resources expended during the year.</p>	1,012,042

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30 2024

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS. (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (Continued):

Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities (Continued)

Total Expenditures & Other Uses/Expenses (Continued)

Payment of lease principal is an expenditure in the governmental funds, but reduce liabilities in the Statement of Net Position, and does not affect the Statement of Activities.	(48,527)
Repayments of bond and installment debt principal are expenditures in the governmental funds, when they are due and paid but reduce liabilities in the Statement of Net Position, and do not affect the Statement of Activities.	<u>(1,143,034)</u>
Total expenses in the Statement of Activities (Schedule 2)	<u>\$ 43,083,790</u>

NOTE 3. STEWARDSHIP AND COMPLIANCE.

A. Budgets

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

The voters of the District approved the proposed appropriation budget for the General Fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5.

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2024

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30,2024

NOTE 3. STEWARDSHIP AND COMPLIANCE. (Continued)

A. Budgets (Continued)

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

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Other Stewardship and Compliance Matters

The portion of the District's fund balance subject to the New York State Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include appropriating sufficient fund balance in the 2024-2025 budget to ensure that the District is compliant with the §1318 limit in the future and potentially adding to underfunded reserves.

NOTE 4 CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL.

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

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

Uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$	13,628,195

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of yearend includes \$9,755,209 within the governmental funds.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
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JUNE 30, 2024

NOTE 4. CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL. (Continued)

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the NYCLASS cooperative as of year-end are \$11,722,084,338, which consisted of \$1,924,275,821 in repurchase agreements, \$6,751,135,206 in U.S. Treasury Bills, \$1,281,296,555 in U. S. Treasury Notes and \$1,765,376,726 in collateralized bank deposits all with various interest rate and due dates. The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund	\$ 7,372,170	\$ 7,372,170
Capital Projects Fund	20	20
Debt Service Fund	24,460	24,460

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of Cooperative Liquid Assets Securities System — New York (CLASS).

NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended June 30, 2024, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 152,475		\$ 0	\$ 152,475
Construction in Progress	88,413	2,028,436	0	2,116,849
Total Nondepreciable Assets	<u>240,888</u>	<u>2,028,436</u>	<u>0</u>	<u>2,269,324</u>
Capital assets that are depreciated:				
Land Improvements	1,011,245	0	0	1,011,245
Buildings and Improvements	56,257,011	0	0	56,257,011
Furniture & Equipment	1,834,045	149,006	0	1,983,051
Vehicles	383,867	43,747	0	427,614
Total Depreciable Assets	<u>59,486,168</u>	<u>192,753</u>	<u>0</u>	<u>59,678,921</u>
Less: Accumulated Depreciation	<u>(26,503,577)</u>	<u>(1,649,026)</u>	<u>0</u>	<u>(28,152,603)</u>
Capital Assets, Net	<u>\$ 33,223,479</u>	<u>\$ 572,163</u>	<u>\$ 0</u>	<u>\$ 33,795,642</u>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30 2024

NOTE 5. CAPITAL ASSETS. (Continued)

Depreciation expense was charged to governmental function as follows:

General Support	\$ 21,265
Instruction	1,537,474
Transportation	62,830
Cost of Sales	27,457
Total Depreciation	<u>\$ 1,649,026</u>

NOTE 6. RIGHT TO USE ASSETS.

Right to use asset balances and activity for the year ended June 30, 2024 were as follows.

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities				
Right to use assets that are amortized:				
Equipment	\$ 991,824	\$ 236,268	\$ (504,541)	\$ 723,551
Less: Accumulated Amortization	1710,798)	(206,796)	504,541	(413,053)
Right To Use Assets, Net	<u>\$ 281,026</u>	<u>\$ 29,472</u>	<u>\$ 0</u>	<u>\$ 310,498</u>

Amortization expense was charged to governmental functions as follows:

Amortization - Instruction	<u>\$ 206,796</u>
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NOTE 7. SHORT-TERM DEBT.

Transactions in short-term debt for the year are as follows:

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance
BAN maturing 6/27/2024 at 6.00%	\$ 0	\$ 720,000	\$ 720,000	\$ 0

Interest on short-term debt for the year was

Interest Paid	<u>5,040</u>
Interest Expense	<u>5,040</u>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30 2024

NOTE 8. LONG-TERM LIABILITIES.

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

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Bonds Payable	\$ 13,645,000	\$ 0	\$ 1,100,000	\$ 12,545,000	\$1,125,000
Installment Purchase Debt	43,034	0	43,034	0	0
Total Bonds and Notes Payable	13,688,034	0	1,143,034	12,545,000	1,125,000
Other Liabilities:					
Compensated Absences	1,265,904	6,320	0	1,272,224	0
Net Pension Liability- Proportionate Share	2,988,215	452,874	1,551,099	1,889,990	0
Other Postemployment Benefits	47,412,506	3,380,245	1,199,482	49,593,269	0
Lease Liability	48,527		48,527	0	0
Total Other Liabilities	51,715,152	3,839,439	2,799,108	52,755,483	0
Total Long-Term Liabilities	\$ 65,403,186	\$ 3,839,439	\$ 3,942,142	\$ 65,300,483	\$1,125,000

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences. Existing serial bond and installment purchase obligations are as follows:

Description of Issue	Issue Date	Final Maturitt	Interest Rate	Balance
Serial Bond	06/16/21	06/15/36	2.0%	\$12,415,000
Serial Bond	11/14/13	11/01/24	1.5% - 3%	130,000
				<u>\$12,545,000</u>

For the Year Ended June 30,	Bonds Payable	
	Principal	Interest
2025	\$ 1,125,000	\$ 250,250
2026	1,060,000	228,400
2027	1,045,000	207,200
2028	1,065,000	186,300
2029	1,085,000	165,000
2030 - 2036	7,165,000	543,800
TOTAL	<u>\$ 12,545,000</u>	<u>\$ 1,580,950</u>

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

Interest paid	\$ 276,930
Less: Interest accrued in the prior year	(13,277)
Plus: Interest accrued in the current year	12,044
Total interest expense	<u>\$ 275,697</u>

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NOTE 9 PENSION PLANS.

Employees' Retirement System Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2022, he was elected for a new term commencing January 1, 2023. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RS SL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. Separately issued financial statements for the System can be accessed on the Comptroller's website at [www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php).

Teachers' Retirement System Plan Description

The New York State Teachers Retirement System (the TRS System) was created and exists pursuant to Article 11 of the New York State Education Law. The System is the administrator of a cost-sharing, multiple-employer public employee retirement system (PERS), administered by a 10-member Board to

provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. For additional Plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the System's website located at [www.nvstrs.org](http://www.nvstrs.org).

ERS Benefits Provided

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

*Tiers 1 and 2*

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

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RS SL, Tier 1 and Tier 2

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 9 PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

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

*Tiers 3, 4, and 5*

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 3, 4 and 5 members, each year of final average salary calculation is limited to no more than 10 percent greater than the average of the previous two years.

*Tier 6*

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent greater than the average of the previous four years.

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JUNE 30, 2024

NOTE 9. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

*Special Plans*

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

*Disability Retirement Benefits*

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

*Ordinary Death Benefits*

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

*Post-Retirement Benefit Increases*

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

TRS Benefits Provided

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

*Tier 1*

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

*Tier 2*

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

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JUNE 30, 2024

NOTE 9. **PENSION PLANS. (Continued)**

TRS Benefits Provided (Continued)

*Tier 3*

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

*Tier 4*

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

*Tier 5*

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

*Tier 6*

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

*Service Retirements*

**Tier 1 and 2 members are generally eligible for a service retirement benefit of 2% per year of credit service times final average salary (FAS).** A 5% reduction generally applies for each full year of state service under 20 years (prorated for partial years with a maximum reduction of 50%). Tier 1 and 2 members may retire as early as age 55 with five or more years of state service credit. Retirement may also occur for Tier 1 members at age 55 with less than five years of service if two years are credited since July 1, 1967, after the current membership date, and since the member turned age 53.

Generally, the maximum pension payable to Tier 1 and 2 members (with two years of credit **under the Article 19 Benefit Enhancement** law) is 79% of FAS. An age factor applies to Tier 2 members who retire before age 62 with less than 30 years of service. There is no age factor for Tier 1 members.

Tier 3 and 4 members are generally eligible for a service retirement benefit of 1.67% per year of credited service times FAS for less than 20 years of service, 2.0% per year for 20 to 30 years of service, **and 60% of FAS plus 1.5% per year for service beyond 30 years.** Tier 3 and 4 members may retire as early as age 55 with five years of state service credit. An age factor applies for Tier 3 and 4 members who retire before age 62 with less than 30 years of service.

