

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED  
JUNE 30, 2020  
INCLUDING REPORTS ON FEDERAL AWARDS  
AND EXTRACLASSROOM ACTIVITY FUNDS

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
JUNE 30, 2020  
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## 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 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, 2020, 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, 2020, 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.

**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 6, 2020, 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.

*Yugant + Hausler, P.C.*

Montgomery, New York  
October 6, 2020

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, 2020. 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, 2020 are as follows:

- For the seventh year in a row, the district has complied with the tax cap. The Board of Education adopted a tax levy with a 0.89% increase for the 2019-2020 school year.
- District-wide renovations continued through 2019-2020.
- The Board of Education adopted a resolution to use \$8,885,000 from the capital reserve fund and \$6,440,000 from unreserved fund balance to fund a future capital project.

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 *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

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

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			
	District-Wide	Fund Financial Statements	
		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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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.

- 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, 2020, the District net position increased by \$1,470,594. The District net position at June 30, 2019 is \$(22,090,214). The following table provides a summary of the District's net position:

	School District Activities			
	June 30, 2020	June 30, 2019	Increase / (Decrease)	% Change
Current Assets	\$ 48,001,840	\$ 41,572,970	\$ 6,428,870	15.46%
Net Pension Asset - Proportionate Share	3,837,151	2,655,604	1,181,547	44.49%
Capital Assets, Net	66,669,305	66,184,591	484,714	0.73%
Total Assets	<u>118,508,296</u>	<u>110,413,165</u>	<u>8,095,131</u>	7.33%
Deferred Outflows of Resources	<u>25,205,232</u>	<u>19,609,987</u>	<u>5,595,245</u>	28.53%
Current Liabilities	12,309,656	12,774,139	(464,483)	-3.64%
Long-Term Liabilities	135,195,513	121,513,870	13,681,643	11.26%
Total Liabilities	<u>147,505,169</u>	<u>134,288,009</u>	<u>13,217,160</u>	9.84%
Deferred Inflows of Resources	<u>16,827,979</u>	<u>17,825,357</u>	<u>(997,378)</u>	-5.60%
Net Position:				
Net Investment in Capital Assets	45,273,295	43,943,808	1,329,487	3.03%
Restricted	31,341,025	21,128,382	10,212,643	48.34%
Unrestricted	(97,233,940)	(87,162,404)	(10,071,536)	-11.55%
Total Net Position	<u>\$ (20,619,620)</u>	<u>\$ (22,090,214)</u>	<u>\$ 1,470,594</u>	6.66%

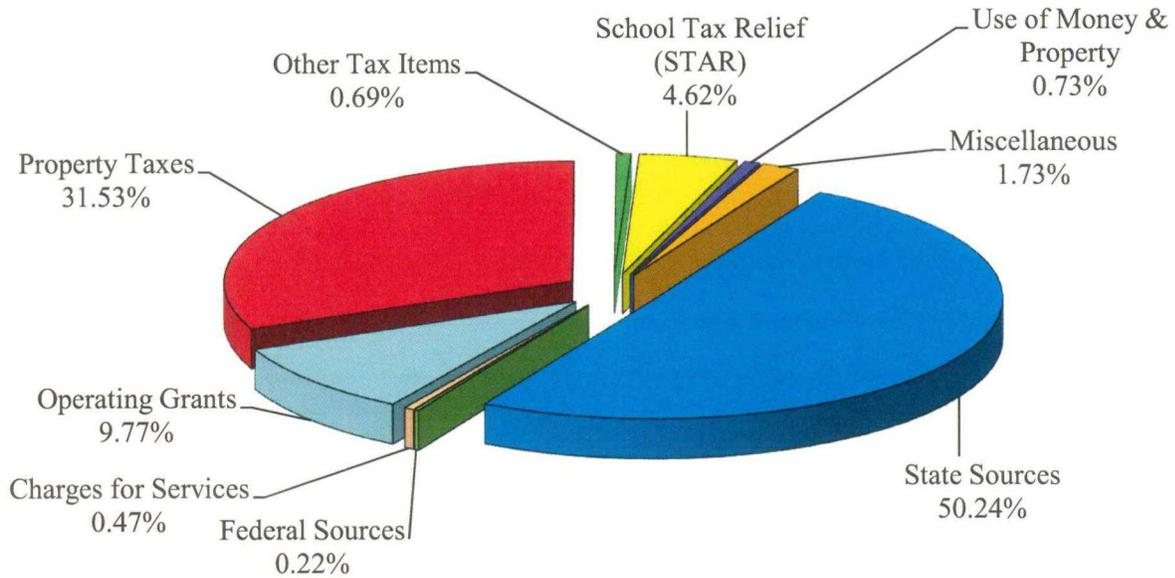
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2020:

