

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED
JUNE 30, 2021
INCLUDING REPORTS ON FEDERAL AWARDS
AND EXTRACLASSROOM ACTIVITY FUNDS

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
JUNE 30, 2021
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Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Port Jervis City School District
Port Jervis, New York

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
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
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Port Jervis City School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Port Jervis City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary funds of the Port Jervis City School District as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, management has adopted Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to that matter.

Other Matters*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 on pages 4 through 16 and 70 through 74 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port Jervis City School District's basic financial statements. The supplemental schedules on pages 75 through 77 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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental schedules on pages 75 through 77 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 on pages 75 through 77 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, on our consideration of the Port Jervis City 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 Port Jervis City 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 Port Jervis City School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Nugent & Haussler, P.C.".

Montgomery, New York
October 19, 2021

PORT JERVIS CITY SCHOOL DISTRICT

Management Discussion and Analysis

Introductory Section

The following is a discussion and analysis of Port Jervis City School District's financial performance for the year ended June 30, 2021. This section is a summary of the Port Jervis City School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. 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 year ended June 30, 2021 are as follows:

- For the eighth year in a row, the district has complied with the tax cap. The Board of Education adopted a tax levy with a 0% increase for the 2021-2022 school year.
- District-wide renovations continued through 2020-2021.

PORT JERVIS CITY SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Overview of the Financial Statements

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

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

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

PORT JERVIS CITY 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			
		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources 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 or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during 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	All additions and deductions during the year, regardless of when cash is received or paid

PORT JERVIS CITY SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

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 they have changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are 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.

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).

The District has two kinds of funds:

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

PORT JERVIS CITY SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the District as a Whole

For the year ended June 30, 2021, the District's net position increased by \$2,096,804. The District's net position at June 30, 2020 was \$(20,619,620). The following table provides a summary of the District's net position:

	School District Activities			
	June 30, 2021	June 30, 2020	Increase / (Decrease)	% Change
Current Assets	\$ 55,920,846	\$ 48,001,840	\$ 7,919,006	16.50%
Net Pension Asset - Proportionate Share	0	3,837,151	(3,837,151)	-100.00%
Capital Assets, Net	65,772,291	66,669,305	(897,014)	-1.35%
Total Assets	<u>121,693,137</u>	<u>118,508,296</u>	<u>3,184,841</u>	2.69%
Deferred Outflows of Resources	<u>35,916,222</u>	<u>25,205,232</u>	<u>10,710,990</u>	42.50%
Current Liabilities	12,772,225	12,309,656	462,569	3.76%
Long-Term Liabilities	145,621,211	135,195,513	10,425,698	7.71%
Total Liabilities	<u>158,393,436</u>	<u>147,505,169</u>	<u>10,888,267</u>	7.38%
Deferred Inflows of Resources	<u>17,738,739</u>	<u>16,827,979</u>	<u>910,760</u>	5.41%
Net Position:				
Net Investment in Capital Assets	47,191,971	45,273,295	1,918,676	4.24%
Restricted	25,879,331	21,128,382	4,750,949	22.49%
Unrestricted	(91,594,118)	(87,021,297)	(4,572,821)	-5.25%
Total Net Position	<u>\$ (18,522,816)</u>	<u>\$ (20,619,620)</u>	<u>\$ 2,096,804</u>	10.17%

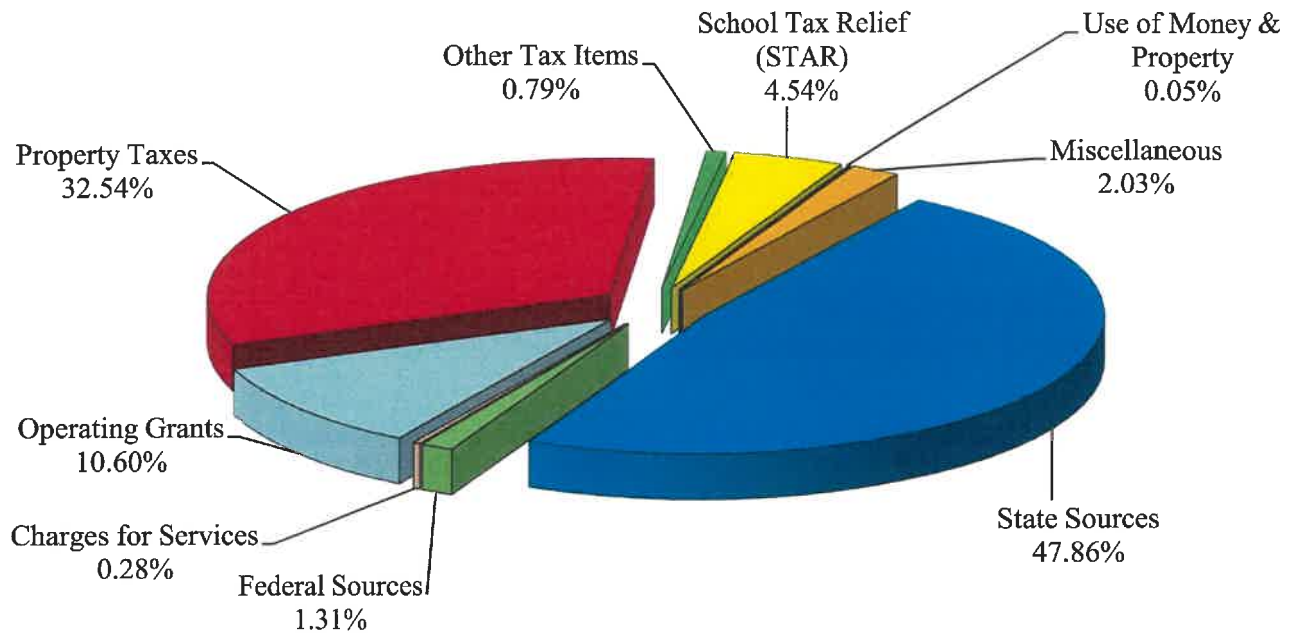
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2021:

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION

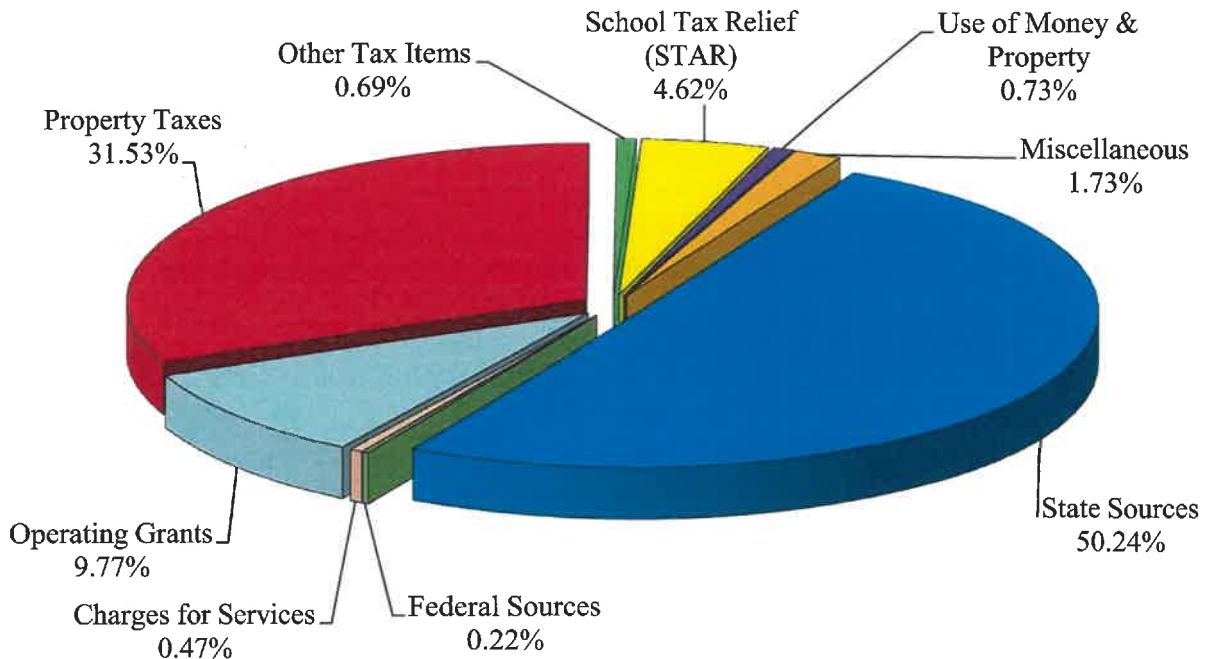
	<u>JUNE 30, 2021</u>	<u>%</u>	<u>JUNE 30, 2020</u>	<u>%</u>	<u>\$ Change</u>	<u>% Change</u>
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 219,697	0.28%	\$ 372,017	0.47%	\$ (152,320)	-40.94%
Operating Grants	8,401,318	10.60%	7,787,189	9.77%	614,129	7.89%
GENERAL REVENUES:						
Property Taxes	25,782,752	32.54%	25,137,068	31.53%	645,684	2.57%
Other Tax Items	627,141	0.79%	549,077	0.69%	78,064	14.22%
School Tax Relief (STAR)	3,596,261	4.54%	3,685,357	4.62%	(89,096)	-2.42%
Use of Money & Property	43,344	0.05%	584,687	0.73%	(541,343)	-92.59%
Miscellaneous	1,607,535	2.03%	1,379,111	1.73%	228,424	16.56%
State Sources	37,923,880	47.86%	40,048,355	50.24%	(2,124,475)	-5.30%
Federal Sources	1,041,742	1.31%	171,508	0.22%	870,234	507.40%
TOTAL REVENUES	<u>79,244,781</u>	<u>100.00%</u>	<u>79,714,369</u>	<u>100.00%</u>	<u>(469,588)</u>	<u>-0.59%</u>
<u>EXPENSES</u>						
General Support	5,717,861	7.41%	6,031,288	7.71%	(313,427)	5.20%
Instruction	42,192,583	54.69%	43,009,635	54.96%	(817,052)	1.90%
Pupil Transportation	2,413,192	3.13%	3,470,849	4.44%	(1,057,657)	30.47%
Employee Benefits	22,538,157	29.21%	21,187,457	27.08%	1,350,700	-6.37%
Debt Service Interest	558,046	0.72%	602,800	0.77%	(44,754)	7.42%
Depreciation	2,581,028	3.35%	2,712,020	3.47%	(130,992)	4.83%
School Lunch Program	1,147,110	1.49%	1,229,726	1.57%	(82,616)	6.72%
TOTAL EXPENSES	<u>77,147,977</u>	<u>100.00%</u>	<u>78,243,775</u>	<u>100.00%</u>	<u>(1,095,798)</u>	<u>1.40%</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 2,096,804</u>		<u>\$ 1,470,594</u>		<u>\$ 626,210</u>	<u>42.58%</u>