Tier 5 members are generally eligible for a service retirement benefit of 1.67% per year of credited service **times FAS for less than 25 years of service, 2% per year for 25 - 30 years of service, and 60% of FAS plus 1.5% per year for service beyond 30 years.** Tier 5 members may retire as early as age 55 with 5 years of service credit. An age factor applies to Tier 5 members who retire before age 57 or retire between age 57 and 62 with less than 30 years of service.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 9. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

Tier 6 members are generally eligible for a service retirement benefit of 1.67% per year of credited service times FAS for less than 20 years of service, 1.75% per year for 20 years of service, and 35% of FAS plus 2% per year for service beyond 20 years. Tier 6 members may retire as early as age 55 with 5 years of state service credit. An age factor applies for Tier 6 members who retire before age 63. In addition, vested Tier 6 members with an inactive membership must be at least 63 to retire.

*Vested Benefits*

Retirement benefits for Tiers 1-6 are vested after five years of credited service. Prior to April 9, 2022, Tier 5-6 members needed to attain 10 years of state service credited to be vested. Benefits are payable at age 55 or greater with the limitations noted for service retirement above.

*Disability Retirement*

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

*Death Benefits*

Death benefits are paid to the beneficiary of active members who die in service. The benefit is based on final salary and the number of years of credited service.

*Prior and Military Service*

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

*Tier Reinstatement*

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

*Permanent Cost of Living Adjustment (COLA)*

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the Consumer Price Index (CPI) not to exceed 3% nor be lower than 1%. It is applied to the eighteen thousand dollars of the maximum annual benefit. The applicable percentage payable beginning September 2020 is 3.0%.

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NOTE 9. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

Members who retired prior to July 1, 1970 are eligible for a minimum benefit of seventeen thousand five hundred dollars for 35 years of credited full-time New York State service. Certain members who retire pursuant to the provisions of Article 14 of the RSSL are eligible for automatic cost-of-living supplementation based on the increase in the Consumer Price Index (CPI) with a maximum per annum increase of 3%.

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 6 vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. For TRS, contribution rates are established annually by the New York

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

State Teachers' Retirement Board pursuant to Article 11 of the Education Law. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. These contributions were as follows:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2023 -2024	\$ 1,193,012	\$ 362,194
2022 - 2023	1,157,280	265,849
2021 - 2022	1,102,235	322,808

The District chose to prepay the required contributions to ERS by December 15th each year and received a discount.

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57 and 105.

Contributions

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

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NOTE 9. PENSION PLANS. (Continued)

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

Contributions (Continued)

At March 31, 2024, the District's proportion of the ERS net pension liability/(asset) was 0.0077844%, which was a decrease of .0002606% from its proportion measured as March 31, 2023.

At June 30, 2023, the District's proportion of the TRS net pension liability/(asset) was 0.065042%, which was a decrease of .007850% from its proportion measured as June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expense of \$648,749 for ERS and TRS. At June 30, 2024, the District 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	Total	ERS	TRS	Total
Differences between expected and actual experience	\$ 369,185	\$ 1,803,532	\$2,172,717	\$ 31,253	\$ 4,457	\$ 35,710
Changes of Assumptions	433,347	1,601,393	2,034,740	0	349,015	349,015
Net difference between projected and actual earnings on pension plan investments	0	380,219	380,219	559,905	0	559,905
Changes in proportion and difference between the District's contributions and proportionate share of contributions	36,442	65,786	102,228	21,569	255,507	277,076
District's contributions subsequent to the measurement date	136,995	1,195,223	1,332,218	0	0	0
<b>Total</b>	<b>\$ 975,969</b>	<b>\$ 5,046,153</b>	<b>\$6,022,122</b>	<b>\$ 612,727</b>	<b>\$ 608,979</b>	<b>\$ 1,221,706</b>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 9. PENSION PLANS. (Continued)

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

Contributions (Continued)

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. 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	\$ 0	\$ 260,436
2025	(199,910)	(422,346)
2026	219,712	2,946,086
2027	332,870	186,286
2028	(126,426)	155,822
Thereafter	0	115,666

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30 2024

NOTE 9 PENSION PLANS. (Continued)

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

**Actuarial Assumptions**

The total ERS pension liability at March 31, 2024 was determined by using an actuarial valuation as of April 1, 2023, with update procedures used to roll forward the total pension liability to March 31, 2024. The total TRS pension liability at June 30, 2023 was determined by using an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. These actuarial valuations used the following actuarial assumptions. Significant actuarial assumptions used in the actuarial valuations referred to above were as follows:

	ERS	TRS										
Inflation Rate	2.9%	2.40%										
		<b>Rates of increase differ based on age and gender. Calculations have been based upon recent NYSTRS member experience</b>										
		<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="border-top: 1px solid black; border-bottom: 1px solid black;">Service</th> <th style="border-top: 1px solid black; border-bottom: 1px solid black;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">5.18%</td> </tr> <tr> <td style="text-align: center;">15</td> <td style="text-align: center;">3.64%</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">2.50%</td> </tr> <tr> <td style="text-align: center;">35</td> <td style="text-align: center;">1.95%</td> </tr> </tbody> </table>	Service	Rate	5	5.18%	15	3.64%	25	2.50%	35	1.95%
Service	Rate											
5	5.18%											
15	3.64%											
25	2.50%											
35	1.95%											
Projected Cost of Living Adjustments	1.5%	1.3% Compounded annually										
Investment Rate of Return	5.90% compounded annually, net of pension plan investment expense including inflation	6.95% compounded annually, net of pension plan investment expense including inflation										
Decrement Tables	April 1, 2015 March 31, 2020 System's Experience	July 1, 2015 - June 30, 2020 System's Experience										
Mortality Improvement	Society of Actuaries Scale MP-2021	Society of Actuaries Scale MP-2021										

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.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30 2024

NOTE 9. PENSION PLANS. (Continued)

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

Actuarial Assumptions (Continued)

The long Term Expected Rates of Return are presented by asset allocation classification, which differs from the financial statement presentation. Best estimates of the arithmetic real rates of return for each major asset class included in the System's target asset allocation are summarized in the following table below:

Measurement Date	ERS		Measurement Date	TRS	
	March 31, 2024	Long-term		June 30, 2023	Long-term
	Target	expected real		Target	expected real
	Allocation	rate of return		Allocation	rate of return*
Asset Class:			Asset Class:		
Domestic Equity	32%	4.00%	Domestic Equities	33%	6.80%
International Equity	15%	6.65%	International Equities	15%	7.60%
Private Equity	10%	7.25%	Global Equity	4%	7.20%
Real Estate	9%	4.60%	Real Estate Equity	11%	6.30%
Opportunistic/ ARF Portfolio	3%	5.25%	Private Equity	9%	10.10%
Credit	4%	5.40%	Domestic Fixed Income	16%	2.20%
Real Assets	3%	5.79%	Global Bonds	2%	1.60%
Fixed Income	23%	1.50%	Private Debt	2%	6.00%
Cash	1%	0.25%	Real Estate Debt	6%	3.20%
			High Yield Bonds	1%	4.40%
Total	100%		Cash Equivalents	1%	0.30%
				100%	

The real rate of return is net of the long-term inflation assumption of 2.9%.

\* Real rates of return are net of a long-term inflation

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 that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**  
**HIGHLAND FALLS NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 9 PENSION PLANS. (Continued)**

**Sensitivit of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the District's proportionate share of the ERS & TRS net pension liabilities calculated using the discount rates referred to above, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rates referred to above:

	1% Decrease	Current Assumption	1% Increase
<b>ERS</b>	<b>4.90%</b>	<b>5.90%</b>	<b>6.90%</b>
<b>Employer's Proportionate Share of the Net Pension Asset/(Liability)</b>	<b>\$ (3,603,721)</b>	<b>\$ (1,146,184)</b>	<b>\$ 906,368</b>
<b>TRS</b>	<b>5.95%</b>	<b>6.95%</b>	<b>7.95%</b>
<b>Employer's Proportionate Share of the Net Pension Asset/(Liability)</b>	<b>\$(11,328,547)</b>	<b>\$ (743,806)</b>	<b>\$ 8,158,419</b>

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension asset/(liability) of the employers as of the measurement dates indicated below were as follows:

	(Dollars in Thousands)	
	ERS	TRS
Measurement Date	March 31, 2024	June 30, 2023
Employers' total pension asset/(liability)	\$ (240,696,851)	\$ (138,365,122)
<b>Plan net position</b>	<b>225,972,801</b>	<b>137,221,537</b>
<b>Employer's net pension asset/(liability)</b>	<b>\$ (14,724,050)</b>	<b>\$ (1,143,585)</b>
<b>Ratio of plan net position to the employers' total pension asset/(liability)</b>	<b>93.88%</b>	<b>99.17%</b>

**Pa ables to the Pension Plan**

For ERS, employer contributions are paid annually in December based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2024 represent the projected employer contributions for the period of April 1, 2024 through June 30, 2024 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2024 amounted to \$136,995 of employer contributions. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2024 are paid to the System in September, October and November 2024 through state aid intercept. Accrued retirement contributions as of June 30, 2024 represent employee and employer contributions for the fiscal year ended June 30, 2024. Employer contributions are based on paid TRS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2024 amounted to \$1,444,249.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 10. INTERFUND BALANCES AND ACTIVITY.