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

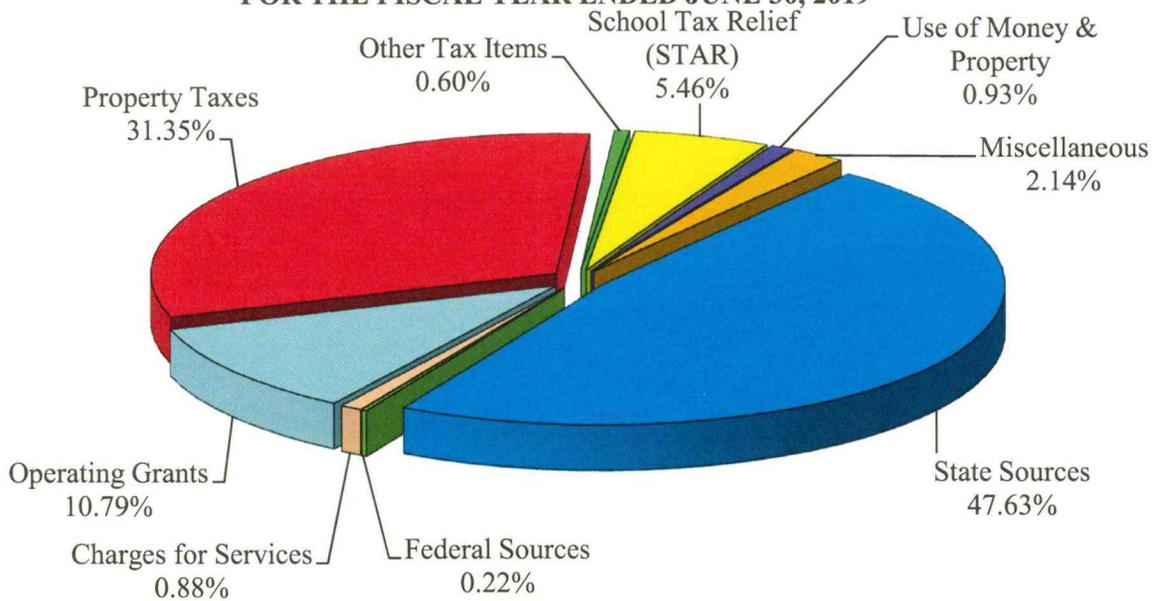
	<u>JUNE 30, 2020</u>	<u>%</u>	<u>JUNE 30, 2019</u>	<u>%</u>	<u>\$ Change</u>	<u>% Change</u>
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 372,017	0.47%	\$ 683,931	0.88%	\$ (311,914)	-45.61%
Operating Grants	7,787,189	9.77%	8,417,300	10.79%	(630,111)	-7.49%
GENERAL REVENUES:						
Property Taxes	25,137,068	31.53%	24,462,645	31.35%	674,423	2.76%
Other Tax Items	549,077	0.69%	469,783	0.60%	79,294	16.88%
School Tax Relief (STAR)	3,685,357	4.62%	4,257,663	5.46%	(572,306)	-13.44%
Use of Money & Property	584,687	0.73%	721,881	0.93%	(137,194)	-19.01%
Miscellaneous	1,379,111	1.73%	1,668,180	2.14%	(289,069)	-17.33%
State Sources	40,048,355	50.24%	37,155,817	47.63%	2,892,538	7.78%
Federal Sources	171,508	0.22%	174,870	0.22%	(3,362)	-1.92%
TOTAL REVENUES	<u>79,714,369</u>	<u>100.00%</u>	<u>78,012,070</u>	<u>100.00%</u>	<u>1,702,299</u>	<u>2.18%</u>
<u>EXPENSES</u>						
General Support	6,031,288	7.71%	6,043,431	8.06%	(12,143)	0.20%
Instruction	43,009,635	54.96%	43,520,156	58.03%	(510,521)	1.17%
Pupil Transportation	3,470,849	4.44%	3,856,246	5.14%	(385,397)	9.99%
Employee Benefits	21,187,457	27.08%	17,573,815	23.43%	3,613,642	-20.56%
Debt Service Interest	602,800	0.77%	476,429	0.64%	126,371	-26.52%
Depreciation	2,712,020	3.47%	2,393,319	3.19%	318,701	-13.32%
School Lunch Program	1,229,726	1.57%	1,135,381	1.51%	94,345	-8.31%
TOTAL EXPENSES	<u>78,243,775</u>	<u>100.00%</u>	<u>74,998,777</u>	<u>100.00%</u>	<u>3,244,998</u>	<u>-4.33%</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 1,470,594</u>		<u>\$ 3,013,293</u>		<u>\$ (1,542,699)</u>	<u>-51.20%</u>