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK

**SOURCES OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

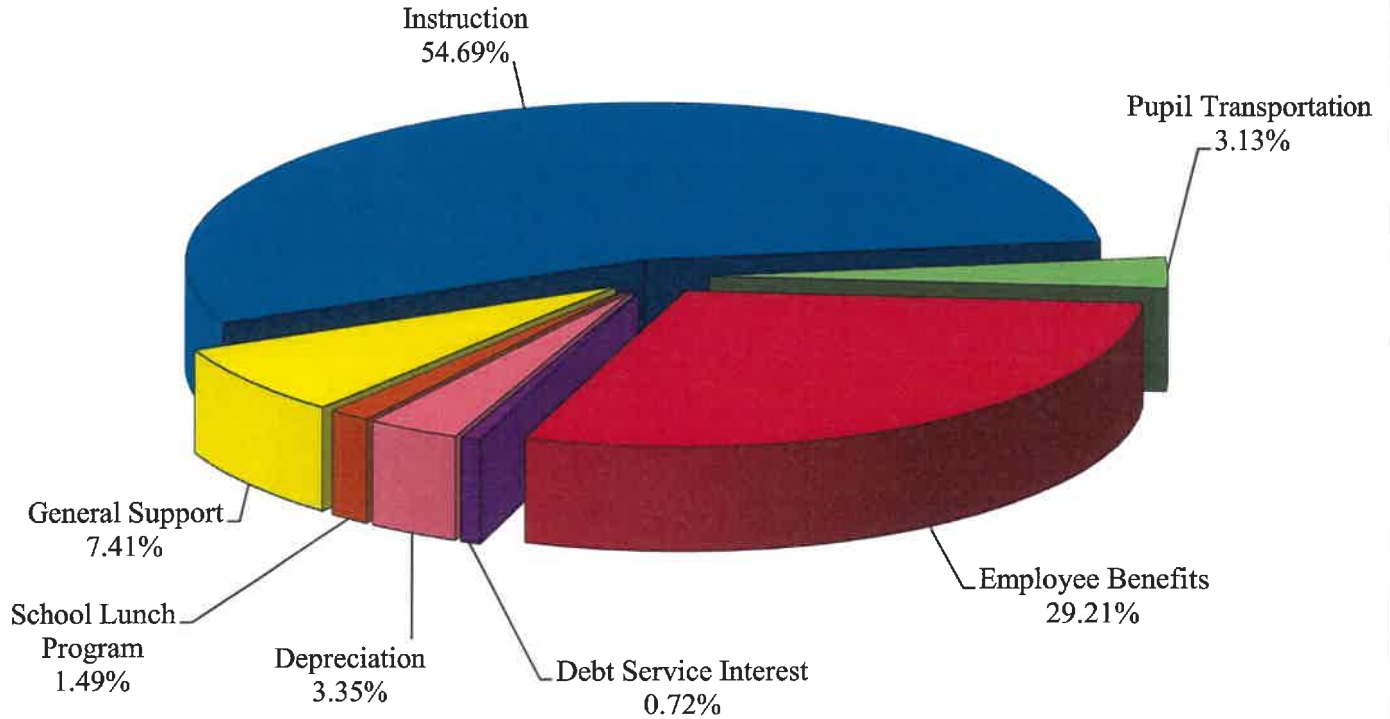


**SOURCES OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

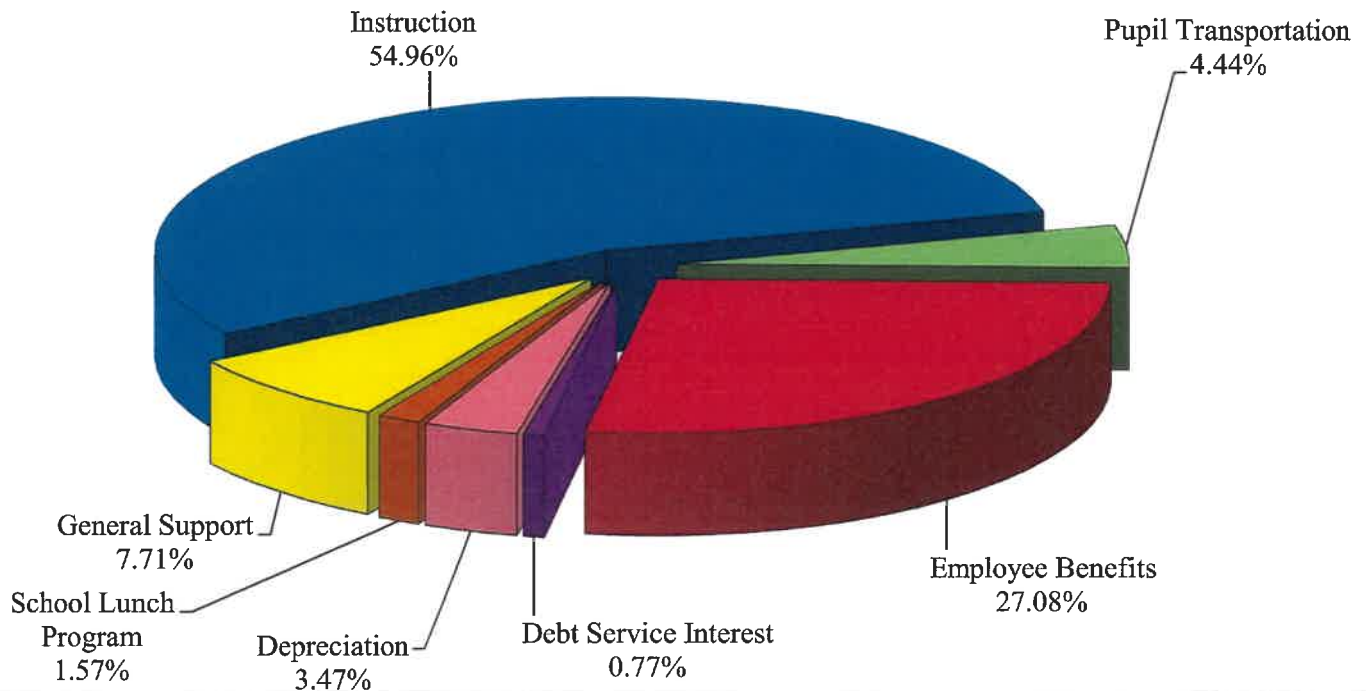


PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK

EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2021



EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020



PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
STATEMENT OF ACTIVITIES
NET COSTS

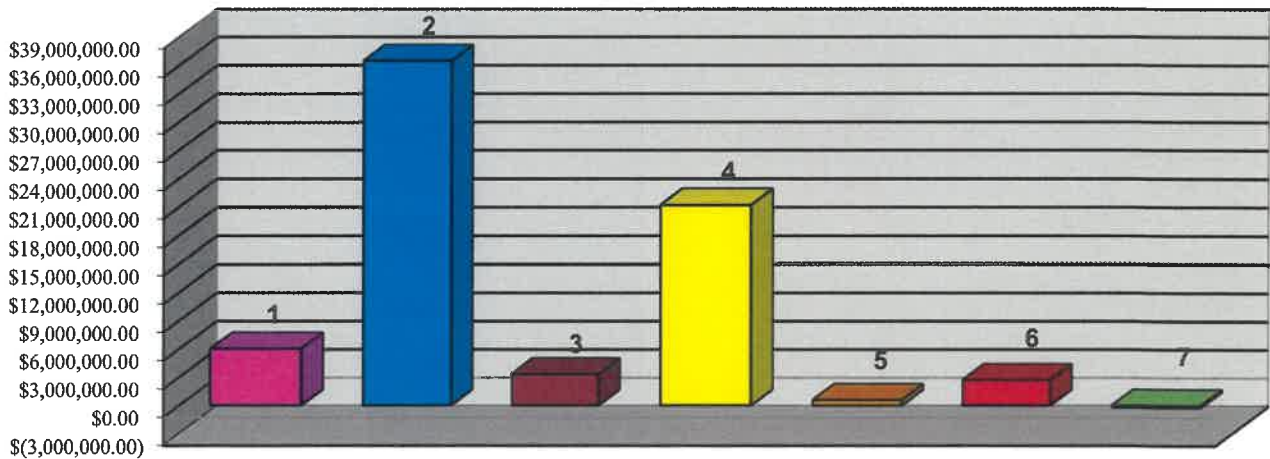
The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2020-2021	NET COST OF SERVICES 2020-2021	TOTAL COST OF SERVICES 2019-2020	NET COST OF SERVICES 2019-2020
General Support	1	\$ 5,717,861	\$ 5,717,861	\$ 6,031,288	\$ 6,031,288
Instruction	2	42,192,583	34,954,564	43,009,635	36,431,062
Pupil Transportation	3	2,413,192	2,413,192	3,470,849	3,328,695
Employee Benefits	4	22,538,157	22,538,157	21,187,457	21,187,457
Debt Service - Interest	5	558,046	558,046	602,800	602,800
Depreciation	6	2,581,028	2,581,028	2,712,020	2,712,020
School Lunch Program	7	1,147,110	(235,886)	1,229,726	(208,753)
		<u>\$ 77,147,977</u>	<u>\$ 68,526,962</u>	<u>\$ 78,243,775</u>	<u>\$ 70,084,569</u>

NET COST OF SERVICES 2020-2021



NET COST OF SERVICES 2019-2020



PORT JERVIS CITY 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, 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, 2021				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	\$ 49,000	\$ 10,533,092	\$ 986,105	\$ 18,323,323	\$ 29,891,520
Special Aid	0	0	0	0	0
School Lunch	60,712	142,312	0	0	203,024
Capital Projects	0	13,891,411	0	0	13,891,411
Debt Service	0	1,312,516	0	0	1,312,516
	<u>\$ 109,712</u>	<u>\$ 25,879,331</u>	<u>\$ 986,105</u>	<u>\$ 18,323,323</u>	<u>\$ 45,298,471</u>

	June 30, 2020				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	\$ 49,000	\$ 10,609,333	\$ 1,801,007	\$ 8,263,509	\$ 20,722,849
Special Aid	0	0	0	0	0
School Lunch	44,459	195,417	0	0	239,876
Capital Projects	0	15,412,316	0	0	15,412,316
Debt Service	0	1,286,808	0	0	1,286,808
	<u>\$ 93,459</u>	<u>\$ 27,503,874</u>	<u>\$ 1,801,007</u>	<u>\$ 8,263,509</u>	<u>\$ 37,661,849</u>

General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$4,250 during the year. The supplemental appropriations consisted of \$4,250 from local instructional donations.