Interfund balances and activity for the year ended June 30, 2024, were as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 2,047,279	\$ 101,037	\$	\$ 2,382,726
Special Aid Fund	0	1,463,701	82,726	0
School Lunch Fund	17,190	0	0	0
Capital Fund	0	583,578	2,300,000	0
Debt Service Fund	83,847	0	0	0
Totals	\$ 2,148,316	\$ 2,148,316	\$ 2,382,726	\$ 2,382,726

Interfund receivables and payables are eliminated on the Statement of Net Position. The 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.

The District typically transfers from the General Fund to the Special Aid Fund to fund the portion of the Summer Handicapped Program not funded by aid from New York State.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS.

General Information about the OPEB Plan

Plan Description — The District's defined benefit OPEB plan ("the District's OPEB plan"), provides OPEB for eligible retired employees, their spouses and their dependent children. The District's OPEB plan is a single-employer defined benefit OPEB plan administered by the District based on employment contracts. As these contracts are renegotiated, eligibility and benefits may change over time. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided — The District's OPEB plan subsidizes the cost of healthcare for eligible retired employees, their spouses and their dependent children. Minimum eligibility requirements for postemployment benefits are as follows:

- Employees are eligible for postretirement benefits if he/she has met the following requirements specific to their bargaining unit:
  - Contractual Age 55 with 5 Years of Service
  - School Related Personnel Age 55 with 15 Years of Service
  - Teachers Age 55 with 15 Years of Service
  - Transportation Age 55 with 5 Years of Service
- The School District reimburses the cost of Medicare Part B premiums to both retirees and covered spouses. Surviving spouses are not eligible for Medicare Part B reimbursement. The duration of the benefits is lifetime for both the retiree and their spouse.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

General Information about the OPEB Plan (Continued)

The retiree is required to make a contribution towards the cost of coverage based upon their cost sharing agreement with the School District. Arrangements are written to identify the percentage that the District pays for the Retiree, then the percentage the District pays for the Spouse. Contribution amounts are the participant's share of the cost multiplied by the blended premium.

Age	Blended Premium	
	Retiree	Spouse
50	\$ 13,296	\$ 15,336
55	13,296	15,336
60	13,296	15,336
65	7,524	8,196
70	7,524	8,196
75	7,524	8,196
80	7,524	8,196
85	7,524	8,196
90	7,524	8,196

Upon the death of the retiree, surviving spouses will contribute 100% of the cost of the Blended Premium.

Employees Covered by Benefit Terms — At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	134
Active employees	<u>153</u>
Total Employees Covered by Benefit Terms	<u>287</u>

Total OPEB Liability

The District's total OPEB liability of \$49,593,269 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2020 with updated procedures to roll forward the actuarial accrued liability to June 30, 2024.

Actuarial Assumptions and Other Inputs — The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

Total OPEB Liability (Continued)

Discount Rate	3.65%
Healthcare Cost Trend Rates	Pre-65: 8.27% for 2022, decreasing to an ultimate rate of 4.5% for 2031 and later years
	Post-65: 8.85% for 2022, decreasing to an ultimate rate of 4.5% for 2031 and later years
Current Retirees' Share of Benefit Related Costs	Retirees pay 0% - 50% of the cost of single coverage and 50% - 65% for the spouse/family based on years of service with the District.
Future Retirees' Share of Benefit Related Costs	Retirees pay 0% - 50% of the cost of single coverage and 50% - 65% for the spouse/family based on years of service with the District.

The discount rate was based on a review of the yield derived from the Bond Buyer 20 GO Bond Index.

Mortality rates were based on the SOA Pub-2010 Headcount Weighted Mortality Table, Teacher Classification for Teachers Bargaining Units and General Classification for All Other Bargaining Units.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period April 1, 2015 through March 31, 2020 for ERS participants and July 1, 2015 through June 30, 2020 for TRS participants.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30 2024

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS.

(Continued) Changes in the Total OPEB Liability

	<u>\$47,412,506</u>
Balance at June 30, 2023	
<u>Changes for the Year:</u>	
Service cost	2,490,722
Interest	1,745,529
Differences between expected and actual experience	45,776
Changes in assumptions or other inputs	(901,782)
Benefit payments	<u>(1,199,482)</u>
Net Changes	<u>2,180,763</u>
Balance at June 30, 2024	<u>\$49,593,269</u>

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

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	\$ 58,717,782	\$ 49,593,269	\$ 42,356,019

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

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 40,932,553	\$ 49,593,269	\$ 61,058,088

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$1,825,121. At June 30, 2024, the District reported the following deferred outflows of resources and deferred inflows of resources related to OPEB.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,669	\$ 3,249,874
Changes of assumptions or other inputs	5,282,285	11,153,746
District's contributions subsequent to the measurement date	1,237,790	0
Total	6,571,744	\$ 14,403,620

District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2023. Other amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2025	\$ (1,753,342)
2026	(1,087,961)
2027	(808,669)
2028	(1,075,267)
2029	(1,559,533)
Thereafter	(2,784,894)

NOTE 12. RISK MANAGEMENT.

General Information

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

Consortium

The District participates in Orange/Ulster BOCES School District Health Plan, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain limits and the District has essentially transferred all related risk to the pool.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 13. COMMITMENTS AND CONTINGENCIES.

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

NOTE 14. ENCUMBRANCES.

Encumbrances represent contracts, purchase orders, payroll commitments, tax payables, or legal penalties that are chargeable to an account. They cease to be encumbrances when paid or when the actual liability amount is determined and recorded as an expenditure. As discussed in Note 1, Encumbrances of appropriations of budgets for the year ended June 30, 2024 have been included in the assigned fund balances of the following funds as of June 30, 2024:

General Fund	<u>\$ 740,158</u>
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NOTE 15. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through June 6, 2025 the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30 2024

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
<u>Total OPEB Liability</u>							
Service cost	\$ 2,490,722	\$ 3,507,851	\$ 2,982,473	\$ 2,161,351	1,874,338	1,689,780	2,050,973
Interest	1,745,529	1,345,192	1,239,953	1,705,042	1,671,126	1,558,482	1,351,506
Changes of benefit terms	0	0		(249,404)	0	0	0
Differences between expected and actual experience	45,776	(2,871,147)	16,954	(773,854)	(104,682)	(2,718,364)	0
Changes in assumptions or other inputs	(901,782)	(12,751,637)	2,575,565	4,984,831	2,694,522	(99,982)	(5,872,418)
Benefit payments	(1,199,482)	(1,168,422)	(1,170,151)	(1,065,667)	(988,521)	(944,434)	(1,169,827)
Net change in total OPEB liability	2,180,763	(11,938,163)	5,644,794	6,762,299	5,146,783	(514,518)	(3,639,766)
Total OPEB liability-beginning	47,412,506	59,350,669	53,705,875	46,943,576	41,796,793	42,311,311	45,951,077
Total OPEB liability-ending	<u>\$ 49,593,269</u>	<u>\$ 47,412,506</u>	<u>\$ 59,350,669</u>	<u>\$ 53,705,875</u>	<u>46,943,576</u>	<u>41,796,793</u>	<u>42,311,311</u>
Covered-employee payroll	\$ 13,492,258	\$ 12,331,868	\$ 13,774,419	\$ 11,798,385	\$ 12,433,818	\$ 10,754,307	\$ 10,373,328
Total OPEB liability as a percentage of covered-employee payroll	367.57%	384.47%	430.88%	455.20%	377.55%	388.65%	407.89%

Notes to Schedule:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

\* GASB 75 requires that the past 10 years of information be presented. However, until a full 10 year trend is compiled, information is presented for those years which information is available. Data will be accumulated over time and presented according to GASB 75.