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK

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

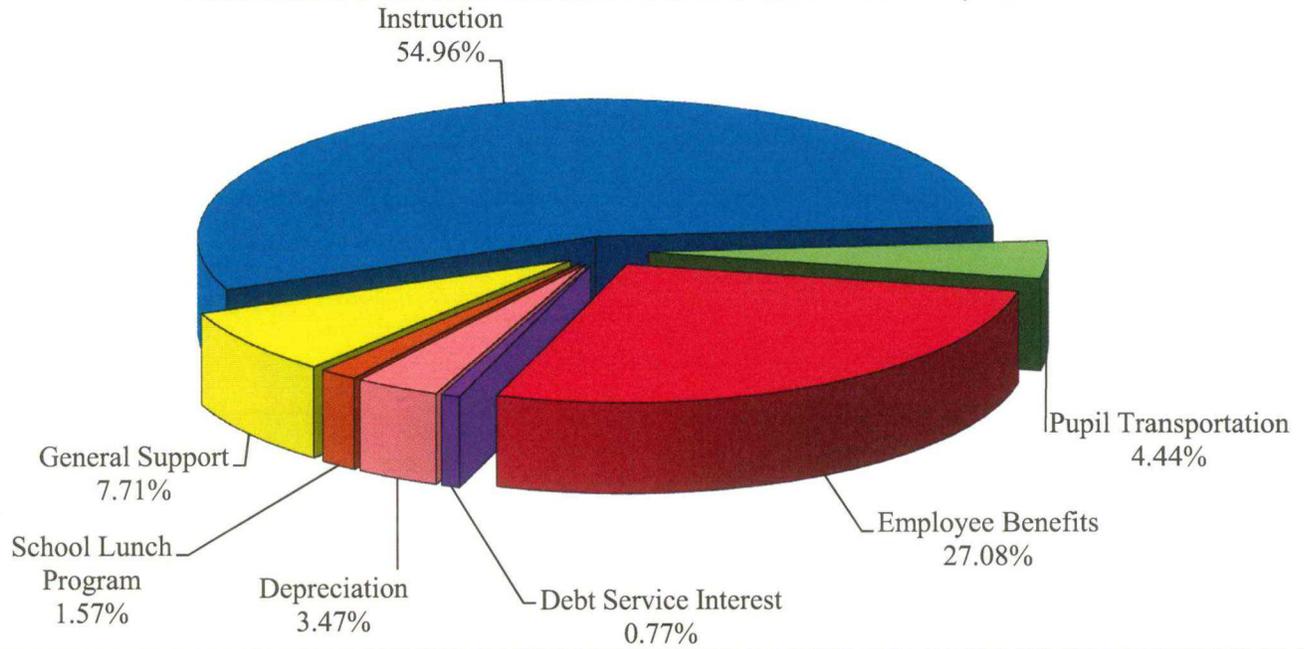


**SOURCES OF REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

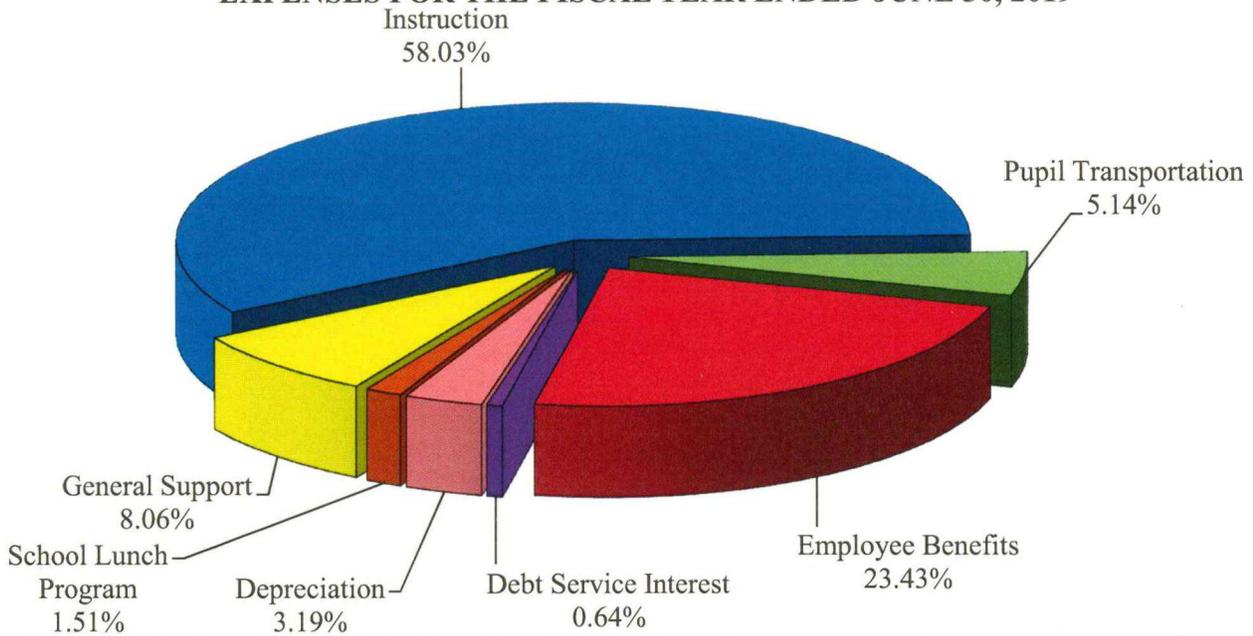


PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK

**EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2020**



**EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

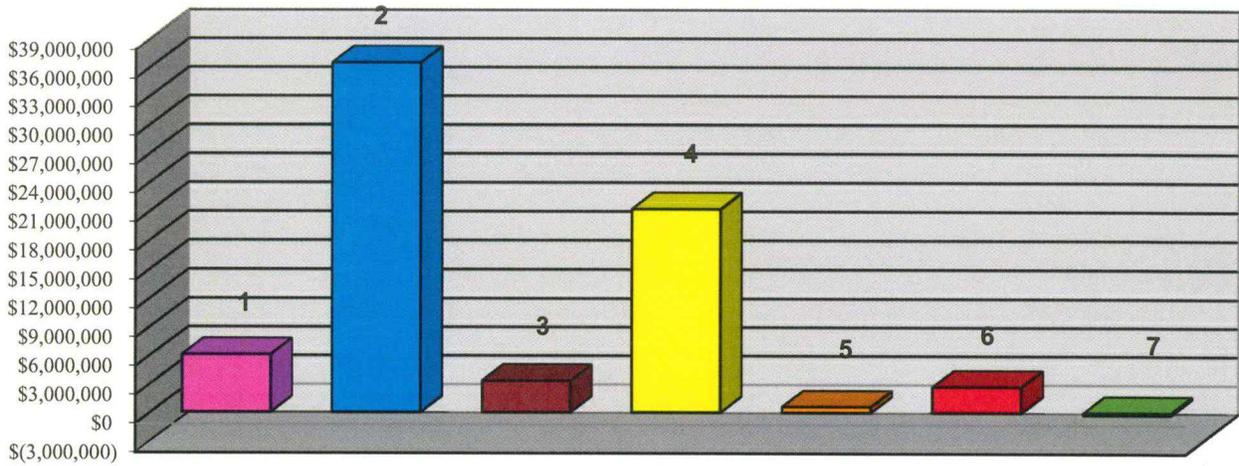


PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
STATEMENT OF ACTIVITIES  
NET COSTS

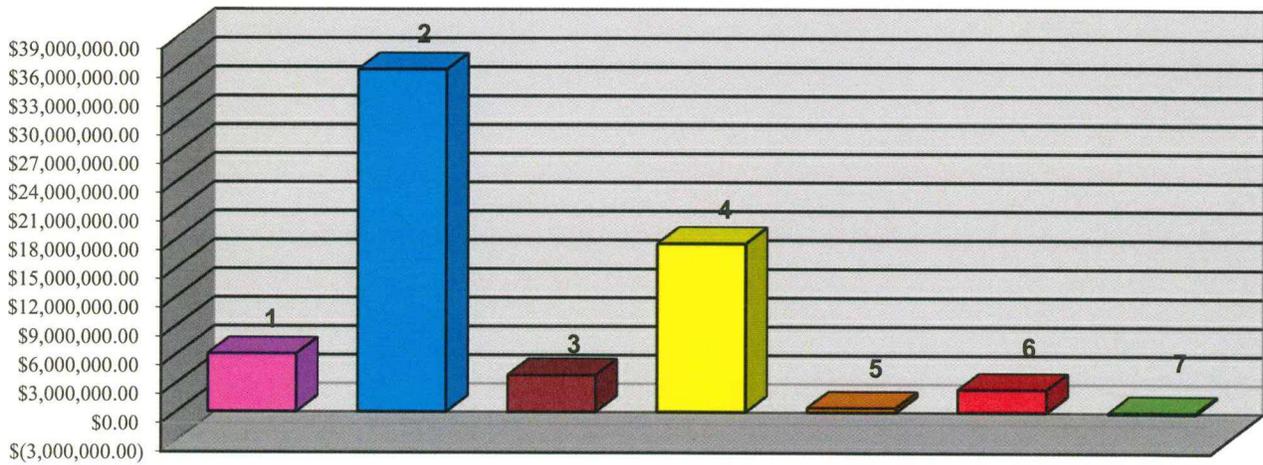
The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2019-2020	NET COST OF SERVICES 2019-2020	TOTAL COST OF SERVICES 2018-2019	NET COST OF SERVICES 2018-2019
General Support	1	\$ 6,031,288	\$ 6,031,288	\$ 6,043,431	\$ 6,043,431
Instruction	2	43,009,635	36,431,062	43,520,156	35,680,112
Pupil Transportation	3	3,470,849	3,328,695	3,856,246	3,856,246
Employee Benefits	4	21,187,457	21,187,457	17,573,815	17,573,815
Debt Service - Interest	5	602,800	602,800	476,429	476,429
Depreciation	6	2,712,020	2,712,020	2,393,319	2,393,319
School Lunch Program	7	1,229,726	(208,753)	1,135,381	(125,806)
		<u>\$ 78,243,775</u>	<u>\$ 70,084,569</u>	<u>\$ 74,998,777</u>	<u>\$ 65,897,546</u>