In the General Fund for the year ended June 30, 2021, actual revenues were more than revised budgeted revenues by \$1,789,795 (2.37%). The District did not appropriate the budgeted fund balance allocation of \$1,801,007. The District received a BOCES refund that exceeded the budgeted refund by \$396,920. Actual expenditures and encumbrances were less than the revised budgeted expenditures by \$9,096,578 (12.04%). In addition to fiscally responsible oversight of purchases, decreased spending on utilities due to efficiencies realized with infrastructure improvements and stabilization of the health plan premiums contributed to the district's fiscal stability.

Responsible budgeting and monitoring of spending will continue throughout the 2021-2022 school year.

For fiscal year 2021-2022, the District appropriated \$902,800 of fund balance to reduce the tax levy.

PORT JERVIS CITY SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

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

- Current economic conditions – Tax Cap Consumer Price Index
- Contractual obligations
- Health care costs
- Retirement contributions
- Non-Funded Federal and State Mandates
 - Every Student Succeeds Act (ESSA)
 - Escalating Special Education costs
 - Escalating foster care costs
- Continued FOCUS district designation

Management believes that the budget adopted for 2021-2022 is reasonably adaptable to any adverse changes that may arise based on the known factors and unforeseen factors.

Other Fund Highlights

The School Lunch Program Fund ended the year with a fund balance of \$203,024. The fund balance decreased by \$36,852 from the prior year.

The Capital Projects fund ended the year with a fund balance of \$13,891,411. The taxpayers approved a capital project referendum in March 2020. The plans have been submitted to New York State Education Department. Construction started in the summer of 2021 and is anticipated to continue for 3-4 years. The next phase of the capital project will be bid and awarded in the fall of 2021. The District anticipates taking on short term bonds to fund the project and then going out to bond at the completion of the project.

The Debt Service fund ended the year with a fund balance of \$1,312,516. This fund balance will be appropriated in future years to offset principal and interest payments.

PORT JERVIS CITY 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 as of June 30, 2021, was \$65,772,291. The District expended \$1,684,014 to acquire and construct capital assets during the fiscal year ended June 30, 2021, and depreciation expense for the fiscal year was \$2,581,028. The total decrease in this net investment was 1.35% for the District as a whole (see schedule below). The District's investment in capital assets, net of accumulated depreciation as of June 30, 2020 was \$66,669,305.

CAPITAL ASSETS
Net of Accumulated Depreciation

	School District Activities		
	June 30, 2021	June 30, 2020	% Change
<u>Non-Depreciable Assets:</u>			
Land	\$ 2,831,464	\$ 2,831,464	0.00%
Construction in Progress	1,433,591	10,331,043	-86.12%
<u>Depreciable Assets:</u>			
Building and Improvements	60,089,996	51,753,288	16.11%
Furniture and Equipment	1,323,332	1,702,497	-22.27%
Vehicles	93,908	51,013	84.09%
TOTALS	<u>\$ 65,772,291</u>	<u>\$ 66,669,305</u>	-1.35%

Long-Term Debt

At the end of the fiscal year, the District had total bonded debt outstanding of \$18,260,000. This amount is backed by the full faith and credit of the Port Jervis City School District with debt service fully funded by voter approved property taxes. Activity in bonded debt outstanding during the fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
2012 Serial Bond	\$ 4,715,000	\$ 0	\$ 4,715,000	\$ 0
2013 Serial Bond	2,170,000	0	2,170,000	0
2016 Serial Bond	3,280,000	0	265,000	3,015,000
2016 Serial Bond	3,360,000	0	940,000	2,420,000
2017 Serial Bond	2,220,000	0	165,000	2,055,000
2019 Serial Bond	3,255,000	0	175,000	3,080,000
2020 Serial Bond	2,500,000	0	455,000	2,045,000
2021 Serial Bond	0	5,650,000	5,000	5,645,000
Total Bonded Debt Outstanding	<u>\$ 21,500,000</u>	<u>\$ 5,650,000</u>	<u>\$ 8,890,000</u>	<u>\$ 18,260,000</u>

PORT JERVIS CITY SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

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 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 John Timm, Assistant Superintendent for Business, at the District's business offices at 9 Thompson St., Port Jervis, New York 12771.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

ASSETS

Unrestricted Cash	\$ 24,755,529
Restricted Cash	25,879,331
Taxes Receivable	1,196,656
State & Federal Aid Receivable	3,706,275
Other Receivables, Net	273,343
Prepaid Expenditures	49,000
Inventories	60,712
Non-Depreciable Capital Assets	4,265,055
Capital Assets, Net	61,507,236
TOTAL ASSETS	<u>121,693,137</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges	314,973
Pensions	18,236,809
Other Postemployment Benefits	17,364,440
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>35,916,222</u>

LIABILITIES

Accounts Payable	3,443,902
Accrued Liabilities	3,443,019
Due to Other Governments	18
Due to Teachers' Retirement System	2,318,358
Due to Employees' Retirement System	272,149
Other Liabilities	181,689
Long-term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable (Including Unamortized Premiums of \$133,090)	3,113,090
Due and Payable In More Than One Year:	
Bonds Payable (Including Unamortized Premiums of \$502,203)	15,782,203
Compensated Absences	6,045,753
TRS Net Pension Liability - Proportionate Share	4,073,357
ERS Net Pension Liability - Proportionate Share	19,234
Other Postemployment Benefits	118,442,690
Judgments and Claims	1,257,974
TOTAL LIABILITIES	<u>158,393,436</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	7,724,902
Other Postemployment Benefits	10,013,837
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,738,739</u>

NET POSITION

Net Investment in Capital Assets	47,191,971
Restricted	25,879,331
Unrestricted	<u>(91,594,118)</u>
TOTAL NET POSITION	<u>\$ (18,522,816)</u>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM REVENUES			NET (EXPENSE) REVENUE & CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS	
<u>FUNCTIONS & PROGRAMS</u>				
General Support	\$ (8,781,053)	\$ 0	\$ 0	\$ (8,781,053)
Instruction	(62,425,649)	89,575	7,148,444	(55,187,630)
Pupil Transportation	(3,648,782)	0	0	(3,648,782)
Debt Service - Interest	(558,046)	0	0	(558,046)
School Lunch Program	<u>(1,734,447)</u>	<u>130,122</u>	<u>1,252,874</u>	<u>(351,451)</u>
TOTAL FUNCTIONS & PROGRAMS	<u>\$ (77,147,977)</u>	<u>\$ 219,697</u>	<u>\$ 8,401,318</u>	<u>(68,526,962)</u>
<u>GENERAL REVENUES</u>				
Real Property Taxes				25,782,752
Other Tax Items				4,223,402
Use of Money & Property				43,344
Sale of Property & Compensation for Loss				2,500
Miscellaneous				1,606,146
State Sources				37,923,880
Federal Sources				<u>1,041,742</u>
TOTAL GENERAL REVENUES				<u>70,623,766</u>
CHANGE IN NET POSITION				2,096,804
NET POSITION, BEGINNING OF YEAR				<u>(20,619,620)</u>
NET POSITION, END OF YEAR				<u>\$ (18,522,816)</u>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

<u>ASSETS</u>		<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Unrestricted Cash	\$	24,755,529	\$	0	\$	0	\$ 24,755,529
Restricted Cash		10,528,794	665	347	14,051,998	1,297,527	25,879,331
Taxes Receivable		1,196,656	0	0	0	0	1,196,656
State & Federal Aid Receivable		2,450,502	988,284	267,489	0	0	3,706,275
Due from Other Funds		1,348,900	0	0	0	14,989	1,363,889
Other Receivables, Net		134,288	94,806	44,249	0	0	273,343
Prepaid Expenditures		49,000	0	0	0	0	49,000
Inventories		0	0	60,712	0	0	60,712
TOTAL ASSETS	\$	40,463,669	\$ 1,083,755	\$ 372,797	\$ 14,051,998	\$ 1,312,516	\$ 57,284,735
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$	3,395,818	\$	937	\$	120	\$ 3,443,902
Accrued Liabilities		3,392,280	0	2,124	0	0	3,394,404
Due to Other Governments		0	0	18	0	0	18
Due to Other Funds		0	1,082,818	120,604	160,467	0	1,363,889
Due to Teachers' Retirement System		2,318,358	0	0	0	0	2,318,358
Due to Employees' Retirement System		272,149	0	0	0	0	272,149
Other Liabilities		181,689	0	0	0	0	181,689
TOTAL LIABILITIES		9,560,294	1,083,755	169,773	160,587	0	10,974,409
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Deferred Tax Revenues		1,011,855	0	0	0	0	1,011,855
TOTAL DEFERRED INFLOWS OF RESOURCES		1,011,855	0	0	0	0	1,011,855
<u>FUND BALANCES</u>							
Nonspendable		49,000	0	60,712	0	0	109,712
Restricted		10,533,092	0	142,312	13,891,411	1,312,516	25,879,331
Assigned		986,105	0	0	0	0	986,105
Unassigned		18,323,323	0	0	0	0	18,323,323
TOTAL FUND BALANCES		29,891,520	0	203,024	13,891,411	1,312,516	45,298,471
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	\$	40,463,669	\$ 1,083,755	\$ 372,797	\$ 14,051,998	\$ 1,312,516	\$ 57,284,735

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
ASSETS				
Unrestricted Cash	\$ 24,755,529	\$ 0	\$ 0	\$ 24,755,529
Restricted Cash	25,879,331	0	0	25,879,331
Taxes Receivable	1,196,656	0	0	1,196,656
State & Federal Aid Receivable	3,706,275	0	0	3,706,275
Due from Other Funds	1,363,889	0	(1,363,889)	0
Other Receivables, Net	273,343	0	0	273,343
Prepaid Expenditures	49,000	0	0	49,000
Inventories	60,712	0	0	60,712
Non-Depreciable Capital Assets	0	4,265,055	0	4,265,055
Capital Assets, Net	0	61,507,236	0	61,507,236
TOTAL ASSETS	57,284,735	65,772,291	(1,363,889)	121,693,137
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges	0	314,973	0	314,973
Pensions	0	18,236,809	0	18,236,809
Other Postemployment Benefits	0	17,364,440	0	17,364,440
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0	35,916,222	0	35,916,222
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 57,284,735	\$ 101,688,513	\$ (1,363,889)	\$ 157,609,359
LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES / NET POSITION				
LIABILITIES				
Accounts Payable	\$ 3,443,902	\$ 0	\$ 0	\$ 3,443,902
Accrued Liabilities	3,394,404	48,615	0	3,443,019
Due to Other Governments	18	0	0	18
Due to Other Funds	1,363,889	0	(1,363,889)	0
Due to Teachers' Retirement System	2,318,358	0	0	2,318,358
Due to Employees' Retirement System	272,149	0	0	272,149
Other Liabilities	181,689	0	0	181,689
Bonds Payable (Including Premium from Refinancing of Bond Payable)	0	18,895,293	0	18,895,293
Compensated Absences	0	6,045,753	0	6,045,753
TRS Net Pension Liability - Proportionate Share	0	4,073,357	0	4,073,357
ERS Net Pension Liability - Proportionate Share	0	19,234	0	19,234
Other Postemployment Benefits	0	118,442,690	0	118,442,690
Judgments and Claims	0	1,257,974	0	1,257,974
TOTAL LIABILITIES	10,974,409	148,782,916	(1,363,889)	158,393,436
DEFERRED INFLOWS OF RESOURCES				
Deferred Tax Revenue	1,011,855	(1,011,855)	0	0
Pensions	0	7,724,902	0	7,724,902
Other Postemployment Benefits	0	10,013,837	0	10,013,837
TOTAL DEFERRED INFLOWS OF RESOURCES	1,011,855	16,726,884	0	17,738,739
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	11,986,264	165,509,800	(1,363,889)	176,132,175
FUND BALANCES / NET POSITION	45,298,471	(63,821,287)	0	(18,522,816)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES / NET POSITION	\$ 57,284,735	\$ 101,688,513	\$ (1,363,889)	\$ 157,609,359