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2024

REVENUES	ORIGINAL BUDGET	FINAL BUDGET	CURRENT YEAR'S REVENUES	OVER (UNDER) REVISED BUDGET
LOCAL SOURCES:				
Real Property Taxes	\$ 11,469,172	\$ 11,469,172	\$ 10,922,431	(546,741)
Other Tax Items	0	0	548,662	548,662
Charges for Services	5,478,560	5,478,560	5,977,951	499,391
Use of Money & Property	150,000	150,000	651,715	501,715
Sale of Property & Compensation for Loss	0	0	500,000	500,000
Miscellaneous	302,327	302,327	389,399	87,072
STATE SOURCES	18,114,523	18,114,523	18,361,960	247,437
FEDERAL SOURCES	3,471,694	3,471,694	4,426,415	954,721
TOTAL REVENUES	38,986,276	38,986,276	\$ 41,778,533	2,792,257
APPROPRIATED FUND BALANCE	346,623	2,526,717		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	39,332,899	\$ 41,512,993		

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
SCHEDULE OF REVENUES EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
CONTINUED  
FOR THE YEAR ENDED JUNE 30 2024

EXPENDITURES	ORIGINAL BUDGET	FINAL BUDGET	CURRENT YEAR'S EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCE
GENERAL SUPPORT:					
Board of Education	\$ 95,692	\$ 68,138	\$ 64,876	\$ 0	\$ 3,262
Central Administration	355,589	367,761	367,672	86	3
Finance	536,164	686,469	686,205	0	264
Staff	156,297	230,921	222,559	7,333	1,029
Central Services	3,127,471	4,868,680	3,812,206	721,096	335,378
Special Items	477,546	528,178	526,601	0	1,577
INSTRUCTIONAL:					
Instruction, Administration & Improvement	1,130,115	1,026,604	1,015,988	0	10,616
Teaching - Regular School	8,605,425	8,737,580	8,545,319	10,411	181,850
Programs for Children with Handicapping Conditions	7,501,044	7,628,653	7,605,877	1,145	21,631
Occupational Education	616,477	341,028	340,389	0	639
Teaching - Special Schools	3,500	2,304	284	0	2,020
Instructional Media	1,569,311	1,748,071	1,416,988	0	331,083
Pupil Services	2,005,948	2,054,926	2,033,520	87	21,319
PUPIL TRANSPORTATION	3,471,039	3,554,028	3,295,987	0	258,041
EMPLOYEE BENEFITS	7,493,422	7,481,089	6,555,700	0	925,389
DEBT SERVICE:					
Debt Service - Principal	1,845,000	1,823,000	1,911,561	0	(88,561)
Debt Service - Interest	280,859	280,859	281,970	0	(1,111)
TOTAL EXPENDITURES	39,270,899	41,428,289	38,683,702	740,158	2,004,429
OTHER USES:					
Operating Transfers Out	62,000	84,704	2,382,726	0	(2,298,022)
TOTAL EXPENDITURES & OTHER USES	\$ 39,332,899	\$ 41,512,993	41,066,428	\$ 740,158	\$ (293,593)
EXCESS OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES			<u>712,105</u>		

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF THE DISTRICTS PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30,2024

	NYSERS Pension Plan Last 10 Fiscal Years*									
	3/31/2024	3/31/2023	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015
District's proportion of the net pension asset/(liability)	0.007784%	0.008045%	0.0075761%	0.0076187%	0.0073394%	0.0072717%	0.0075748%	0.0077075%	0.0075474%	0.0076673%
District's proportionate share of the net pension asset/(liability) \$	(1,146,184)	\$ (1,725,061)	\$ 619,316	\$ (7,586)	\$ (1,943,506)	\$ (515,221)	\$ (244,473)	\$ (724,213)	\$ (1,211,379)	\$ (259,021)
District's covered-employee payroll \$	2,689,970	\$ 2,492,068	\$ 2,338,082	\$ 2,455,984	\$ 2,278,137	\$ 2,304,800	\$ 2,163,435	\$ 2,305,416	\$ 1,961,614	\$ 1,971,916
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-42.61%	-69.22%	26.49%	-0.31%	-85.31%	-22.35%	-11.30%	-31.41%	-61.75%	-13.14%
Plan fiduciary net position as a percentage of the total pension liability	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%
	NYSTRS Pension Plan Last 10 Fiscal Years*									
	06/30/2023	06/30/2022	06/30/2021	06/30/2020	06/30/2019	06/30/2018	06/30/2017	06/30/2016	06/30/2015	06/30/2014
District's proportion of the net pension asset/(liability)	0.065042%	0.065827%	0.060768%	0.061126%	0.0599810%	0.060868%	0.060202%	0.058919%	0.056317%	0.058346%
District's proportionate share of the net pension asset/(liability) \$	(743,806)	\$ (1,263,154)	\$ 10,530,430	\$ (1,689,088)	\$ 1,558,302	\$ 1,100,652	\$ 457,595	\$ (631,047)	\$ 5,849,561	\$ 6,499,350
District's covered-employee payroll \$	12,456,403	\$ 11,661,480	\$ 10,314,198	\$ 10,375,089	\$ 10,462,332	\$10,193,936	\$ 9,932,139	\$ 9,537,527	\$ 8,459,606	\$ 8,618,572
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-5.97%	-10.83%	102.10%	-16.28%	14.89%	10.80%	4.61%	-6.62%	69.15%	75.41%
Plan fiduciary net position as a percentage of the total pension liability	99.17%	98.57%	113.25%	97.76%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30 2024

NYSERS Pension Plan  
 Last 10 Fiscal Years\*

	3/31/2024	3/31/2023	3/31/2022	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015
Contractually required contribution	\$ 315,211	\$ 265,997	\$ 348,224	\$ 328,504	\$ 310,594	\$ 313,812	\$ 330,477	\$ 312,093	\$ 333,615	\$ 376,327
Contributions in relation to the contractually required contribution	315,211	265,997	348,224	328,504	310,594	313,812	330,477	312,093	333,615	376,327
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered Employee Payroll	\$ 2,689,970	\$ 2,492,068	\$ 2,338,082	\$ 2,455,984	\$ 2,278,137	\$ 2,304,800	\$ 2,163,435	\$ 2,305,416	\$ 1,961,614	\$ 1,971,916
Contributions as a percentage of its covered-employee payroll	11.72%	10.67%	14.89%	13.38%	13.63%	13.62%	15.28%	13.54%	17.01%	19.08%

NYSTRS Pension Plan  
 Last 10 Fiscal Years\*

	06/30/2023	06/30/2022	06/30/2021	06/30/2020	06/30/2019	06/30/2018	06/30/2017	06/30/2016	06/30/2015	06/30/2014
Contractually required contribution	\$ 1,195,223	\$ 1,142,825	\$ 982,943	\$ 919,233	\$ 1,063,248	\$ 971,640	\$ 1,153,421	\$ 1,205,572	\$ 1,482,969	\$ 1,400,518
Contributions in relation to the contractually required contribution	1,195,223	1,142,825	982,943	919,233	1,063,248	971,640	1,153,421	1,205,572	1,482,969	1,400,518
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered Employee Payroll	\$ 12,456,403	\$ 11,661,480	\$ 10,314,198	\$ 10,375,089	\$ 10,462,332	\$ 10,193,936	\$ 9,932,139	\$ 9,537,527	\$ 8,459,606	\$ 8,618,572
Contributions as a percentage of its covered-employee payroll	9.60%	9.80%	9.53%	8.86%	10.16%	9.53%	11.61%	12.64%	17.53%	16.25%

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

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**  
**HIGHLAND FALLS NEW YORK**  
**SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**  
**AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30 2024**

**CHANGE FROM ADOPTED TO FINAL BUDGET**

<b>ADOPTED BUDGET</b>	<b>\$ 39,036,276</b>
<b>ADDITIONS:</b>	
Encumbrances from Prior Year	<u>296,623</u>
<b>ORIGINAL BUDGET</b>	<b>39,332,899</b>
<b>BUDGET REVISIONS:</b>	
<b>Budget Amendments for:</b>	
Correction of Prior Year Encumbrance	(2,569)
<b>Budget Amendments for Appropriations of Fund Balance</b>	
General Support - Storm Damages	1,500,000
General Support - Earthquake Damages	<u>682,663</u>
<b>FINAL BUDGET</b>	<b><u><u>\$ 41,512,993</u></u></b>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2024-2025 Voter-Approved Expenditure Budget Maximum Allowed ( 4% of 2024-2025 budget of \$39,995,141 )	<b>\$ 1,599,806</b>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law</b>	
<b>Unrestricted Fund Balance:</b>	
Assigned Fund Balance	\$ 740,158
Unassigned Fund Balance	<u>8,778,238</u>
Total Unrestricted Fund Balance	<u>9,518,396</u>
<b>Less:</b>	
Appropriated Fund Balance	
Encumbrances Included in Committed and Assigned Fund Balance	<u>740,158</u>
Total Adjustments	<u>740,158</u>
<b>General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law</b>	<b><u><u>\$ 8,778,238</u></u></b>
Actual Percentage	21.95%