**NET COST OF SERVICES 2019-2020**



**NET COST OF SERVICES 2018-2019**



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, 2020				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
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>

	June 30, 2019				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General	\$ 49,395	\$17,057,409	\$ 902,800	\$ 11,991,264	\$ 30,000,868
Special Aid	0	0	0	0	0
School Lunch	29,003	155,716	0	0	184,719
Capital Projects	0	0	0	(259,665)	(259,665)
Debt Service	0	1,259,653	0	0	1,259,653
	<u>\$ 78,398</u>	<u>\$18,472,778</u>	<u>\$ 902,800</u>	<u>\$ 11,731,599</u>	<u>\$ 31,185,575</u>

General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$15,333,873 during the year. The supplemental appropriations consisted of \$8,873 from local instructional donations, \$6,440,000 from the District's capital reserve fund and \$8,885,000 from appropriating unreserved fund balance.

In the General Fund for the year ended June 30, 2020, actual revenues were more than revised budgeted revenues by \$1,129,331 (1.25%). The District did not appropriate the budgeted fund balance allocation of \$902,800. The District received a BOCES refund that exceeded the budgeted refund by \$412,820. In the current interest environment, the District was able to earn \$561,617 in interest earnings for the 2019-2020 school year. Actual expenditures and encumbrances were less than the revised budgeted expenditures by \$5,692,243 (6.29%). 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 2020-2021 school year.

For fiscal year 2020-2021, the District appropriated \$1,672,800 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 2020-2021 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 \$239,876. The fund balance increased by \$55,157 from the prior year. During 2017-2018, New York State legislation passed a Prohibition Against Meal Shaming law. Prior to the law being approved, the district had a reasonable and well-defined plan to protect students from undue stress from inability to pay for school meals. District policy was reviewed and amended to reflect the needed changes.

The Capital Projects fund ended the year with a fund balance of \$15,412,316. The taxpayers approved a capital project referendum in March 2020. The plans are being prepared to be submitted to New York State Education Department this year. Once approved the capital project will be bid and awarded in the spring of 2021. Construction is expected to start in the summer of 2021 and is anticipated to continue for 3-4 years. 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 \$1,286,808. 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, 2020, was \$66,669,305. The District expended \$3,202,742 to acquire and construct capital assets during the fiscal year ended June 30, 2020, and depreciation expense for the fiscal year was \$2,712,020. The total increase in this net investment was 0.73% for the District as a whole (see schedule below). The District's investment in capital assets, net of accumulated depreciation as of **June 30, 2019** was \$66,184,591.

CAPITAL ASSETS  
Net of Accumulated Depreciation

	<u>School District Activities</u>		<u>% Change</u>
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	
<u>Non-Depreciable Assets:</u>			
Land	\$ 2,831,464	\$ 2,831,464	0.00%
Construction in Progress	10,331,043	12,662,181	-18.41%
<u>Depreciable Assets:</u>			
Building and Improvements	51,753,288	49,021,976	5.57%
Furniture and Equipment	1,702,497	1,592,414	6.91%
Vehicles	51,013	76,556	-33.37%
<b>TOTALS</b>	<u>\$ 66,669,305</u>	<u>\$ 66,184,591</u>	0.73%

Long-Term Debt

At the end of the fiscal year, the District had total bonded debt outstanding of \$21,500,000. 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>
2009 Serial Bond	\$ 425,000	\$ 0	\$ 425,000	\$ 0
2012 Serial Bond	5,365,000	0	650,000	4,715,000
2013 Serial Bond	2,440,000	0	270,000	2,170,000
2016 Serial Bond	3,535,000	0	255,000	3,280,000
2016 Serial Bond	4,265,000	0	905,000	3,360,000
2017 Serial Bond	2,380,000	0	160,000	2,220,000
2019 Serial Bond	3,820,000	0	565,000	3,255,000
2020 Serial Bond	0	2,500,000	0	2,500,000
<b>Total Bonded Debt Outstanding</b>	<u>\$ 22,230,000</u>	<u>\$ 2,500,000</u>	<u>\$ 3,230,000</u>	<u>\$ 21,500,000</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 Joseph Lenz, 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, 2020

ASSETS

Unrestricted Cash	\$ 13,915,871
Restricted Cash	27,503,874
Taxes Receivable	1,391,698
State & Federal Aid Receivable	4,852,312
Other Receivables, Net	244,626
Prepaid Expenditures	49,000
Inventories	44,459
TRS Net Pension Asset - Proportionate Share	3,837,151
Non-Depreciable Capital Assets	13,162,507
Capital Assets, Net	53,506,798
<b>TOTAL ASSETS</b>	<b><u>118,508,296</u></b>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charges	206,426
Pensions	15,695,846
Other Postemployment Benefits	9,302,960
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>25,205,232</u></b>

LIABILITIES

Accounts Payable	2,846,300
Accrued Liabilities	3,900,371
Due to Fiduciary Funds	39
Due to Teachers' Retirement System	2,216,796
Due to Employees' Retirement System	280,678
Unearned Revenues	4,905
Long-term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable (Including Unamortized Premiums of \$120,567)	3,060,567
Due and Payable In More Than One Year:	
Bonds Payable (Including Unamortized Premiums of \$180,679)	18,740,679
Compensated Absences	6,093,803
ERS Net Pension Liability - Proportionate Share	4,873,269
Other Postemployment Benefits	104,168,218
Judgments and Claims	1,319,544
<b>TOTAL LIABILITIES</b>	<b><u>147,505,169</u></b>

DEFERRED INFLOWS OF RESOURCES

Pensions	5,335,796
Other Postemployment Benefits	11,492,183
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>16,827,979</u></b>

NET POSITION

Net Investment in Capital Assets	45,273,295
Restricted	31,341,025
Unrestricted	<u>(97,233,940)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ (20,619,620)</u></b>