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Real Property Taxes	\$ 25,915,943	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,915,943
Other Tax Items	4,223,402	0	0	0	0	4,223,402
Charges for Services	89,575	0	0	0	0	89,575
Use of Money & Property	21,511	0	12	0	21,821	43,344
Sale of Property & Compensation for Loss	2,500	0	0	0	0	2,500
Miscellaneous	1,606,146	0	5,418	0	0	1,611,564
State Sources	42,505,080	533,004	37,776	0	0	43,075,860
Federal Sources	1,041,742	2,034,240	1,215,098	0	0	4,291,080
Sales	0	0	124,704	0	0	124,704
TOTAL REVENUES	75,405,899	2,567,244	1,383,008	0	21,821	79,377,972
EXPENDITURES						
General Support	5,988,484	0	0	0	0	5,988,484
Instruction	39,555,278	2,719,832	0	0	0	42,275,110
Pupil Transportation	2,415,556	0	0	0	0	2,415,556
Employee Benefits	14,688,838	0	271,627	0	0	14,960,465
Debt Service:						
Principal	2,945,000	0	0	0	0	2,945,000
Interest	636,962	0	0	0	0	636,962
Cost of Sales	0	0	1,148,233	0	0	1,148,233
Capital Outlay	0	0	0	1,375,427	0	1,375,427
TOTAL EXPENDITURES	66,230,118	2,719,832	1,419,860	1,375,427	0	71,745,237
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	9,175,781	(152,588)	(36,852)	(1,375,427)	21,821	7,632,735
OTHER SOURCES & USES						
Payments to Escrow Agent	0	0	0	0	(6,117,060)	(6,117,060)
Proceeds from Current Refunding	0	0	0	0	5,650,000	5,650,000
Premium on Obligations	0	0	0	0	470,947	470,947
Operating Transfers In	145,478	152,588	0	0	0	298,066
Operating Transfers (Out)	(152,588)	0	0	(145,478)	0	(298,066)
TOTAL OTHER SOURCES & USES	(7,110)	152,588	0	(145,478)	3,887	3,887
EXCESS (DEFICIENCY) REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	9,168,671	0	(36,852)	(1,520,905)	25,708	7,636,622
FUND BALANCES, BEGINNING OF YEAR	20,722,849	0	239,876	15,412,316	1,286,808	37,661,849
FUND BALANCES, END OF YEAR	\$ 29,891,520	\$ 0	\$ 203,024	\$ 13,891,411	\$ 1,312,516	\$ 45,298,471

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, 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, 2021

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
REVENUES						
Real Property Taxes	\$ 25,915,943	\$ (133,191)	\$ 0	\$ 0	\$ 0	\$ 25,782,752
Other Tax Items	4,223,402	0	0	0	0	4,223,402
Charges for Services	89,575	0	0	0	0	89,575
Use of Money & Property	43,344	0	0	0	0	43,344
Sale of Property & Compensation for Loss	2,500	0	0	0	0	2,500
Miscellaneous	1,611,564	0	0	0	0	1,611,564
State Sources	43,075,860	0	0	0	0	43,075,860
Federal Sources	4,291,080	0	0	0	0	4,291,080
Sales	124,704	0	0	0	0	124,704
TOTAL REVENUES	79,377,972	(133,191)	0	0	0	79,244,781
EXPENDITURES						
General Support	5,988,484	(5,860)	49,984	0	2,748,445	8,781,053
Instruction	42,275,110	(38,703)	2,035,149	0	18,154,093	62,425,649
Pupil Transportation	2,415,556	(2,364)	126,958	0	1,108,632	3,648,782
Employee Benefits	14,960,465	7,577,692	0	0	(22,538,157)	0
Debt Service:						
Principal	2,945,000	0	0	(2,945,000)	0	0
Interest	636,962	(5,529)	0	(73,387)	0	558,046
Cost of Sales	1,148,233	(1,123)	60,350	0	526,987	1,734,447
Capital Outlay	1,375,427	0	(1,375,427)	0	0	0
TOTAL EXPENDITURES	71,745,237	7,524,113	897,014	(3,018,387)	0	77,147,977
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	7,632,735	(7,657,304)	(897,014)	3,018,387	0	2,096,804
OTHER SOURCES & USES						
Payments to Escrow Agent	(6,117,060)	0	0	6,117,060	0	0
Proceeds from Current Refunding	5,650,000	0	0	(5,650,000)	0	0
Premium on Obligations	470,947	0	0	(470,947)	0	0
Operating Transfers In	298,066	0	0	0	(298,066)	0
Operating Transfers (Out)	(298,066)	0	0	0	298,066	0
TOTAL OTHER SOURCES & USES	3,887	0	0	(3,887)	0	0
NET CHANGE FOR THE YEAR	\$ 7,636,622	\$ (7,657,304)	\$ (897,014)	\$ 3,014,500	\$ 0	\$ 2,096,804

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>PRIVATE PURPOSE TRUSTS</u>	<u>CUSTODIAL</u>
<u>ASSETS</u>		
Cash	<u>\$ 373,969</u>	<u>\$ 263,210</u>
TOTAL ASSETS	<u><u>\$ 373,969</u></u>	<u><u>\$ 263,210</u></u>
<u>LIABILITIES & NET POSITION</u>		
<u>NET POSITION</u>		
Restricted Extraclassroom Activity Balances	\$ 0	\$ 251,437
Restricted Donations	0	11,773
Restricted Scholarships	<u>373,969</u>	<u>0</u>
TOTAL NET POSITION	<u><u>\$ 373,969</u></u>	<u><u>\$ 263,210</u></u>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>PRIVATE PURPOSE TRUSTS</u>	<u>CUSTODIAL</u>
<u>ADDITIONS</u>		
Gifts and Contributions	\$ 5,475	\$ 1,635
Investment Earnings	284	0
Extraclassroom revenue	0	123,765
Library Tax Collected	0	1,085,512
	<hr/>	<hr/>
TOTAL ADDITIONS	5,759	1,210,912
	<hr/>	<hr/>
<u>DEDUCTIONS</u>		
Scholarships & Awards	15,100	0
Extraclassroom expenses	0	149,610
Library Tax Remitted	0	1,085,512
	<hr/>	<hr/>
TOTAL DEDUCTIONS	15,100	1,235,122
	<hr/>	<hr/>
CHANGE IN NET POSITION	(9,341)	(24,210)
	<hr/>	<hr/>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	383,310	287,420
	<hr/>	<hr/>
NET POSITION, END OF YEAR	\$ 373,969	\$ 263,210
	<hr/>	<hr/>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of the Port Jervis City 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 Port Jervis City 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 9 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 of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds have been included in this report. The District accounts for assets held as an agent for various student organizations in an custodial fund.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

B. Joint Venture

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

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

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. Each component district's share of administrative and capital 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, 2021, the Port Jervis City School District was billed \$10,271,019 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,636,371. 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, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and 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 June 30, 2021. 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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 the 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 to expenditures for specified purposes. These 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.

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.

The District reports the following fiduciary funds:

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

There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

C. Basis of Presentation (Continued)

2. Funds Statements (Continued)

Custodial funds: These funds are custodial in nature. Assets are held by the District as agent for various student groups or extraclassroom activity funds.

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 and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, 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 governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 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 1st and became a lien on August 20, 2020. Taxes were collected by the District during the period September 1, 2020 through November 6, 2020.

The City and County in which the District is located enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, deferred revenues offset real property taxes receivable.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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 (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

I. Cash

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. 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 inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net Position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. There were prepaid items of \$49,000 at June 30, 2021.

L. 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

M. 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:

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

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that may qualify for reporting in this category. The District reports deferred amounts on refunding in the Statement of Net Position as a deferred outflow of resources. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second deferred outflow is related to pensions reported in the Statement of Net Position. For additional information on these deferred outflows related to pensions, see Note 8. The third deferred outflow is related to other postemployment benefits, for additional information see Note 10.

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 District reports deferred inflows of resources in the Statement of Net Position related to pensions reported in the district-wide statements. For additional information on deferred inflows related to pensions, see Note 8. The District also reports deferred inflows of resources in the Statement of Net Position related to other postemployment benefits reported in the district-wide statements. For additional information on deferred inflows related to other postemployment benefits, see Note 10.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

O. Unearned Revenue

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

P. Vested Employee Benefits

1. Compensated Absences

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

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

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 Section 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 full-time 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Q. 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 fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that 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 fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

R. 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 full, in a timely manner, 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

S. 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 assets 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 do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

2. Fund Statements

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

Nonspendable Fund Balance: Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes prepaid expenditures of \$49,000. in the General Fund and inventory in the School Lunch Fund of \$60,712.

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

Capital Reserve

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

Workers' Compensation Reserve

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

Employee Benefit Accrued Liability Reserve

According to General Municipal Law §6-p must be used for the payment of accrued employee benefits 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.

Tax Certiorari Reserve

According to Education Law §3651.1-a must be 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.

Restricted fund balance at June 30, 2021 consisted of:

General Fund:

Capital Reserve	\$ 1,360,743
Workers' Compensation Reserve	3,015,416
Tax Certiorari Reserve	111,184
Employee Benefit Accrued Liability Reserve	6,045,749
Total restricted General Fund	<u>10,533,092</u>
School Lunch	142,312
Capital Projects	13,891,411
Debt Service Fund	<u>1,312,516</u>
Total Restricted Fund Balance	<u><u>\$25,879,331</u></u>

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

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, 2021.

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 includes encumbrances of \$83,305 not classified as restricted at the end of the fiscal year. Assigned fund balance in the General Fund also includes \$902,800 assigned to be used to reduce the tax levy for the year ending June 30, 2022. This assignment is made when the tax levy is set by the Board of Education pursuant to the District's annual budget policy.