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES  
FOR THE YEAR ENDED JUNE 30 2024

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES & TRANSFERS TO DATE			UNEXPENDED BALANCE
			PRIOR YEARS	CURRENT YEAR	TOTAL	
James O'Neill High School	\$	\$	\$ 22,250,497	\$ 0	\$ 22,250,497	\$ (28,532)
Concession Building	376,919	668,483	593,709	0	593,709	74,774
Pole Barn	239,259	311,596	273,305	0	273,305	38,291
Pressbox	99,759	197,956	182,961	0	182,961	14,995
Smart School Bond Act	0	550,926	497,680	53,246	550,926	0
District Wide Renovation	44,435,600	44,435,600	88,413	2,028,436	2,116,849	42,318,751
	66,627,149	\$	\$ 23,886,565	\$ 2,081,682	\$ 25,968,247	\$ 42,418,279

	METHODS OF FINANCING				FUND BALANCE JUNE 30, 2024
	PROCEEDS FROM DEBT	STATE AID	LOCAL SOURCES	TOTAL	
James O'Neill High School	15,279,892	0	7,025,000	22,304,892	54,395
Concession Building	621,426	0	0	621,426	27,717
Pole Barn	289,661	0	0	289,661	16,356
Pressbox	184,021	0	0	184,021	1,060
Smart School Bond Act	0	0	0	0	(550,926)
District Wide Renovation	0	0	3,020,000	3,020,000	903,151
	16,375,000	\$ 0	\$	\$26,420,000	\$ 451,753

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2024

CAPITAL ASSETS, NET		\$ 33,795,642
RIGHT TO USE ASSETS, NET		<u>310,498</u>
Total Capital Assets		34,106,140
DEDUCTIONS:		
Short-term Portion of Bonds Payable	\$ 1,125,000	
Long-term Portion of Bonds Payable	11,420,000	
Total Related Debt	<u>12,545,000</u>	
Less: Unspent Bond Proceeds	<u>0</u>	
TOTAL DEDUCTIONS		<u>12,545,000</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 21,561,140</u></u>

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



**Nugent & Haeussler, P.C.**  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the President and Members  
of the Board of Education of the  
Highland Falls-Fort Montgomery Central School District  
Highland Falls, New York 10928

Peter J. Bullis, CPA, FCFE, DABFA  
Christopher E. Melley, CPA  
Gary C. Theodore, CPA  
Julia R. Fraino, CPA  
William T. Trainor, CPA  
Mark M. Levy, CPA, CFP  
Thomas R. Busse, Jr., CPA  
Brent T. Napoleon, CPA  
Jennifer L. Capicchioni, CPA  
Patrick M. Bullis, CPA  
Justin B. Wood, CPA  
Richard P. Capicchioni, CPA

Norman M. Sassi, CPA  
Walter J. Jung, CPA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Highland Falls-Fort Montgomery Central School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Highland Falls-Fort Montgomery Central School District's basic financial statements and have issued our report thereon dated June 6, 2025.

**Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal controls that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2024-001 through 2024-003 to be material weaknesses.

**/00<sup>4</sup> ANNIVERSARY**

**/92,5 - 2026**

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Nugent & Haessler PC*

Montgomery, New York

June 6, 2025

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2024

**2024-001**

**Internal Control over Financial Closing**

Finding: The books and record were not fully reconciled and complete at the start of the audit. Year-end schedules and reconciliations necessary to perform the audit were incomplete.

Criteria: Each fund must be fully closed with final reconciliations, appropriate schedules and supporting documentation timely after the year end. This must be completed in order to start the audit process.

Condition: The books and records were not reconciled and complete at the start of the audit. Year-end schedules and reconciliations necessary to perform the audit were incomplete. Review of key accounts were not properly performed. Interfund activity was not reconciled, and fund trial balances were not properly reviewed and corrected. Internal controls with respect to reconciliation, verification and supervision and review were not followed.

Cause: The District had staffing changes in the business office during the preceding year. In addition, flooding occurred in July 2023 and district property and records were severely damaged.

Effect: The District books and records were incomplete. Staff was unable to prepare the fund reconciliations and schedules necessary to close the books of the District in a timely manner. This causes significant delays in the audit process.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2023-001.

Recommendation: We recommend that procedures addressing internal controls with respect to the financial closing be followed at all times.

Management's Response: Management concurs with the finding. See corrective action plan.

**2024-002**

**Opening Fund Balance did not agree to Prior Year's Financial Statements**

Finding: The opening balances in the General Fund did not agree to the prior year's final ending balances.

Criteria: The opening balances in each fund should agree to the prior year's audited financial statements.

Condition: The District did not verify that the final opening balances in each fund agreed to the final prior year closing balances.

Cause: Purchase orders from the prior year were carried over to the current year at a different balance than the actual adjusted balance from the prior year.

Effect: The District's encumbrances and fund balance were not properly stated throughout the year.

Recommendation: We recommend that the opening balances be verified to the ending balances of the prior year after the audit is completed.

Management's Response: Management concurs with the finding. See corrective action plan.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2024

2024-003	Recording and reconciling Grant Activity
Finding:	The grant revenue and related revenue was not properly recorded and reconciled to the Special Aid Fund throughout the year. Payroll was recorded in the General Fund for most of the year and related fringe benefits were not transferred until after the fact.
Criteria:	Grant activity should be recorded in the Special Aid Fund and should be reconciled to ensure that all revenue, expenses and related receivables and payables are properly recorded for the year.
Condition:	The District recorded many transactions related to grants in the General Fund. The grants were not fully reconciled, related receivables and revenue were not recorded because the expense was not tracked in the proper fund.
Cause:	Many grant expenses were not recorded in the proper fund.
Effect:	The General Fund and the Special Aid Funds activity was not properly recorded throughout the year. Spending related to federal and state awards was recorded as General Fund expense for most of the year.
Recommendation	We recommend that revenue and expenditures be recorded in the proper fund.
Management's Response:	Management concurs with the finding. See corrective action plan.



HIGHLAND FALLS-FORT MONTGOMERY  
CENTRAL SCHOOL DISTRICT  
Post Office Box 287, Highland Falls, New York 10928

June 6, 2025

New York State Education Department  
Office of Audit Services  
89 Washington Ave., 524 EB  
Albany, NY 12234

To Whom It May Concern;

This Corrective Action Plan is in response to the audit prepared by Nugent & Haeussler, PC for the Highland Falls-Fort Montgomery Central School District for the 2023-2024 school year. The auditors made the below listed findings and related recommendations and the district will take necessary steps in response to the recommendations. These are respectfully submitted below.

Sincerely,

Christopher J. Carballo  
Assistant Superintendent for Business

**Finding & Recommendation 2024-001:** The books and record were not fully reconciled and complete at the start of the audit. Year-end schedules and reconciliations necessary to perform the audit were incomplete. It was recommended the district procedures addressing internal controls with respect to the financial closing be followed at all times.

**Corrective Action:** The district concurs and understands the importance of closing the books at the end of each school year and has a process in place for doing so. Assistant Superintendent Christopher Carballo will review closing procedures with Business Office staff in order to closely follow them going forward. Additionally, the district will enlist the services of an outside accountant to support the Business Office staff in closing the books for the 2024-2025 school year. This will be completed by June 30, 2025.

**Finding & Recommendation 2024-002:** The opening balances in the General Fund did not agree to the prior year's final ending balances. It was recommended that the opening balances be verified to the ending balance of the prior year after the audit is completed.

**Corrective Action:** The district concurs and understands the importance of properly recording opening balances in the General Fund. Assistant Superintendent Christopher Carballo will review the process with Treasurer Emily Kirwan for verifying the opening balances in the General Fund

upon receipt of the prior year audit. This will be done by June 15, 2025. Additionally, once the work is completed by Treasurer Kirwan, the two will compare the new year's opening balances to the prior year closing balances to ensure they agree.

**Finding & Recommendation 2024-003:** The grant revenue and related revenue were not properly recorded and reconciled to the Special Aid Fund throughout the year; payroll was recorded in the General Fund for most of the year and related fringe benefits were not transferred until after the fact. It is recommended that revenue and expenditures be recorded in the proper fund.