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, 2020

	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE &amp; CHANGES IN NET POSITION</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
<u>FUNCTIONS &amp; PROGRAMS</u>				
General Support	\$ (8,808,640)	\$ 0	\$ 0	\$ (8,808,640)
Instruction	(62,049,014)	175,326	6,403,247	(55,470,441)
Pupil Transportation	(4,987,317)	0	142,154	(4,845,163)
Debt Service - Interest	(602,800)	0	0	(602,800)
School Lunch Program	(1,796,004)	196,691	1,241,788	(357,525)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL FUNCTIONS & PROGRAMS	<u>\$ (78,243,775)</u>	<u>\$ 372,017</u>	<u>\$ 7,787,189</u>	<u>(70,084,569)</u>
<u>GENERAL REVENUES</u>				
Real Property Taxes				25,137,068
Other Tax Items				4,234,434
Use of Money & Property				584,687
Sale of Property & Compensation for Loss				1,389
Miscellaneous				1,377,722
State Sources				40,048,355
Federal Sources				171,508
				<u>                    </u>
TOTAL GENERAL REVENUES				<u>71,555,163</u>
CHANGE IN NET POSITION				1,470,594
NET POSITION, BEGINNING OF YEAR				<u>(22,090,214)</u>
NET POSITION, END OF YEAR				<u>\$ (20,619,620)</u>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Unrestricted Cash	\$ 13,663,730	\$ 603	\$ 0	\$ 251,538	\$ 0	\$ 13,915,871
Restricted Cash	10,672,274	0	133,884	15,412,316	1,285,400	27,503,874
Taxes Receivable	1,391,698	0	0	0	0	1,391,698
State & Federal Aid Receivable	3,792,115	980,415	79,782	0	0	4,852,312
Due from Other Funds	1,271,972	0	0	0	1,408	1,273,380
Other Receivables, Net	68,599	152,126	23,901	0	0	244,626
Prepaid Expenditures	49,000	0	0	0	0	49,000
Inventories	0	0	44,459	0	0	44,459
TOTAL ASSETS	<u>\$ 30,909,388</u>	<u>\$ 1,133,144</u>	<u>\$ 282,026</u>	<u>\$ 15,663,854</u>	<u>\$ 1,286,808</u>	<u>\$ 49,275,220</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 2,699,594	\$ 31,266	\$ 40,309	\$ 75,131	\$ 0	\$ 2,846,300
Accrued Liabilities	3,844,386	0	1,841	0	0	3,846,227
Due to Other Funds	0	1,096,973	0	176,407	0	1,273,380
Due to Fiduciary Funds	39	0	0	0	0	39
Due to Teachers' Retirement System	2,216,796	0	0	0	0	2,216,796
Due to Employees' Retirement System	280,678	0	0	0	0	280,678
Unearned Revenues	0	4,905	0	0	0	4,905
TOTAL LIABILITIES	<u>9,041,493</u>	<u>1,133,144</u>	<u>42,150</u>	<u>251,538</u>	<u>0</u>	<u>10,468,325</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Tax Revenues	1,145,046	0	0	0	0	1,145,046
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,145,046</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,145,046</u>
<u>FUND BALANCES</u>						
Nonspendable	49,000	0	44,459	0	0	93,459
Restricted	10,609,333	0	195,417	15,412,316	1,286,808	27,503,874
Assigned	1,801,007	0	0	0	0	1,801,007
Unassigned	8,263,509	0	0	0	0	8,263,509
TOTAL FUND BALANCES	<u>20,722,849</u>	<u>0</u>	<u>239,876</u>	<u>15,412,316</u>	<u>1,286,808</u>	<u>37,661,849</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 30,909,388</u>	<u>\$ 1,133,144</u>	<u>\$ 282,026</u>	<u>\$ 15,663,854</u>	<u>\$ 1,286,808</u>	<u>\$ 49,275,220</u>

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, 2020

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
<u>ASSETS</u>				
Unrestricted Cash	\$ 13,915,871	\$ 0	\$ 0	\$ 13,915,871
Restricted Cash	27,503,874	0	0	27,503,874
Taxes Receivable	1,391,698	0	0	1,391,698
State & Federal Aid Receivable	4,852,312	0	0	4,852,312
Due from Other Funds	1,273,380	0	(1,273,380)	0
Other Receivables, Net	244,626	0	0	244,626
Prepaid Expenditures	49,000	0	0	49,000
Inventories	44,459	0	0	44,459
TRS Net Pension Asset - Proportionate Share	0	3,837,151	0	3,837,151
Non-Depreciable Capital Assets	0	13,162,507	0	13,162,507
Capital Assets, Net	0	53,506,798	0	53,506,798
<b>TOTAL ASSETS</b>	<b>49,275,220</b>	<b>70,506,456</b>	<b>(1,273,380)</b>	<b>118,508,296</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charges	0	206,426	0	206,426
Pensions	0	15,695,846	0	15,695,846
Other Postemployment Benefits	0	9,302,960	0	9,302,960
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0</b>	<b>25,205,232</b>	<b>0</b>	<b>25,205,232</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 49,275,220</b>	<b>\$ 95,711,688</b>	<b>\$ (1,273,380)</b>	<b>\$ 143,713,528</b>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES / NET POSITION</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,846,300	\$ 0	\$ 0	\$ 2,846,300
Accrued Liabilities	3,846,227	54,144	0	3,900,371
Due to Other Funds	1,273,380	0	(1,273,380)	0
Due to Fiduciary Funds	39	0	0	39
Due to Teachers' Retirement System	2,216,796	0	0	2,216,796
Due to Employees' Retirement System	280,678	0	0	280,678
Unearned Revenues	4,905	0	0	4,905
Bonds Payable (Including Premium from Refinancing of Bond Payable)	0	21,801,246	0	21,801,246
Compensated Absences	0	6,093,803	0	6,093,803
ERS Net Pension Liability - Proportionate Share	0	4,873,269	0	4,873,269
Other Postemployment Benefits	0	104,168,218	0	104,168,218
Judgments and Claims	0	1,319,544	0	1,319,544
<b>TOTAL LIABILITIES</b>	<b>10,468,325</b>	<b>138,310,224</b>	<b>(1,273,380)</b>	<b>147,505,169</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Tax Revenue	1,145,046	(1,145,046)	0	0
Pensions	0	5,335,796	0	5,335,796
Other Postemployment Benefits	0	11,492,183	0	11,492,183
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,145,046</b>	<b>15,682,933</b>	<b>0</b>	<b>16,827,979</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>11,613,371</b>	<b>153,993,157</b>	<b>(1,273,380)</b>	<b>164,333,148</b>
<b>FUND BALANCES / NET POSITION</b>	<b>37,661,849</b>	<b>(58,281,469)</b>	<b>0</b>	<b>(20,619,620)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES / NET POSITION</b>	<b>\$ 49,275,220</b>	<b>\$ 95,711,688</b>	<b>\$ (1,273,380)</b>	<b>\$ 143,713,528</b>