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. Assignment 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

T. New Accounting Standards

GASB has issued Statement 84, *Fiduciary Activities*, which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The District has implemented Statement 84 as required.

GASB has issued Statement 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information of certain component units. The District has implemented Statement 90 as required.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which addresses accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). The District has implemented Statement 93 as required.

U. Future Changes in Accounting Standards

GASB has issued Statement 87, *Leases*, which will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were not classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under, this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

U. Future Changes in Accounting Standards (continued)

GASB has issued Statement 91, *Conduit Debt Obligations*, which will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2023 financial statements.

GASB has issued Statement 92, *Omnibus 2020*, which will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics.

The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will improve financial reporting by establishing the definitions of public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2023 financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2023 financial statements.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

U. Future Changes in Accounting Standards (continued)

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 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.

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, 2021 were as follows:

Original Cost of Capital Assets	\$ 104,574,312
Accumulated Depreciation	(38,802,021)
	<u>\$ 65,772,291</u>

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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)

2. 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, 2021 were as follows:

Deferred Outflows of Resources - Pensions	\$ 18,236,809
Net Pension Liability - Proportionate Share	(4,092,591)
Deferred Inflows of Resources - Pensions	(7,724,902)

3. Because the governmental funds focus on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance. They are however, included in the net position of the governmental activities. The balance at June 30, 2021 was as follows:

Adjustments for Deferred Revenue	\$ 1,011,855
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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, 2021 was as follows:

Accrued Interest	\$ 48,615
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PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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)

5. Long-term liabilities and related deferred inflows of resources and deferred outflows of resources 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, 2021 were as follows:

Bonds Payable	\$ 18,260,000
Deferred Charges	(314,973)
Deferred Outflows of Resources - OPEB	(17,364,440)
Deferred Inflows of Resources - OPEB	10,013,837
Deferred Amount on Refunding	635,293
Compensated Absences	6,045,753
Other Postemployment Benefits	118,442,690
Judgments and Claims	1,257,974
	<u>\$ 136,976,134</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 and Changes in Net Position.

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 Changes in Net Position, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities and Changes in Net Position.

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 and Changes in Net Position as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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 (Continued):

4. Pension Plan Transaction Differences

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

5. 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 Operating Statement
and the Statement of Activities

Total Revenues and Other Funding Sources

Total revenues reported in governmental funds (Schedule 5)	\$ 85,498,919
Because some revenue will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds. However, they are considered to be earned in the Statement of Activities. The deferred revenue at June 30, 2021 was less than the amount deferred at June 30, 2020.	(133,191)
Bond refunding premiums are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government - wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.	(470,947)
Proceeds from current refunding is a revenue in the governmental funds, but increases liabilities in the Statement of Net Position, and does not affect the Statement of Activities.	<u>(5,650,000)</u>
Total revenues in the Statement of Activities (Schedule 2)	<u>\$ 79,244,781</u>

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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):

Total Expenditures & Other Uses/Expenses

Total expenditures reported in governmental funds (Schedule 5) \$ 77,862,297

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 \$1,684,014 were less than depreciation of \$2,581,028 in the current year. 897,014

In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The amount by which compensated absences used exceeded the amount earned during the year was \$48,050. Judgments and claims paid exceeded the amount earned during the year in the amount of \$61,570. (109,620)

In the Statement of Activities, the expense for other postemployment benefits (OPEB) includes changes in the OPEB liability such as service cost, interest costs and changes in benefit terms, as well as amortization of deferred outflows of resources and deferred inflows of resources related to OPEB. In the governmental funds, however, OPEB expenditures are measured by amount of financial resources used (essentially the amounts actually paid). This is the amount by which the OPEB expense in the Statement of Activities was more than the amount of financial resources used during the year. 4,734,646

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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):

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) 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.	2,904,616
Interest payable is recognized as an accrued liability in the entity wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable last year exceeds the interest payable this year.	(5,529)
Premiums and discounts on long-term debt issuances, bond issuance costs and deferred amounts from debt refunding are recognized in the fiscal year in which the transactions occur in the governmental fund statements. These amounts are amortized in the Statement of Activities. This is the amount that was amortized during the current year.	(73,387)
Payments to an escrow agent in excess of debt being refunded are recognized in the year in which the transaction occurred in the governmental fund statements; however, in the government - wide financial statement these payments are deferred and amortized over the life of the debt. This is the amount of refunding that was deferred in the year ended June 30, 2021.	(172,060)
Payments to an escrow agent for repayment of bond and installment debt principal is an expenditure in the governmental funds, but reduces liabilities in the Statement of Net Position, and does not affect the Statement of Activities.	(5,945,000)
Repayment of bond and installment debt principal is an expenditure in the governmental funds, but reduces liabilities in the Statement of Net Position, and does not affect the Statement of Activities.	(2,945,000)
Total expenses in the Statement of Activities (Schedule 2)	<u>\$ 77,147,977</u>

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3. CHANGE IN ACCOUNTING PRINCIPLES.

For the year ended June 30, 2021, the District implemented GASB Statement No. 84, Fiduciary Activities. The implementation of the statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. See note 15 for the financial statement impact of the implementation of the statement.

NOTE 4. STEWARDSHIP AND COMPLIANCE.

A. Budgets

The District's 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 year ended June 30, 2021.

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 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 reservations 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4. STEWARDSHIP AND COMPLIANCE. (continued)

C. Other Stewardship and Compliance Matters

The District failed to comply with special tests and provisions for the National School Breakfast & Lunch program. See compliance finding within the schedule of findings and questioned costs.

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include establishing additional reserves.

NOTE 5. 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 or its trust department or agent, but not in the District's name	\$ 52,022,638.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$25,879,331 within the entity wide statements and \$637,179 in the fiduciary 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.

The District participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article5-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 \$3,351,277,180, which consisted of \$291,229,070 in repurchase agreements, \$1,940,950,070 in U.S. Treasury Securities, and \$1,119,098,040 in collateralized bank deposits, with various interest rate and due dates.

The following amounts invested in this cooperative are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund	\$ 30,404,655	\$ 30,404,655
Capital Fund	14,047,891	14,047,891
Private Purpose Trust Fund	373,969	373,969
Total	<u>\$ 44,826,515</u>	<u>\$ 44,826,515</u>

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5. CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL. (Continued)

Total investments of the New York Liquid Asset Fund cooperative as of year-end are \$671,285,174, which consisted of \$247,300,000 in repurchase agreements, \$198,198,581 in Money Market and Cash and \$225,786,593 in U. S. Treasury Securities with various interest rate and due dates.

The following amounts invested in this cooperative are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund	\$ 4,376,158	\$ 4,376,158
Debt Service Fund	1,297,528	1,297,528
Total	<u>\$ 5,673,686</u>	<u>\$ 5,673,686</u>

NOTE 6. CAPITAL ASSETS.

Capital asset balances and activity for the year ended June 30, 2021, 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	\$ 2,831,464	\$ 0	\$ 0	\$ 2,831,464
Construction in Progress	10,331,043	1,375,427	(10,272,879)	1,433,591
Total Nondepreciable Assets	<u>13,162,507</u>	<u>1,375,427</u>	<u>(10,272,879)</u>	<u>4,265,055</u>
Capital assets that are depreciated:				
Buildings and Improvements	81,836,906	7,380	10,272,879	92,117,165
Furniture & Equipment	7,326,855	237,518	0	7,564,373
Vehicles	564,030	63,689	0	627,719
Total Depreciable Assets	<u>89,727,791</u>	<u>308,587</u>	<u>10,272,879</u>	<u>100,309,257</u>
Less: Accumulated Depreciation	<u>(36,220,993)</u>	<u>(2,581,028)</u>	<u>0</u>	<u>(38,802,021)</u>
Capital Assets, Net	<u>\$ 66,669,305</u>	<u>\$ (897,014)</u>	<u>\$ 0</u>	<u>\$ 65,772,291</u>

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6. CAPITAL ASSETS. (Continued)

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 314,747
Instruction	2,078,973
Transportation	126,958
Cost of Sales	<u>60,350</u>
 Total Depreciation	 <u>\$ 2,581,028</u>

NOTE 7. LONG-TERM LIABILITIES.

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

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Bonds Payable	\$ 21,500,000	\$ 5,650,000	\$ 8,890,000	\$ 18,260,000	\$2,980,000
Premium from Refinancing on Bonds Payable	<u>301,246</u>	<u>470,947</u>	<u>136,900</u>	<u>635,293</u>	<u>133,090</u>
Total Bonds and Notes Payable	<u>21,801,246</u>	<u>6,120,947</u>	<u>9,026,900</u>	<u>18,895,293</u>	<u>3,113,090</u>
Other Liabilities:					
Compensated Absences	6,093,803	0	48,050	6,045,753	0
TRS Net Pension Liability					
Proportionate Share	0	4,073,357	0	4,073,357	0
ERS Net Pension Liability					
Proportionate Share	4,873,269	0	4,854,035	19,234	0
Other Postemployment Benefits	104,145,230	16,864,232	2,566,772	118,442,690	0
Judgments and Claims	<u>1,319,544</u>	<u>141,672</u>	<u>203,242</u>	<u>1,257,974</u>	<u>0</u>
Total Other Liabilities	<u>116,431,846</u>	<u>21,079,261</u>	<u>7,672,099</u>	<u>129,839,008</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 138,233,092</u>	<u>\$ 27,200,208</u>	<u>\$ 16,698,999</u>	<u>\$ 148,734,301</u>	<u>\$ 3,113,090</u>

At June 30, 2021, bonds payable includes unamortized premiums of \$635,293. This amount is being amortized over the life of the debt issuance to which it relates.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7. LONG-TERM LIABILITIES. (Continued)

Existing serial bond and installment purchase obligations are as follows:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance
2016 Serial Bond	2016	2031	Varies	\$ 3,015,000
2016 Serial Bond	2016	2024	Varies	2,420,000
2017 Serial Bond	2017	2032	Varies	2,055,000
2019 Serial Bond	2019	2034	Varies	3,080,000
2020 Serial Bond	2020	2035	Varies	2,045,000
2020 Serial Bond	2021	2028	Varies	5,645,000
				<u>\$ 18,260,000</u>

The following is a summary of maturing debt service requirements:

For the Year Ended June 30,	Bonds and Notes Payable		
	Principal	Interest	Total
2022	\$ 2,985,000	\$ 567,513	\$ 3,552,513
2023	2,745,000	487,713	3,232,713
2024	2,305,000	416,413	2,721,413
2025	1,770,000	358,763	2,128,763
2026	1,815,000	313,763	2,128,763
2027 - 2031	5,290,000	806,760	6,096,760
2032 - 2035	1,350,000	117,400	1,467,400
TOTAL	<u>\$ 18,260,000</u>	<u>\$ 3,068,325</u>	<u>\$ 21,328,325</u>

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

Interest paid	\$ 636,962
Less: Interest accrued in the prior year	(54,144)
Less: Amortization of premiums, deferred amounts on refunding and bond issue costs	(73,387)
Plus: Interest accrued in the current year	<u>48,615</u>
Total interest expense	<u>\$ 558,046</u>

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. 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 net 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, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. 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.