**Corrective Action:** The district concurs and understands the importance of recording revenue and expenditures in the proper fund. By June 15, 2025, Assistant Superintendent Christopher Carballo will review the processes for recording revenue and expenditures with Treasurer Emily Kirwan. Additionally, throughout the year, Asst. Superintendent Carballo and Treasurer Kirwan will discuss revenue and expenditures recording to ensure they are done in the proper fund.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND CURRENT STATUS  
JUNE 30, 2024

2023-001	Internal Control over Financial Closing
Finding:	The books and record were not fully reconciled and complete at the start of the audit. Year-end schedules and reconciliations necessary to perform the audit were incomplete.
Condition:	The District operations were disrupted by the loss of key staff. Beginning in March 2023, reconciliations and review of key accounts were not properly performed. Interfund activity was not reconciled, and fund trial balances were not properly reviewed and corrected. Internal controls with respect to reconciliation, verification and supervision and review were not followed.
Recommendation:	We recommend that procedures addressing internal controls with respect to the financial closing be followed at all times.
Current Status:	This finding has not been corrected. There is a repeat finding noted in the 2024 audit.
<b>2023-002</b>	<b>Year End Receivables</b>
<b>Finding:</b>	The District year end receivables were not properly recorded.
Condition:	The District did not adjust receivables to the net realizable value after they were notified of calculation errors in the billing.
Recommendation:	<b>We recommend that procedures addressing recording and reviewing receivables be implemented.</b>
Current Status:	This finding has been corrected.
<b>2023-003</b>	<b>Debt Authorization</b>
Finding:	<b>The District entered</b> into an installment purchase agreement to purchase a truck, that was not budgeted.
Condition:	The District did not have authorization to enter into an installment agreement to purchase the truck.
<b>Recommendation:</b>	<b>We recommend that regulations regarding debt authorization be followed and that proper procedures to record debt activity be implemented.</b>
Current Status:	This finding has been corrected.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF PRIOR YEAR FINDINGS AND CURRENT STATUS  
JUNE 30, 2024

2023-004	<b>Equipment Purchase and Disposition</b>
Finding:	The District purchased a truck and traded in two vehicles. The acquisition and dispositions were not budgeted.
Condition:	The District did not have authorization to purchase the truck and did not have a board resolution to trade in the two vehicles. The equipment budget code was overspent.
Recommendation:	We recommend that regulations to acquire and dispose of equipment be followed and that the District does not overspend the approved equipment budget.
Current Status:	This finding has been corrected.
2023-005	<b>Misclassification of Account Codes — Purchase Orders</b>
Finding:	The District created purchase orders in the Lunch Fund for acquisition of freezers and various equipment under a supply budget code.
Condition:	The District classified equipment as supplies.
Recommendation:	We recommend that the proper budget codes be entered on the purchase orders. We also recommend the in the internal claims review process, payment not be approved if the classification is not correct.
Current Status:	This finding has been corrected.



**Nugent & Haeussler, P.C.**  
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Walter J. Jung, CPA

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

To the President and Members  
of the Board of Education of the  
Highland Falls-Fort Montgomery Central School District  
Highland Falls, New York 10928

**Report on Compliance for Each Major Federal Program**

*Qualified and Unmodified Opinion*

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

*Qualified Opinion on Education Stabilization Fund (AL 84.425)*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Highland Falls-Fort Montgomery Central School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund (AL 84.425) for the year ended June 30, 2024.

*Unmodified Opinion on Each of the Other major Federal Programs*

In our opinion, Highland Falls-Fort Montgomery Central 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2024.

*Basis for Qualified and Unmodified Opinions*

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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

*i00<sup>tt</sup>* ANNIVERSARY

*/925 - 2025*

**To the Board of Directors of  
Highland Falls-Fort Montgomery Central School District**

**We are required to be independent of Highland Falls-Fort Montgomery Central School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination of Highland Falls-Fort Montgomery Central School District's compliance with the compliance requirements referred to above.**

***Matter(s) Giving Rise to Qualified Opinion on Education Stabilization Fund (AL 84.425)***

**As described in the accompanying schedule of findings and questioned costs, Highland Falls-Fort Montgomery Central School District did not comply with requirements regarding *Education Stabilization Fund (AL 84.425)* program and associated finding numbers 2024-004 and 2024-005 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles.**

**Compliance with such requirements is necessary, in our opinion, for Highland Falls-Fort Montgomery Central School District to comply with the requirements applicable to that program.**

***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 Highland Falls-Fort Montgomery Central School District's federal programs.**

***Auditor's Responsibilities for the Audit of Compliance***

**Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Highland Falls-Fort Montgomery Central School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Highland Falls-Fort Montgomery Central 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 Highland Falls-Fort Montgomery Central School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.**
- Obtain an understanding of Highland Falls-Fort Montgomery Central School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not**

To the Board of Directors of  
Highland Falls-Fort Montgomery Central School District

for the purpose of expressing an opinion on the effectiveness of Highland Falls-Fort Montgomery Central School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-004 and 2024-005 to be significant deficiencies.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on Highland Falls-Fort Montgomery Central School District response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Highland Falls-Fort Montgomery Central School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

### **Report on Schedule of Expenditure of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities of Highland Falls-Fort Montgomery Central School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Highland Falls-Fort Montgomery Central School District's basic financial statements. We issued our report thereon dated June 6, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30 2024

<u>FEDERAL GRANTOR/PASS-THROUGH</u> <u>GRANTOR/PROGRAM OR CLUSTER TITLE</u>	FEDERAL ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASSED THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed-through NYS Education Department:				
Child Nutrition Cluster:				
Cash Assistance				
National School Breakfast Program	10.553	N/A		56,904
National School Lunch Program	10.555	N/A		275,593
Cash Assistance Subtotal				<u>332,497</u>
Non-Cash Assistance (food distribution)				
National School Lunch Program	10.555	N/A		38,005
TOTAL U.S. DEPT. OF AGRICULTURE, CHILD NUTRITION CLUSTER				<u>370,502</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed-through NYS Education Department:				
Special Education Cluster:				
IDEA - Part B, Section 611	84.027A	0032-24-0682	\$ 8,356	292,271
IDEA - Part B, Section 619	84.173A	0033-24-0682	370	4,450
American Rescue Plan IDEA-Part B, Section 619	COVED 19 84.173X	5532-23-0682	0	4,500
Total Special Education Cluster			<u>\$ 8,726</u>	<u>301,221</u>
Title I Parts A&D, Basic Program	84.010A	0021-24-2250		177,257
Title II Part A, Teacher & Principal Training & Recruiting	84.367A	0147-23-2250		12,035
Title II Part A, Teacher & Principal Training & Recruiting	84.367A	0147-24-2250		18,547
Title IV A SSAE	84.424A	0204-24-2250		13,077
Total Passed-through NYS Education Department				<u>522,137</u>
Education Stabilization Funds				
Elementary and Secondary School Emergency Relief (ESSER) Fund III	COVED 19 84.425U	5880-21-2250		292,044
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	COVED 19 84.425U	5882-21-2250		21,382
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	COVED 19 84.425U	5883-21-2250		30,617
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	COVED 19 84.425U	5884-21-2250		311,043
American Rescue Plan Elementary and Secondary School Emergency Relief (UPK) Fund	COVED 19 84.425U	5870-24-9134		170,661
American Rescue Plan Elementary and Secondary School Emergency Relief (HCY) Fund	awn) 19 84.425W	5219-21-2250		435
Total Education Stabilization Funds				<u>826,182</u>
Direct Program:				
Impact Aid	84.041	N/A		4,356,705
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>5,705,024</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Program:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4723DRNYP1SNY		23,654
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				<u>23,654</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>6,099,180</u>

The accompanying notes are an integral part of the schedule.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1. BASIS OF PRESENTATION.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

NOTE 3. NON-CASH ASSISTANCE.

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$38,005 of commodities under the Commodity Supplemental Food Program (Federal Assistance Listing Number 10.555).

NOTE 4. 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 District's casualty insurance policies.

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Report the Auditor Issued on Whether the Financial Statements Audited Were Presented in Accordance with GAAP: Unmodified

Internal Control over Financial Reporting:  
 Material weakness(es) identified?

Yes \_\_\_\_\_ No

Significant deficiencies identified? 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 deficiencies identified?

Yes \_\_\_\_\_ None Reported

Type of Auditor's Opinion Issued on Compliance for Major Federal Programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR-200.516(a)?

Yes \_\_\_\_\_ No

IDENTIFICATION OF MAJOR PROGRAMS:

<u>FEDERAL ASSISTANCE LISTING NUMBER</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
84.041	Impact Aid
84.425	Education Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.00

Auditee qualified as low-risk auditee? Yes  \_\_\_\_\_ No

SECTION II - FINANCIAL STATEMENT FINDINGS

Financial statement findings required to be reported in accordance with Section 2 CFR-200.516(a) identified as material weaknesses in internal controls. A summary of GAGAS findings are:

- 2024-001- Internal Controls over Financial Close
- 2024-002- Opening Fund Balance did not agree to Prior Year Financial Statements
- 2024-003- Recording and Reconciling Grant Activity

A. Significant Deficiencies in Internal Control

There were no findings relating to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516(a).