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, 2020

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Real Property Taxes	\$ 25,023,756	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,023,756
Other Tax Items	4,234,434	0	0	0	0	4,234,434
Charges for Services	175,326	0	0	0	0	175,326
Use of Money & Property	561,635	0	120	0	22,932	584,687
Sale of Property & Compensation for Loss	1,389	0	0	0	0	1,389
Miscellaneous	988,499	0	11,960	0	389,223	1,389,682
State Sources	44,064,774	819,494	33,053	0	0	44,917,321
Federal Sources	171,508	1,709,488	1,208,735	0	0	3,089,731
Sales	0	0	184,731	0	0	184,731
TOTAL REVENUES	<u>75,221,321</u>	<u>2,528,982</u>	<u>1,438,599</u>	<u>0</u>	<u>412,155</u>	<u>79,601,057</u>
<u>EXPENDITURES</u>						
General Support	6,030,898	0	0	0	0	6,030,898
Instruction	41,343,168	2,503,513	0	0	0	43,846,681
Pupil Transportation	3,292,943	177,693	0	0	0	3,470,636
Employee Benefits	14,423,133	83,490	267,691	0	0	14,774,314
Debt Service:						
Principal	3,230,000	0	0	0	0	3,230,000
Interest	679,588	0	0	0	0	679,588
Cost of Sales	0	0	1,229,646	0	0	1,229,646
Capital Outlay	0	0	0	2,363,020	0	2,363,020
TOTAL EXPENDITURES	<u>68,999,730</u>	<u>2,764,696</u>	<u>1,497,337</u>	<u>2,363,020</u>	<u>0</u>	<u>75,624,783</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>6,221,591</u>	<u>(235,714)</u>	<u>(58,738)</u>	<u>(2,363,020)</u>	<u>412,155</u>	<u>3,976,274</u>
<u>OTHER SOURCES &amp; USES</u>						
Proceeds from Debt	0	0	0	2,500,000	0	2,500,000
Operating Transfers In	174,999	235,714	113,895	15,710,000	0	16,234,608
Operating Transfers (Out)	(15,674,609)	0	0	(174,999)	(385,000)	(16,234,608)
TOTAL OTHER SOURCES & USES	<u>(15,499,610)</u>	<u>235,714</u>	<u>113,895</u>	<u>18,035,001</u>	<u>(385,000)</u>	<u>2,500,000</u>
EXCESS (DEFICIENCY) REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	<u>(9,278,019)</u>	<u>0</u>	<u>55,157</u>	<u>15,671,981</u>	<u>27,155</u>	<u>6,476,274</u>
FUND BALANCES, BEGINNING OF YEAR	<u>30,000,868</u>	<u>0</u>	<u>184,719</u>	<u>(259,665)</u>	<u>1,259,653</u>	<u>31,185,575</u>
FUND BALANCES, END OF YEAR	<u>\$ 20,722,849</u>	<u>\$ 0</u>	<u>\$ 239,876</u>	<u>\$ 15,412,316</u>	<u>\$ 1,286,808</u>	<u>\$ 37,661,849</u>

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, 2020

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
<u>REVENUES</u>						
Real Property Taxes	\$ 25,023,756	\$ 113,312	\$ 0	\$ 0	\$ 0	\$ 25,137,068
Other Tax Items	4,234,434	0	0	0	0	4,234,434
Charges for Services	175,326	0	0	0	0	175,326
Use of Money & Property	584,687	0	0	0	0	584,687
Sale of Property & Compensation for Loss	1,389	0	0	0	0	1,389
Miscellaneous	1,389,682	0	0	0	0	1,389,682
State Sources	44,917,321	0	0	0	0	44,917,321
Federal Sources	3,089,731	0	0	0	0	3,089,731
Sales	184,731	0	0	0	0	184,731
TOTAL REVENUES	<u>79,601,057</u>	<u>113,312</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>79,714,369</u>
<u>EXPENDITURES</u>						
General Support	6,030,898	390	315,163	0	2,462,189	8,808,640
Instruction	43,846,681	2,676	1,320,793	0	16,878,864	62,049,014
Pupil Transportation	3,470,636	213	172,083	0	1,344,385	4,987,317
Employee Benefits	14,774,314	6,413,143	0	0	(21,187,457)	0
Debt Service:						
Principal	3,230,000	0	0	(3,230,000)	0	0
Interest	679,588	(13,767)	0	(63,021)	0	602,800
Cost of Sales	1,229,646	80	64,259	0	502,019	1,796,004
Capital Outlay	2,363,020	0	(2,363,020)	0	0	0
TOTAL EXPENDITURES	<u>75,624,783</u>	<u>6,402,735</u>	<u>(490,722)</u>	<u>(3,293,021)</u>	<u>0</u>	<u>78,243,775</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>3,976,274</u>	<u>(6,289,423)</u>	<u>490,722</u>	<u>3,293,021</u>	<u>0</u>	<u>1,470,594</u>
<u>OTHER SOURCES &amp; USES</u>						
Proceeds from Debt	2,500,000	0	0	(2,500,000)	0	0
Operating Transfers In	16,234,608	0	0	0	(16,234,608)	0
Operating Transfers (Out)	(16,234,608)	0	0	0	16,234,608	0
TOTAL OTHER SOURCES & USES	<u>2,500,000</u>	<u>0</u>	<u>0</u>	<u>(2,500,000)</u>	<u>0</u>	<u>0</u>
NET CHANGE FOR THE YEAR	<u>\$ 6,476,274</u>	<u>\$ (6,289,423)</u>	<u>\$ 490,722</u>	<u>\$ 793,021</u>	<u>\$ 0</u>	<u>\$ 1,470,594</u>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

	<u>PRIVATE PURPOSE TRUSTS</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash	\$ 383,310	\$ 438,428
Due from Other Funds	0	39
TOTAL ASSETS	\$ 383,310	\$ 438,467
<u>LIABILITIES &amp; NET POSITION</u>		
<u>LIABILITIES</u>		
Due to Teachers' Retirement System	\$ 0	\$ 151,008
Due to Employee Retirement System	0	40
Extraclassroom Activity Balances	0	277,282
Other Liabilities	0	10,137
TOTAL LIABILITIES	0	\$ 438,467
<u>NET POSITION</u>		
Held in Trust for Endowment, Scholarship and Gift Funds	383,310	
TOTAL LIABILITIES & NET POSITION	\$ 383,310	