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.nystrs.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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

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

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

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. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

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 of the average of the previous four years.

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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

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 and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

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

Tier 2

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

Tier 3

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

Tier 4

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

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

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

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

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

Vested Benefits

Retirement benefits after 5 years of credited service except for Tiers 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations noted for service requirements 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

Death Benefits

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

Prior 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.

Tier Reinstatement

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

Permanent Cost of Living Adjustment (COLA)

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index not to exceed 3% nor be lower than 1%. It is applied to the first eighteen thousand dollars of the annual benefit. The applicable percentage payable beginning September 2019 is 1.0%.

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System 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 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2020 - 2021	\$ 2,216,796	\$ 879,218
2019 - 2020	2,787,502	836,837
2018 - 2019	2,523,475	859,924

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

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

At June 30, 2021, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

At March 31, 2021, the District's proportion of the NYSERS net pension asset/(liability) was 0.0193160%, there was an increase of 0.00000913% from its proportion measured as of March 31, 2020.

At June 30, 2020, the District's proportion of the NYSTRS net pension asset/(liability) was 0.147411%, which was an decrease of 0.00000285% from its proportion measured as of June 30, 2019.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

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

For the year ended June 30, 2021, the District's recognized pension expense of (\$316,989) for ERS and \$3,221,605 for TRS. At June 30, 2021 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 234,896	\$ 3,569,076	\$ 3,803,972
Changes of Assumptions	3,536,459	5,151,848	8,688,307
Net difference between projected and actual earnings on pension plan investments	0	2,660,259	2,660,259
Changes in proportion and difference between the District's contributions and proportionate share of contributions	296,967	196,797	493,764
District's contributions subsequent to the measurement date	<u>272,149</u>	<u>2,318,358</u>	<u>2,590,507</u>
Total	<u>\$ 4,340,471</u>	<u>\$ 13,896,338</u>	<u>\$ 18,236,809</u>

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

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

	Deferred Inflows of Resources		
	<u>ERS</u>	<u>TRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 0	\$ 208,752	\$ 208,752
Changes of Assumptions	66,699	1,836,365	1,903,064
Net difference between projected and actual earnings on pension plan investments	5,525,054	0	5,525,054
Changes in proportion and difference between the District's contributions and proportionate share of contributions	40,549	47,483	88,032
Total	<u>\$ 5,632,302</u>	<u>\$ 2,092,600</u>	<u>\$ 7,724,902</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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:	<u>ERS</u>	<u>TRS</u>
2021	\$ 272,149	\$ 3,962,219
2022	(244,539)	3,260,270
2023	(42,935)	2,667,768
2024	(249,702)	1,654,928
2025	(1,026,804)	68,129
Thereafter	0	190,424

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>										
Measurement Date	March 31, 2021	June 30, 2020										
Investment Rate of Return	5.90% compounded annually, net of investment expense includes inflation	7.10% compounded annually, net of investment expense includes inflation										
Projected Salary Increases	4.40%	1.90% - 4.72% Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience										
		<table><tr><td><u>Service</u></td><td><u>Rate</u></td></tr><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>											
5	4.72%											
15	3.46%											
25	2.37%											
35	1.90%											
Decrement Tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2009 - June 30, 2014 System's Experience										
Inflation Rate	2.70%	2.20%										
Mortality Improvement	Society of Actuaries Scale MP-2020	Society of Actuaries Scale MP-2019										

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

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

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

Measurement Date	ERS		Measurement Date	TRS	
	March 31, 2021			June 30, 2020	
	Target Allocation	Long-term expected real rate of return		Target Allocation	Long-term expected real rate of return
Asset Class:			Asset Class:		
Domestic Equity	32%	4.05%	Domestic Equities	33%	7.10%
International Equity	15%	6.30%	International Equities	16%	7.70%
Private Equity	10%	6.75%	Global Equities	4%	7.40%
Real Estate	9%	4.95%	Real Estate Equities	11%	6.80%
Opportunistic/ARS Portfolio	3%	4.50%	Private Equity	8%	10.40%
Credit	4%	3.63%	Domestic fixed income securities	16%	1.80%
Real Assets	3%	5.95%	Global Bonds	2%	1.00%
Real Income	23%	0.00%	High Yield Bonds	1%	3.90%
Cash	1%	0.50%	Private Debt	1%	5.20%
			Real Estate Debt	7%	3.60%
			Cash Equivalents	1%	0.70%
Total	100%		Total	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% for ERS and 7.10% 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

Sensitivity 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 and TRS net pension liabilities calculated using the discount rates referred to above, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate referred to above:

	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
<u>ERS</u>			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (5,338,534)	\$ (19,234)	\$ 4,886,406
	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
<u>TRS</u>			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (25,729,992)	\$ (4,073,357)	\$ 14,102,048

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers were as follows:
(Dollars in Thousands)

	ERS March 31, 2021	TRS June 30, 2020
Measurement Date		
Employers' total pension asset/(liability)	\$ (220,680,157)	\$ (123,242,776)
Plan net position	220,580,583	120,479,505
Employer's net pension asset/(liability)	<u>\$ (99,574)</u>	<u>\$ (2,763,271)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	99.95%	97.80%

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8. PENSION PLANS. (Continued)

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contributions for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$272,149.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through state aid intercept. Accrued retirement contributions as of June 30, 2021 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS system. Accrued retirement contributions as of June 30, 2021 amounted to \$2,318,358.

NOTE 9. INTERFUND BALANCES AND ACTIVITY.

Interfund balances and activity for the year ended June 30, 2021, were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 1,348,900	\$ 0	\$ 145,478	\$ 152,588
Special Aid Fund	0	1,082,818	152,588	0
School Lunch Fund	0	120,604	0	0
Capital Fund	0	160,467	0	145,478
Debt Service Fund	14,989	0	0	0
Total Governmental Activities	1,363,889	1,363,889	298,066	298,066
Fiduciary Agency Fund	0	0	0	0
Totals	<u>\$ 1,363,889</u>	<u>\$ 1,363,889</u>	<u>\$ 298,066</u>	<u>\$ 298,066</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS.

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 employment 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 provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits provided to employees upon retirement are based on provisions in various contracts that the school district has in place with different classifications of employees.

Inactive employees or beneficiaries currently receiving benefit payments	410
Active employees	<u>354</u>
Total Employees Covered by Benefit Terms	<u><u>764</u></u>

Total OPEB Liability

The District’s total OPEB liability of \$118,442,690 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020 with update procedures used to roll forward the actuarial accrued liability to June 30, 2021.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Projected Salary Increases	3.80%
Discount Rate	2.21%
Healthcare Cost Trend Rates	Pre-65: 7.35% for 2021, decreasing to an ultimate rate of 4.50% for 2029 and later years Post-65: 8.24% for 2021, decreasing to an ultimate rate of 4.5% for 2029 and later years
Current Retirees' Share of Benefit Related Costs	Contributions range from 0% - 25% of the applicable premium for both the retiree and spouse. The majority of current retirees contribute either 12% or 25% as determined by their bargaining unit.
Future Retirees' Share of Benefit Related Costs	Contributions vary by bargaining unit.

The discount rate was based on a Bond Buyer GO Bond Index.

Mortality rates were based on the Pub-2010 Headcount Weighted Mortality Table projected generationally with MP-2018 from the central year.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 - June 30, 2020.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$ 104,168,218</u>
<u>Changes for the Year:</u>	
Service cost	4,090,179
Interest	3,755,211
Changes of benefit terms	(22,988)
Differences between expected and actual experience	(1,222,228)
Changes in assumptions or other inputs	10,241,070
Benefit payments	<u>(2,566,772)</u>
Net Changes	<u>14,274,472</u>
Balance at June 30, 2021	<u><u>\$ 118,442,690</u></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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 142,724,425	\$ 118,442,690	\$ 99,479,041

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	\$ 97,229,155	\$ 118,442,690	\$ 146,708,591

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10. 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, 2021, the District recognized OPEB expense of \$4,734,646. At June 30, 2021, the District report a deferred outflows of resources of \$17,364,440 and deferred inflows of resources of \$10,013,837 related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,088,715	\$ 1,057,062
Changes of assumptions or other inputs	13,413,815	8,956,775
District's contributions subsequent to the measurement date	<u>2,861,910</u>	<u>0</u>
Total	<u>\$ 17,364,440</u>	<u>\$ 10,013,837</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB Liability in the fiscal year ending June 30, 2021.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB expense are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 2,636,064
2023	(225,846)
2024	(225,846)
2025	1,138,188
2026	1,970,644
Thereafter	2,057,399

NOTE 11. 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. RISK MANAGEMENT. (Continued)

Consortiums and Self Insured Plans

For the year ended June 30, 2021, the Port Jervis City School District has chosen to establish a risk financing fund for risks associated with workers' compensation, which is accounted for in the School District's General Fund. The District's workers compensation program administrator, PMA, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. It is management's practice to have an actuarial study performed every other year, to determine claims incurred but not reported. The last study was completed as of December 31, 2019 for the period ended June 30, 2020. At June 30, 2021, the district estimated its workers compensation liability to be \$1,257,974 which represents reported and unreported claims which were incurred on or before year end, but which were not paid by the District as of that date. The liability consists of the following:

Reported Claims	\$ 1,144,482
Incurred But Not Reported Claims	<u>113,492</u>
Workers Compensation Liability	
(Judgment and Claims)	<u><u>\$ 1,257,974</u></u>

As of June 30, 2021 the District's reserves provide coverage for up to a maximum of \$500,000.00 for each workers' compensation claim. The District purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss.

The District's claims experience for the past year for workers' compensation are as follows:

<u>Reported Claims</u>	<u>June 30, 2021</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 1,206,052
Plus: Incurred Claims **	141,672
Less: Claims Payments	<u>(203,242)</u>
Unpaid Claims, End of Fiscal Year	<u><u>\$ 1,144,482</u></u>

**Incurred Claims are shown net of previously incurred claims either disallowed or otherwise eliminated.

Unpaid claims represent the total known claims outstanding as of June 30, 2021. No adjustment has been made for claims in excess of the District's self-insured limits on incurred but not reported claims. No adjustment has been recorded for the difference between the estimated unpaid claims and workers' compensation reserve balance at year end.

The District will participate in a risk-sharing pool for property and casualty insurance, sponsored by NYSIR (New York School Insurance Reciprocal). The District will be jointly and severally liable for claims of all group members.