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30.2024

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED

COSTS A. Material Weakness in Internal Control

There were no findings relating to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516(a).

A. Significant Deficiency in Internal Control

Control findings related to major federal awards required to be reported in accordance with Section 2 CFR-200.516(a):

U.S. Department of Education  
Passed through NYS Department of Education  
Program Name: Education Stabilization Fund  
AL#: 84.425D, 84.425U  
See Findings 2024-004 2024-005

B. Compliance Findings

Compliance findings related to major federal awards required to be reported in accordance with Section 2 CFR-200.516(a):

Finding reference Numbers: 2024-004, and 2024-005  
Federal Program: Education Stabilization Fund  
AL#: 84.425D, 84.425U  
Federal Agency: U.S. Department of Education  
Passed through NYS Department of Education

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND OUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024

2024-004	<p>Compliance and Significant Deficiency in Internal Control over compliance with Activities Allowed or Unallowed, Allowable Cost/Cost Principles</p> <p>U.S. Department of Education Passed through NYS Department of Education Program Name: Education Stabilization Fund AL#: 84.425U</p>
Condition:	<p>In accordance with C.R. 170.2 of the Commissioner's Regulations, the District requires Purchase Orders to be established to encumber the approved budget items for each expenditure code. The complete bill packet including the Purchase Order, receiving slip, and invoice is submitted for authorization of payment. For the ARP Summer Enrichment Grant, Purchase Orders were created after the dates of service.</p>
Criteria:	<p>As a recipient of federal awards, the District is required to establish and maintain effective internal controls over federal awards in accordance with 2CFR Part 200, <i>Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance) Section 200.303 - Internal Controls. Provisions included in section 200.403 — Factors Affecting Allowability of Costs states that costs must meet the following general criteria in order to be allowable under Federal awards:(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. (g) Be adequately documented. (h) Cost must be incurred during the approved budget period.</p>
Context:	<p>1 item representing the total population was selected for testing. A Purchase Order was initiated on 1/25/24 for an invoice dated 8/9/23 Questioned Costs are \$19,960.</p>
Cause:	<p>The District did not have sufficient internal controls in place to ensure that Purchase Orders are created in accordance C.R. 170.2 of the Commissioner's Regulations. When the invoices were received, a Purchase Order was required to be able to pay the vendor.</p>
Effect:	<p>The District is not in compliance with the requirements of the Education Stabilization Fund program with respect to Activities Allowed or Unallowed and Allowable Costs.</p>
Identification of a Repeat Finding	<p>This is a repeat finding from the immediate previous audit, 2023-007</p>
Recommendation:	<p>We recommend that the District's written procedures addressing internal controls with respect to program requirements be followed to ensure the District is in compliance at all times.</p>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024

View of Responsible

Officials: Highland Falls-Fort Montgomery Central School District's management concurs with this finding. The District is in the process of implementing procedures to ensure that compliance is maintained in the future. Please refer to the corrective action plan .

**2024-005 Compliance and Significant Deficiency in Internal Control over compliance with Activities Allowed or Unallowed, Allowable Cost/Cost Principles**

U.S. Department of Education  
Passed through NYS Department of Education  
Program Name: Education Stabilization Fund  
AL#: 84.425U

Condition: Time and effort documentation requirements in accordance with 2CFR 200.430(i) Compensation — Personal Services, Standards for Documentation were not being followed for the first 9 months of the fiscal year.

Criteria: According to 2 CFR, Part 430(i)(1) of the Office of Management and Budget's Uniform Grant Guidance, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed, which must, among other things:

- a) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- b) Be incorporated into the official records of the non-Federal entity;
- c) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity;
- d) Encompass both federally assisted and all other activities compensated by the non-Federal entity;
- e) Support the distribution of the employee's salary or wages amount specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Context: We reviewed the files maintained by the district for the fiscal year and found that the certification process had not been done until May 2024.

Cause: The District did not have sufficient internal controls in place to ensure that the payroll certification process was being performed.

Effect: Without adequate internal controls over the employee's time being charged to the grant and the certification requirement, the School District cannot ensure that federal funds are paid in accordance with allowable costs and the time worked in the grant. Additionally, they cannot easily monitor the amount of funds that can be charged to the grant for salaries and benefits. The District is not in compliance with the requirements of the Education Stabilization **Fund** program with respect to Activities Allowed or Unallowed and Allowable Costs.

Questioned Costs: Support for the employees' whose time was charged to the Federal award programs in question was reviewed and it was determined that for all employees the time being charged to the grant was appropriate, therefore, there were no questioned costs.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024

Recommendation: We recommend that the District's written procedures addressing internal controls with respect to program requirements be followed to ensure the District is in compliance at all times. We recommend that the District ensures that the employees working in the grants are certifying their actual percent of time and effort that is being spent working in the federal award programs **by all employees whose time is charged to the grant and that they are completed timely after the fact. Monthly certifications should be completed if less than 100% of time is being worked in the federal award program or semiannually if 100% of time is being spent.**

View of Responsible Officials: Highland Falls-Fort Montgomery Central School District's management concurs with this finding. The District is in the process of implementing procedures to ensure that compliance is maintained in the future. Please refer to the corrective action **plan** .



HIGHLAND FALLS-FORT MONTGOMERY  
CENTRAL SCHOOL DISTRICT  
Post Office Box 287, Highland Falls, New York 10928

June 6, 2025

New York State Education Department  
Office of Audit Services  
89 Washington Ave., 524 EB  
Albany, NY 12234

To Whom It May Concern;

This Corrective Action Plan is in response to the audit prepared by Nugent & Haeussler, PC for the Highland Falls-Fort Montgomery Central School District for the 2023-2024 school year. The auditors made the below listed findings and related recommendations and the district will take the necessary steps in response to the recommendations. These are respectfully submitted below.

Sincerely,

A handwritten signature in blue ink that reads "Christopher J. Carballo".

Christopher J. Carballo  
Assistant Superintendent for Business

**Finding & Recommendation 2024-004:** As per C.R. 170.2 of the Commissioner's Regulations, Purchase Orders must be established to encumber approved budget items for each expenditure in advance of the expenditure. For the ARP Summer Enrichment grant, Purchase Orders were created after the dates of service and the district did not have sufficient internal controls in place to ensure Purchase Orders are created in accordance with the above noted regulation. It is recommended that the District's written procedures addressing internal controls with respect to program requirements be followed to ensure the District is in compliance at all times.

**Corrective Action:** The district concurs and understands the importance of maintaining internal controls in accordance with Commissioner Regulations. By June 30, 2025, Assistant Superintendent Christopher Carballo will review with Business Office Staff the existing procedures for the creation of purchase orders in advance of the expenditure. Additionally, Asst. Superintendent Carballo will review these procedures with clerical staff across the district involved in the creation of purchase orders and will remind district administrators at the start of the new fiscal year that purchase orders need to be established in advance for all expenditures.

**Finding & Recommendation 2024-005:** As per 2 CFR, part 430(i)(1) of the Office of Management and Budget's Uniform Grant Guidance, charges to Federal Awards for salaries and wages must be based on records that accurately reflect the work performed. The district did not complete Federal

payroll certification until May 2024 and did not have sufficient internal controls in place to ensure the certification process was being performed. It is recommended the district's written procedures addressing internal controls with respect to the program requirements be followed to ensure the district is in compliance at all times.

**Corrective Action:** The district concurs and understands the importance of maintaining internal controls in accordance with OMB Uniform Grant Guidance. By June 30, 2025, Assistant Superintendent Christopher Carballo will review the existing procedure for Federal payroll certification with Business Office staff to ensure compliance in the future.