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, 2020

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 20,441
Investment Earnings	<u>5,613</u>
TOTAL ADDITIONS	26,054
<u>DEDUCTIONS</u>	
Scholarships & Awards	<u>15,075</u>
CHANGE IN NET POSITION	10,979
NET POSITION, BEGINNING OF YEAR	<u>372,331</u>
NET POSITION, END OF YEAR	<u><u>\$ 383,310</u></u>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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 agency fund.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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, 2020, the Port Jervis City School District was billed \$10,665,648 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,665,648. 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 year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended in those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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, 2020

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

C. Basis of Presentation (Continued)

2. Funds Statements (Continued)

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

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 1<sup>st</sup> and became a lien on September 1, 2019. Taxes were collected by the District during the period September 1, 2019 through November 1, 2019.

The City and Counties 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, 2020

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 8 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, 2020

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.

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, 2020

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 7. The third deferred outflow is related to other postemployment benefits, for additional information see Note 9.

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 7. 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 9.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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, 2020

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, 2020

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 \$44,459.

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, 2020

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, 2020 consisted of:

General Fund:

Capital Reserve	\$ 1,360,005
Workers' Compensation Reserve	3,014,470
Tax Certiorari Reserve	141,059
Employee Benefit Accrued Liability Reserve	<u>6,093,799</u>
Total restricted General Fund	10,609,333
School Lunch	195,417
Capital Projects	15,412,316
Debt Service Fund	<u>1,286,808</u>
Total Restricted Fund Balance	<u><u>\$27,503,874</u></u>

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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, 2020.

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 \$128,207 not classified as restricted at the end of the fiscal year. Assigned fund balance in the General Fund also includes \$1,672,800 assigned to be used to reduce the tax levy for the year ending June 30, 2021. 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, 2020

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

T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2020, the District implemented the following new standards issued by GASB:

- GASB Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective for the year ending June 30, 2020.

GASB has issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the several pronouncements were postponed by one year. Effective dates provided in Note U have been updated to reflect this.

U. Future Changes in 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 is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2021 financial statements.

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 an 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, 2020

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

U. Future Changes in Accounting Standards (continued)

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 is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2021 financial statements.

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. 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 is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2021 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.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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

U. Future Changes in Accounting Standards (continued)

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.

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.

PORT JERVIS CITY SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
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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)

- 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, 2020 were as follows:

Original Cost of Capital Assets	\$ 102,890,298
Accumulated Depreciation	<u>(36,220,993)</u>
	<u>\$ 66,669,305</u>

- 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, 2020 were as follows:

Net Pension Asset - Proportionate Share	\$ 3,837,151
Deferred Outflows of Resources - Pensions	15,695,846
Net Pension Liability - Proportionate Share	(4,873,269)
Deferred Inflows of Resources - Pensions	(5,335,796)

- 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.

Adjustments for Deferred Revenue	\$ 1,145,046
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- 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, 2020 was as follows:

Accrued Interest	\$ 54,144
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PORT JERVIS CITY SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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, 2020 were as follows:

Bonds Payable	\$ 21,500,000
Deferred Charges	(206,426)
Deferred Outflows of Resources - OPEB	(9,302,960)
Deferred Inflows of Resources - OPEB	11,492,183
Deferred Amount on Refunding	301,246
Compensated Absences	6,093,803
Other Postemployment Benefits	104,168,218
Judgments and Claims	1,319,544
	\$ 135,365,608

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

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  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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)	\$ 82,101,057
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, 2020 was greater than the amount deferred at June 30, 2019.	113,312
Issuance of bond debt is a revenue in the governmental funds, but increases liabilities in the Statement of Net Position, and does not affect the Statement of Activities and Changes in Net Position.	<u>(2,500,000)</u>
Total revenues in the Statement of Activities (Schedule 2)	<u><u>\$ 79,714,369</u></u>

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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)	\$ 75,624,783
<p>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 \$3,202,742 were greater than depreciation of \$2,712,020 in the current year.</p>	(490,722)
<p>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 earned exceeded the amount used during the year was \$3,359. Judgments and claims paid exceeded the amount earned during the year in the amount of \$368,669.</p>	(365,310)
<p>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.</p>	3,218,924

PORT JERVIS CITY SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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.	3,562,888
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.	(13,767)
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.	(63,021)
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.	<u>(3,230,000)</u>
Total expenses in the Statement of Activities (Schedule 2)	<u><u>\$ 78,243,775</u></u>

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 3. 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, 2020.

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.

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.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

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

Uncollateralized	\$	0.
Collateralized with securities held by the pledging financial institution, or or its trust department or agent, but not in the District's name	\$	43,557,332.

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 \$27,503,874 within the entity wide statements and \$821,738 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 Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the NYCLASS cooperative as of year-end are \$3,364,214,294, which consisted of \$214,167,351 in repurchase agreements, \$2,065,434,433 in U.S. Treasury Securities, and \$1,084,612,510 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:

Fund	Bank Balance	Carrying Amount
General Fund	\$ 18,667,794	\$ 18,667,794
Capital Fund	15,326,404	15,326,404
Private Purpose Trust Fund	383,310	383,310
Total	\$ 34,377,508	\$ 34,377,508

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 4. 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 \$141,036,435, which consisted of \$86,532,138 in Money Market and Cash and 54,504,297 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	\$ 4,374,475	\$ 4,374,475
Debt Service Fund	1,285,400	1,285,400
Total	<u>\$ 5,659,875</u>	<u>\$ 5,659,875</u>

NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended June 30, 2020, 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	12,662,181	2,357,012	(4,688,150)	10,331,043
Total Nondepreciable Assets	<u>15,493,645</u>	<u>2,357,012</u>	<u>(4,688,150)</u>	<u>13,162,507</u>
Capital assets that are depreciated:				
Buildings and Improvements	77,148,756	0	4,688,150	81,836,906
Furniture & Equipment	6,487,133	839,722	0	7,326,855
Vehicles	564,030	0	0	564,030
Total Depreciable Assets	<u>84,199,919</u>	<u>839,722</u>	<u>4,688,150</u>	<u>89,727,791</u>
Less: Accumulated Depreciation	<u>(33,508,973)</u>	<u>(2,712,020)</u>	<u>0</u>	<u>(36,220,993)</u>
Capital Assets, Net	<u>\$ 66,184,591</u>	<u>\$ 484,714</u>	<u>\$ 0</u>	<u>\$ 66,669,305</u>