For its employee health insurance coverage, the Port Jervis City School District is a participant in the Orange/Ulster BOCES, a non-risk retained public entity risk pool operated for the benefit of 20 individual governmental units located within the County. The School District pays an annual premium to the Plan for this health insurance coverage. The Orange/Ulster BOCES Plan is considered a self-sustaining risk pool that will provide coverage for its members. The Port Jervis City School District has essentially transferred all related risk to the Pool.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11. RISK MANAGEMENT. (Continued)

Other Contingencies

The District has several claims that are currently being litigated with the support of legal counsel. The results of this litigation are unknown at this time.

NOTE 12. COMMITMENTS AND CONTINGENCIES.

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. Encumbrances of appropriations of budgets for the year ended June 30, 2021 have been included in the assigned fund balance of the general fund and in the restricted fund balance (if greater than zero) of all the other funds as of June 30, 2021:

General Fund	\$ 83,305
Special Aid Fund	13,110
Capital Projects Fund	<u>1,971,268</u>
Total Encumbrances	<u>\$ 2,067,683</u>

Tax Certiorari Claims

The District is subject to numerous tax certiorari claims that are currently being litigated with the support of legal counsel. Such proceedings are not uncommon to school districts.

Since the outcome of this litigation is unknown at this time, management is unable to record a liability on its financial statements. However, in accordance with New York State Education law, the District has established a tax certiorari reserve in an effort to set aside funds to help pay for claims as litigation is settled.

Other 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 13. DONOR-RESTRICTED ENDOWMENTS.

The District holds endowment funds, which are restricted by the donor for the purpose of student scholarships and awards.

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14. TAX ABATEMENTS.

Local municipalities, within Orange County, entered into various property tax abatement programs for the purpose of economic development. For the year ended June 30, 2021, the School District abated property taxes by \$557,155 and received payments in lieu of tax (PILOT) payments totaling \$627,141.

NOTE 15. RESTATEMENT OF NET POSITION AND FUND BALANCE.

For the fiscal year ended June 30, 2021 the District implemented GASB Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 changes how the scholarship funds and extraclassroom activity funds are reported. The district now reports the extraclassroom activity funds as restricted net position within the fiduciary funds instead of a liability.

Custodial Funds within the Fiduciary Funds

Fund Balance Beginning of Year, as Previous Stated	\$ 0
Plus: Custodial funds at June 30, 2020	<u>287,420</u>
Fund Balance Beginning of Year, as Restated	<u><u>\$ 287,420</u></u>

NOTE 16. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through October 19, 2021 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 consolidated financial statements.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
<u>Total OPEB Liability</u>				
Service cost	\$ 4,090,179	\$ 3,541,701	\$ 3,155,792	\$ 3,837,811
Interest	3,755,211	3,688,603	3,386,545	2,969,382
Changes of benefit terms	(22,988)	0	0	0
Differences between expected and actual experience	(1,222,228)	251,505	1,544,139	0
Changes in assumptions or other inputs	10,241,070	6,244,329	(5,196,063)	(13,185,646)
Benefit payments	(2,566,772)	(2,632,906)	(2,489,821)	(2,578,222)
Net change in total OPEB liability	14,274,472	11,093,232	400,592	(8,956,675)
Total OPEB liability-beginning	104,168,218	93,074,986	92,674,394	101,631,069
Total OPEB liability-ending	\$ 118,442,690	\$ 104,168,218	\$ 93,074,986	\$ 92,674,394
Covered-employee payroll	\$ 28,242,556	\$ 28,886,838	\$ 27,207,583	\$ 26,514,457
Total OPEB liability as a percentage of covered-employee payroll	419.38%	360.61%	342.09%	349.52%

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.

Changes in assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate for each period. The following are the discount rates used in each period.

6/30/2021	2.21%
6/30/2020	3.51%
6/30/2019	3.87%
6/30/2018	3.58%

* GASB 75 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended June 30, 2018, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

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

PORT JERVIS CITY SCHOOL DISTRICT

PORT JERVIS, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

REVENUES	ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S REVENUES	OVER (UNDER) REVISED BUDGET
LOCAL SOURCES:				
Real Property Taxes	\$ 25,123,361	\$ 25,123,361	\$ 25,915,943	\$ 792,582
Other Tax Items	4,812,240	4,812,240	4,223,402	(588,838)
Charges for Services	20,000	20,000	89,575	69,575
Use of Money & Property	245,000	245,000	21,511	(223,489)
Sale of Property & Compensation for Loss	0	0	2,500	2,500
Miscellaneous	417,000	421,250	1,606,146	1,184,896
STATE SOURCES	43,043,731	42,136,880	42,505,080	368,200
FEDERAL SOURCES	96,000	1,002,851	1,041,742	38,891
OTHER SOURCES:				
Operating Transfers In	0	0	145,478	145,478
TOTAL REVENUES	73,757,332	73,761,582	75,551,377	\$ 1,789,795
APPROPRIATED FUND BALANCE	1,801,007	1,801,007		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	\$ 75,558,339	\$ 75,562,589		

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

EXPENDITURES	ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCE
GENERAL SUPPORT:					
Board of Education	\$ 98,007	\$ 98,009	\$ 69,367	\$ 0	\$ 28,642
Central Administration	280,915	286,522	278,193	0	8,329
Finance	726,461	749,070	718,175	0	30,895
Staff	284,903	304,083	246,425	0	57,658
Central Services	4,389,012	4,531,171	3,939,903	3,898	587,370
Special Items	780,819	780,819	736,421	6,750	37,648
INSTRUCTIONAL:					
Instruction, Administration & Improvement	2,482,878	2,684,349	2,501,885	0	182,464
Teaching - Regular School	18,708,912	18,289,752	16,822,503	6,481	1,460,768
Programs for Children with Handicapping Conditions	16,280,187	16,102,043	13,452,516	0	2,649,527
Occupational Education	1,341,118	1,388,531	1,388,214	0	317
Teaching - Special Schools	469,760	318,717	238,619	0	80,098
Instructional Media	2,303,153	2,402,700	2,133,371	45,149	224,180
Pupil Services	3,284,912	3,418,683	3,018,170	21,027	379,486
PUPIL TRANSPORTATION	4,522,286	4,604,125	2,415,556	0	2,188,569
EMPLOYEE BENEFITS	15,713,479	15,716,630	14,688,838	0	1,027,792
DEBT SERVICE:					
Debt Service - Principal	2,970,000	2,960,768	2,945,000	0	15,768
Debt Service - Interest	661,537	666,617	636,962	0	29,655
TOTAL EXPENDITURES	75,298,339	75,302,589	66,230,118	83,305	8,989,166
OTHER USES:					
Operating Transfers Out	260,000	260,000	152,588	0	107,412
TOTAL EXPENDITURES & OTHER USES	\$ 75,558,339	\$ 75,562,589	66,382,706	\$ 83,305	\$ 9,096,578
NET CHANGE IN FUND BALANCE			\$ 9,168,671		

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

	NYSERS Pension Plan Last 10 Fiscal Years*									
	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014		
District's proportion of the net pension asset/(liability)	0.0193160%	0.0184032%	0.0190955%	0.0191021%	0.0204326%	0.0198663%	0.0201758%	0.0201758%		
District's proportionate share of the net pension asset/(liability)	\$ (19,234)	\$ (4,873,269)	\$ (1,352,973)	\$ (616,510)	\$ (1,919,895)	\$ (3,188,592)	\$ (681,588)	\$ (911,717)		
District's covered-employee payroll	\$ 6,268,628	\$ 5,901,471	\$ 5,992,702	\$ 5,932,005	\$ 6,018,843	\$ 5,476,046	\$ 5,764,146	\$ 5,712,076		
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-0.31%	-82.58%	-22.58%	-10.39%	-31.90%	-58.23%	-11.82%	-15.96%		
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%	97.20%		
	NYSTRS Pension Plan Last 10 Fiscal Years*									
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013		
District's proportion of the net pension asset/(liability)	0.147411%	0.147696%	0.146859%	0.150240%	0.150243%	0.152027%	0.151734%	0.155985%		
District's proportionate share of the net pension asset/(liability)	\$ (4,073,357)	\$ 3,837,151	\$ 2,655,604	\$ 1,142,080	\$ (1,609,164)	\$ 15,790,728	\$ 16,902,275	\$ 1,026,777		
District's covered-employee payroll	\$ 25,102,978	\$ 25,020,269	\$ 25,415,026	\$ 24,902,480	\$ 24,531,784	\$ 23,926,728	\$ 23,867,393	\$ 23,431,979		
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-16.23%	15.34%	10.45%	4.59%	-6.56%	66.00%	70.82%	4.38%		
Plan fiduciary net position as a percentage of the total pension liability	97.80%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%		

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that GASB 68 was implemented in the year ended June 30, 2015, prior year information is not available for 10 years. the data will be accumulated over time and presented according to GASB 68.

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021

	NYSTERS Pension Plan Last 10 Fiscal Years*									
	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014		
Contractually required contribution	\$ 879,218	\$ 836,837	\$ 859,924	\$ 868,498	\$ 891,693	\$ 929,819	\$ 1,034,570	\$ 1,040,072		
Contributions in relation to the contractually required contribution	879,218	836,837	859,924	868,498	891,693	929,819	1,034,570	1,040,072		
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
Covered Employee Payroll	\$ 6,268,628	\$ 5,901,471	\$ 5,992,702	\$ 5,932,005	\$ 6,018,843	\$ 5,476,046	\$ 5,764,146	\$ 5,712,076		
Contributions as a percentage of its covered-employee payroll	14.03%	14.18%	14.35%	14.64%	14.82%	16.98%	17.95%	18.21%		

	NYSTRS Pension Plan Last 10 Fiscal Years*									
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013		
Contractually required contribution	\$ 2,216,796	\$ 2,699,076	\$ 2,344,330	\$ 2,790,569	\$ 3,074,197	\$ 4,003,233	\$ 3,642,201	\$ 2,812,757		
Contributions in relation to the contractually required contribution	2,216,796	2,699,076	2,344,330	2,790,569	3,074,197	4,003,233	3,642,201	2,812,757		
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
Covered Employee Payroll	\$25,102,978	\$25,020,269	\$25,415,026	\$24,902,480	\$24,531,784	\$23,926,728	\$23,867,393	\$ 23,431,979		
Contributions as a percentage of its covered-employee payroll	8.83%	10.79%	9.22%	11.21%	12.53%	16.73%	15.26%	12.00%		

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that GASB 68 was implemented in the year ended June 30, 2015, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2021