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED**  
**COSTS FOR THE YEAR ENDED JUNE 30, 2023**

**2023-006**            **Compliance and Significant Deficiency in Internal Control over compliance with Activities Allowed or Unallowed, Allowable Cost/Cost Principles**

**U.S. Department of Education**  
**Passed through NYS Department of Education**  
**Program Name: Education Stabilization Fund**  
**AL#: 84.425D**

**Condition:**            **Payroll and fringe benefits were charged to the ESSER 2 grant in excess of the amount allocable for services performed in the program.**

**Recommendation:** **We recommend that the District's written procedures addressing internal controls with respect to program requirements be followed to ensure the District is in compliance at all times.**

**Current Status:**        **NYSED has finalized this grant.**

**2023-007**            **Compliance and Significant Deficiency in Internal Control over compliance with Activities Allowed or Unallowed, Allowable Cost/Cost Principles**

**U.S. Department of Education**  
**Passed through NYS Department of Education**  
**Program Name: Education Stabilization Fund**  
**AL#: 84.425U**

**Condition:**            **In accordance with C.R. 170.2 of the Commissioner's Regulations, the District requires Purchase Orders to be established to encumber the approved budget items for each expenditure code. The complete bill packet including the Purchase Order, receiving slip, and invoice is submitted for authorization of payment. For the ARP Learning Loss Grant, Purchase Orders were created after the dates of service.**

**Recommendation:** **We recommend that the District's written procedures addressing internal controls with respect to program requirements be followed to ensure the District is in compliance at all times.**

**Current Status:**        **This is a repeat finding. There is a similar finding noted in the 2024 audit, 2024-004.**

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023

2023-008

**Compliance and Significant Deficiency in Internal Control over compliance with Activities Allowed or Unallowed, Allowable Cost/Cost Principles**

U.S. Department of Education  
Passed through NYS Department of Education  
Program Name: Education Stabilization Fund  
AL#: 84.425U

Condition: Payroll Costs for one employee were charged to the UPK grant in excess of the employee's wages for the year.

Recommendation: We recommend that the District's written procedures addressing internal controls with respect to program requirements be followed to ensure the District is in compliance at all times.

Current Status: NYSED has finalized this grant.



**Nugent & Haeussler, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
ESTABLISHED 1925

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Jennifer L. Capicchioni, CPA  
Patrick M. Bullis, CPA  
Justin B. Wood, CPA  
Richard P. Capicchioni, CPA

Norman M. Sassi, CPA  
Walter J. Jung, CPA

## INDEPENDENT AUDITOR'S REPORT

To the President and Members  
of the Board of Education of the  
Highland Falls-Fort Montgomery Central School District  
Highland Falls, New York 10928

### **Opinion**

We have audited the accompanying financial statements of the extraclassroom activities funds of Highland Falls-Fort Montgomery Central School District, which comprise the statement of assets, liabilities, and fund balance-cash basis as of June 30, 2024 and the related statement of receipts and disbursements-cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the extraclassroom activities funds of Highland Falls-Fort Montgomery Central School District as of June 30, 2024, and its receipts and disbursements-cash basis for the year then ended, in accordance with the cash basis of accounting as described in Note 1

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Highland Falls-Fort Montgomery Central School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis of Accounting**

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

### **Responsibilities of Management for the Financial Statements**

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

*/00<sup>6c</sup> ANNIVERSARY*

*/925 -2025*

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

***Tarsat getexader Pe***

Montgomery, New York  
June 6, 2025

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS NEW YORK  
EXTRACLASSROOM ACTIVITY FUND  
STATEMENT OF ASSETS LIABILITIES AND FUND BALANCE - CASH BASIS  
JUNE 30.2024

ASSETS

Cash	\$ 143,380
------	------------

FUND BALANCE

Fund Balance, Beginning of Year:		
High School Extraclassroom Activities	\$ 111,243	
Middle School Extraclassroom Activities	15,687	
Total Fund Balance, Beginning of Year	\$	126,930
Excess of Receipts over Disbursements		
High School Extraclassroom Activities	\$ 19,335	
Middle School Extraclassroom Activities	(2,885)	
Total Excess of Receipts over Disbursements		16,450
Fund Balance, End of Year:		
High School Extraclassroom Activities	\$ 130,578	
Middle School Extraclassroom Activities	12,802	
Total Fund Balance, End of Year	\$	143,380

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
EXTRACLASROOM ACTIVITY FUND - HIGH SCHOOL  
STATEMENT OF RECEIPTS & DISBURSEMENTS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30 2024

	CASH BALANCE JUNE 30, 2023	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2024
Class of 2023	\$ 10,037	\$	\$ 10,037	\$ 0
Class of 2024	1,266	14,600	8,802	7,064
Class of 2025	(246)	15,854	14,359	1,249
Class of 2026	133	1,707	758	1,082
Class of 2027	0	76	0	76
Mime Club	1,008	73	19	1,062
Band / Auditorium	2,529	1,007	0	3,536
Baseball - Varsity	5,084	25	400	4,709
Basketball-Boys	95	0	0	95
Basketball - Girls	267	0	0	267
Bowling	0	998	0	998
BSA	207	633	607	233
Chess	183	0	0	183
Chorus	765	5,359	5,421	703
Crew Team	1,983	0	0	1,983
Drama	22,809	12,682	9,587	25,904
Environmental Science	3,254	0	0	3,254
Fashion	160	0	0	160
Gay Straight Alliance	512	0	0	512
Interact	2,185	0	568	1,617
J.R.O.T.C.	14,781	16,231	15,430	15,582
Lacrosse - Boys	560	0	0	560
Lacrosse- Girls	167	302	0	469
Literacy Magazine	1,168	640	398	1,410
Mental health	116	0	0	116
National Honor Society	1,305	620	1,507	418
Powerlifting	103	4,722	3,177	1,648
Raider Readers	0	621	103	518
Reading Buddies Club	198	0	158	40
Red Cross	823	370	0	1,193
S.A.D.D.	38	0	0	38
Science	115	0	0	115
Science Buddies	162	0	0	162
Ski Club	0	2,988	988	2,000
Soccer (Boys)	190	0	0	190
Soccer (Varsity Girls)	2,134	0	0	2,134
Softball	5,580	5,315	1,378	9,517
Student Council	9,414	6,419	2,582	13,251
Student-to-Student	1,689	0	190	1,499
Track and Field	452	5,356	1,681	4,127
Volleyball	124	2,664	1,825	963
Yearbook	19,893	790	742	19,941
	<u>111,243</u>	<u>\$ \$</u>	<u>80,717</u>	<u>\$ 130,578</u>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
EXTRACLASSROOM ACTIVITY FUND - MIDDLE SCHOOL  
STATEMENT OF RECEIPTS & DISBURSEMENTS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2024

	CASH BALANCE JUNE 30, 2023	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2024
Grade 7	\$ 1,165	\$ 3,807	\$ 1,842	\$ 3,130
Grade 8	2,689	5,183	8,527	(655)
Drama Club	2,888	2,411	4,481	818
Junior Honor Society	462	0	0	462
Memory Book	5,490	330	0	5,820
Music Club	2,497	0	0	2,497
Student Council	496	680	446	730
	<u>\$ 15,687</u>	<u>\$ 12,411</u>	<u>\$ 15,296</u>	<u>\$ 12,802</u>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
EXTRAClassroom Activity Funds  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

- (a) The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Highland Falls-Fort Montgomery Central School District. We have included the Extraclassroom Activity Fund balances within the Miscellaneous Special Revenue Fund of the financial statements. The separate audit report of the Extraclassroom Activity Funds is required due to the fact that the transactions of this fund are controlled by student management.
- (b) The books and records of the Highland Falls-Fort Montgomery Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.
- (c) The Extraclassroom Activity Funds are used to record the activity of all student-related activities within the District. These funds are under the control of an appointed central treasurer who maintains cash receipts and cash disbursement books. All receipts are collected by the student activity treasurer and disbursements must be approved by the student management.

**APPENDIX C**  
**Form of Legal Opinion**

July 30, 2025

The Board of Education of the  
Highland Falls-Fort Montgomery Central School District,  
in the County of Orange, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Highland Falls-Fort Montgomery Central School District, in the County of Orange (the "District"), a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$26,975,000 Bond Anticipation Note-2025 (the "Note"), dated and delivered the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation of the District for which the District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code, however, interest on the Note is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements which must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the District will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the District represents that it will comply with the

provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the District with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,

**APPENDIX – D**

**Description of Undertaking to Provide Notices of Events**

## UNDERTAKING TO PROVIDE NOTICES OF EVENTS

### Section 1. Definitions

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

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

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

“Issuer” shall mean Highland Falls-Fort Montgomery Central School District, in the County of Orange, a School District of the State of New York.

“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 the Certificate of Determination, executed by the President of the Board of Education as of July 30, 2025.

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

“Securities” shall mean the Issuer’s \$26,975,000 Bond Anticipation Note-2025, dated July 30, 2025, maturing on June 26, 2026, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (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 of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, 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 Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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) Issuance of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priorities rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;
- (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) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. 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 hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this 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 Undertaking; provided that the sole and exclusive remedy for breach of this 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 Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby 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 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 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 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 Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities 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 the EMMA System. Such notice shall state whether the Securities have 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 Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This 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 Undertaking as of **July 30, 2025**.

**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**

By \_\_\_\_\_  
**PRESIDENT OF THE BOARD OF EDUCATION**