CHANGE FROM ADOPTED TO FINAL BUDGET

ADOPTED BUDGET	\$ 75,430,132
ADDITIONS:	
Encumbrances from Prior Year	<u>128,207</u>
ORIGINAL BUDGET	75,558,339
BUDGET REVISIONS:	
Budget Amendment for Instruction: (Funded by Donations)	<u>4,250</u>
FINAL BUDGET	<u><u>\$ 75,562,589</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 Voter-approved expenditure budget maximum allowed (4% of 2021-2022 budget of \$78,977,741)	<u><u>\$ 3,159,110</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 986,105
Unassigned Fund Balance	<u>18,323,323</u>
Total Unrestricted Fund Balance	<u>19,309,428</u>
Less:	
Appropriated Fund Balance	902,800
Encumbrances Included in Assigned Fund Balance	<u>83,305</u>
Total Adjustments	<u>\$ 986,105</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 18,323,323</u></u>
Actual Percentage	23.20%

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES
FOR THE YEAR ENDED JUNE 30, 2021

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES TO DATE			UNEXPENDED BALANCE	METHODS OF FINANCING			FUND BALANCE JUNE 30, 2021
			PRIOR YEARS	CURRENT YEAR	TOTAL		PROCEEDS FROM DEBT	STATE AID	LOCAL SOURCES	
Reconstruction, Renovations, Abatement Replacement and Upgrade of School District Facilities 2010	\$ 14,640,000	\$ 14,640,000	\$ 14,640,000	\$ 0	\$ 14,640,000	\$ 0	\$ 11,963,582	\$ 676,418	\$ 2,000,000	\$ 14,640,000
										\$ 0
Smart Bond Project Upgrade of School District Facilities 2016	7,000,000	7,000,000	6,940,263	59,737	7,000,000	0	3,820,000	1,854,329	1,325,671	7,000,000
										0
Reconstruction, Renovations, Abatement Replacement and Upgrade of School District Facilities 2017	5,585,000	5,585,000	4,645,927	139,073	4,785,000	800,000	2,500,000	0	2,285,000	4,785,000
										0
Reconstruction, Renovations, and Upgrade of School District Facilities 2020	54,895,000	54,895,000	111,494	1,322,095	1,433,589	53,461,411	0	0	15,325,000	13,891,411
										0
Asbestos Removal	725,000	725,000	174,682	0	174,682	550,318	0	0	174,682	174,682
										0
	\$ 82,845,000	\$ 82,845,000	\$ 26,512,366	\$ 1,520,905	\$ 28,033,271	\$ 54,811,729	\$ 18,283,582	\$ 2,530,747	\$ 21,110,353	\$ 41,924,682
										\$ 13,891,411

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

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

NON- DEPRECIABLE CAPITAL ASSETS		\$ 4,265,055
CAPITAL ASSETS, NET		61,507,236
ADDITIONS:		
Deferred Amount on Refunding	\$ 314,973	
Total Additions		314,973
DEDUCTIONS:		
Short-term Portion of Bonds Payable	2,980,000	
Long-term Portion of Bonds Payable	15,280,000	
Premium From Refinancing	635,293	
Total Deductions		(18,895,293)
NET INVESTMENT IN CAPITAL ASSETS		<u>\$ 47,191,971</u>

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



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

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

To the President and Members
of the Board of Education of the
Port Jervis City School District
Port Jervis, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Port Jervis City School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Port Jervis City School District's basic financial statements and have issued our report thereon dated October 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Port Jervis City School District's internal control over financial reporting (internal control) to determine the 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 Port Jervis City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Port Jervis City School District's internal control.

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

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

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
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Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port Jervis City 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 determination of financial statement amounts. 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.

Montgomery, New York
October 19, 2021



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

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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
Port Jervis City School District
Port Jervis, New York

Report on Compliance for Each Major Federal Program

We have audited Port Jervis City 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 Port Jervis City School District's major federal programs for the year ended June 30, 2021. Port Jervis City 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Port Jervis City School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Port Jervis City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Port Jervis City School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Port Jervis City School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Port Jervis City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Port Jervis City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Port Jervis City School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify a deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Jugent & Haussler, P.C.

Montgomery, New York
October 19, 2021

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL ASSISTANCE LISTING NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PASS-THROUGH TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed-through NYS Education Department:				
Child Nutrition Cluster:				
Cash Assistance				
Summer Food Service Program	10.559	N/A	\$ 0	\$ 1,092,155
Non-Cash Assistance (food distribution)				
National School Lunch Program	10.555	N/A	0	122,943
TOTAL U.S. DEPT. OF AGRICULTURE, CHILD NUTRITION CLUSTER			0	1,215,098
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed-through NYS Education Department:				
Special Education Cluster:				
IDEA - Part B, Section 611	84.027A	0032-21-0697	57,670	736,386
IDEA - Part B, Section 619	84.173A	0033-21-0697	20,274	37,763
Total Special Education Cluster			77,944	774,149
Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act				
Governor's Emergency Education Relief (GEER) Fund	84.425C	5895-21-2280	0	131,422
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	5890-21-2280	0	773,606
			0	905,028
Title I				
Title I, School Improvement	84.010A	0011-21-2164	0	88,214
Title I, School Improvement	84.010A	0011-20-2164	0	40,402
Title I - Part A	84.010A	0021-21-2280	0	868,168
Title I - Part A	84.010A	0021-20-2280	0	176
Title II - Part A	84.367A	0147-21-2280	0	138,498
Title III - Part A	84.365	0293-21-2280	0	11,429
Title III - Part A	84.365	0293-20-2280	0	450
Title IV	84.424	0204-21-2280	0	79,478
Title V	84.358	0006-21-2280	0	33,276
TOTAL U.S. DEPARTMENT OF EDUCATION			77,944	2,939,268
TOTAL FEDERAL AWARDS EXPENDED			\$ 77,944	\$ 4,154,366

The accompanying notes are an integral part of the schedule.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

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 the *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. Because the schedule of expenditures of federal awards presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net assets, or cash flows of the District.

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 a rate established by New York State and the District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance 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 2. 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 \$122,943 of commodities under the National School Lunch Program (Federal Assistance Listing Number 10.555).

NOTE 3. 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.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Opinion Issued: Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal Control over Major Programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified? _____ Yes X No

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

Any audit findings disclosed that are required to be reported
in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

IDENTIFICATION OF MAJOR PROGRAMS:

FEDERAL ASSISTANCE

<u>LISTING NUMBERS</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
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10.555, 10.559	Child Nutrition Cluster
84.425	Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act

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

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statements as required to be reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- A. Significant Deficiencies in Internal Control
There were no findings related to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516(a).
- B. Compliance Findings
There were no findings related to the major federal awards as required to be reported in accordance with Section 2 CFR-200.516(a).

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

Finding Reference:

2020-001

Condition: Several of the District employees whose time was being charged to the grants but who were working less than 100% of the time in the federal award program, were required to complete monthly certifications of the percentage of time they worked in each federal award program. However, the monthly reports were not being completed by the district.

Status: The Director of Pupil Personnel Services sent forms to all employees in each grant for signature and documentation of time and effort spent on the grant objective. The business official now verifies that all forms are returned to the business office in a timely manner.



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
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
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of the
Port Jervis City School District
Port Jervis, New York

Report on Financial Statements

We have audited the accompanying financial statements of the Port Jervis City School District's extraclassroom activity funds, which comprise the statement of assets, liabilities, and fund balance-cash basis as of June 30, 2021, and the related statement of receipts and disbursements-cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the President and Members
of the Board of Education of the
Port Jervis City School District

Page 2

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets liabilities and fund balance of the extraclassroom activity funds of the Port Jervis City School District as of June 30, 2021, and its cash receipts and cash disbursements for the year then ended, in accordance with the basis of accounting described in Note #1.

Basis of Accounting

We draw your 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.

A handwritten signature in blue ink that reads "Tugent & Hausler, P.C.".

Montgomery, New York
October 19, 2021

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS
JUNE 30, 2021

ASSETS

Cash in Checking	<u>\$ 251,437</u>
------------------	-------------------

FUND BALANCE

Fund Balance, Beginning of Year	\$ 277,282
Excess of Disbursements over Receipts	<u>(25,845)</u>
Fund Balance, End of Year	<u>\$ 251,437</u>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
EXTRACLASSROOM ACTIVITY FUND
SUMMARY OF RECEIPTS & DISBURSEMENTS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2021

	CASH BALANCE JUNE 30, 2020	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2021
Student Activities 2020	\$ 19,992	\$ 0	\$ 19,992	\$ 0
Student Activities 2021	6,443	20,017	0	26,460
Class of 2022	14,610	12,666	25,584	1,692
Class of 2023	10,355	11,676	17,986	4,045
Class of 2024	3,160	3,346	1,858	4,648
Class of 2025	5,256	6,846	759	11,343
H.S. Student Council	1,751	157	500	1,408
M.S. Student Council	4,377	2,275	1,233	5,419
8th Grade	3,016	1,725	789	3,952
7th Grade	0	425	0	425
H.S. Yearbook	23,294	13,235	12,196	24,333
M.S. Yearbook	2,246	2,771	2,903	2,114
H.S. Band/Chorus	13,120	0	564	12,556
Spring Musical	25,850	1,710	11,562	15,998
Musical Scholarship	1,829	0	450	1,379
M.S. Music Club	6,090	0	2,419	3,671
M.S. Drama Club	5,857	3,284	4,853	4,288
Senior Arts	848	294	0	1,142
Honor Society	11,548	13,071	10,334	14,285
DECA	888	171	924	135
Rotary Interact	0	751	750	1
SADD	2,825	500	1,234	2,091
Foreign Language Club	3,088	0	0	3,088
Friends Of Rachel	624	0	0	624
Junior Honor Society	7	0	0	7
GSA	349	0	0	349
HBE 6th Grade	6,165	2,834	1,626	7,373
HBE Drama Club	13,994	12,326	10,357	15,963
ASK 6th Grade	1,764	1,808	1,310	2,262
ASK Performing Arts	12,929	5,542	7,681	10,790
Varsity Club	43,591	0	4,806	38,785
Football Cheerleading	1,463	1,622	1,431	1,654
Football Camp	3,695	493	556	3,632
Boys' Soccer	21	0	0	21
Girls' Volleyball	5,222	2,640	2,716	5,146
Girls' Basketball	3,150	0	0	3,150
Boys' Basketball	837	0	0	837
Track Club	131	0	0	131
Girls' Softball	13,340	1,340	1,987	12,693
Boys' Baseball	2,082	240	250	2,072
M.S. Ski Club	6	0	0	6
Girls' Soccer	1,469	0	0	1,469
	<u>\$ 277,282</u>	<u>\$ 123,765</u>	<u>\$ 149,610</u>	<u>\$ 251,437</u>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT
PORT JERVIS, NEW YORK
EXTRACLASSROOM ACTIVITY FUNDS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

- (a) The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Port Jervis City School District. We have included the Extraclassroom Activity Fund balances within the fiduciary funds 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 Port Jervis City 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.