PORT JERVIS CITY SCHOOL DISTRICT  
 PORT JERVIS, NEW YORK  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

NOTE 5. CAPITAL ASSETS. (Continued)

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 315,163
Instruction	2,160,515
Transportation	172,083
Cost of Sales	<u>64,259</u>
 Total Depreciation	 <u>\$ 2,712,020</u>

NOTE 6. 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	\$ 22,230,000	\$ 2,500,000	\$ 3,230,000	\$ 21,500,000	\$2,940,000
Premium from Refinancing on Bonds Payable	421,813	0	120,567	301,246	120,567
Total Bonds and Notes Payable	<u>22,651,813</u>	<u>2,500,000</u>	<u>3,350,567</u>	<u>21,801,246</u>	<u>3,060,567</u>
Other Liabilities:					
Compensated Absences	6,090,444	3,359	0	6,093,803	0
Retained Percentage	6,008	0	6,008	0	0
ERS Net Pension Liability					
Proportionate Share	1,352,973	3,520,296	0	4,873,269	0
Other Postemployment Benefits	93,074,986	13,726,138	2,632,906	104,168,218	0
Judgments and Claims	1,688,213	83,463	452,132	1,319,544	0
Total Other Liabilities	<u>102,212,624</u>	<u>17,333,256</u>	<u>3,091,046</u>	<u>116,454,834</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 124,864,437</u>	<u>\$ 19,833,256</u>	<u>\$ 6,441,613</u>	<u>\$ 138,256,080</u>	<u>\$ 3,060,567</u>

PORT JERVIS CITY SCHOOL DISTRICT  
 PORT JERVIS, NEW YORK  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

NOTE 6. LONG-TERM LIABILITIES. (Continued)

Existing serial bond and installment purchase obligations are as follows:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance
2012 Serial Bond	2012	2027	Varies	\$ 4,715,000
2013 Serial Bond	2013	2028	Varies	2,170,000
2016 Serial Bond	2016	2031	Varies	3,280,000
2016 Serial Bond	2016	2024	Varies	3,360,000
2017 Serial Bond	2017	2032	Varies	2,220,000
2019 Serial Bond	2019	2034	Varies	3,255,000
2020 Serial Bond	2020	2035	Varies	2,500,000
				<u>\$21,500,000</u>

The following is a summary of maturing debt service requirements:

For the Year Ended June 30,	Bonds and Notes Payable		
	Principal	Interest	Total
2021	\$ 2,940,000	\$ 675,767	\$ 3,615,767
2022	3,025,000	561,269	3,586,269
2023	2,790,000	479,956	3,269,956
2024	2,350,000	409,981	2,759,981
2025	1,820,000	347,096	2,167,096
2026 - 2030	6,270,000	1,005,840	7,275,840
2031 - 2035	2,305,000	205,850	2,510,850
TOTAL	<u>\$21,500,000</u>	<u>\$ 3,685,759</u>	<u>\$25,185,759</u>

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

Interest paid	\$ 679,588
Less: Interest accrued in the prior year	(67,911)
Less: Amortization of premiums, deferred amounts on refunding and bond issue costs	(63,021)
Plus: Interest accrued in the current year	<u>54,144</u>
Total interest expense	<u>\$ 602,800</u>

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7. 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](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php).

Teachers' Retirement System Plan Description

The New York State Teachers Retirement System (the TRS System) was created and exists pursuant to Article 11 of the New York State Education Law. The System is the administrator of a cost-sharing, multiple-employer public employee retirement system (PERS), administered by a 10-member Board to provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. For additional Plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the System's website located at [www.nystrs.org](http://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, 2020

NOTE 7. 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, 2020

NOTE 7. 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, 2020

NOTE 7. 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, 2020

NOTE 7. 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, 2020

NOTE 7. 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, 2020

NOTE 7. 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>
2019 - 2020	\$ 2,787,502	\$ 836,837
2018 - 2019	2,523,475	859,924
2017 - 2018	2,986,475	868,498

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, 2020, 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, 2020 for ERS and June 30, 2019 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, 2020, the District's proportion of the NYSERS net pension asset/(liability) was 0.0184032%, there was an decrease of 0.00000692% from its proportion measured as of March 31, 2019.

At June 30, 2019, the District's proportion of the NYSTRS net pension asset/(liability) was 0.147696%, which was an increase of 0.00000837% from its proportion measured as of June 30, 2018.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7. 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, 2020, the District's recognized pension expense of \$916,979 for ERS and \$2,645,909 for TRS. At June 30, 2020 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	\$ 286,812	\$ 2,600,339	\$ 2,887,151
Changes of Assumptions	98,125	7,248,891	7,347,016
Net difference between projected and actual earnings on pension plan investments	2,498,274	0	2,498,274
Changes in proportion and difference between the District's contributions and proportionate share of contributions	229,903	236,028	465,931
District's contributions subsequent to the measurement date	280,678	2,216,796	2,497,474
Total	<u>\$ 3,393,792</u>	<u>\$ 12,302,054</u>	<u>\$ 15,695,846</u>

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7. 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	\$ 285,338	\$ 285,338
Changes of Assumptions	84,729	1,767,485	1,852,214
Net difference between projected and actual earnings on pension plan investments	0	3,077,197	3,077,197
Changes in proportion and difference between the District's contributions and proportionate share of contributions	<u>63,848</u>	<u>57,199</u>	<u>121,047</u>
Total	<u>\$ 148,577</u>	<u>\$ 5,187,219</u>	<u>\$ 5,335,796</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, 2020. 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>
2020	\$ 280,678	\$ 3,992,188
2021	536,833	149,563
2022	747,473	1,769,100
2023	939,165	1,175,480
2024	741,066	160,689
Thereafter	0	(132,185)

Actuarial Assumptions

The total ERS pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The Total TRS pension liability at June 30, 2019 was determined by using an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. These actuarial valuation used the following actuarial assumptions.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>										
Measurement Date	March 31, 2020	June 30, 2019										
Investment Rate of Return	6.80% compounded annually, net of investment expense includes inflation	7.10% compounded annually, net of investment expense includes inflation										
Projected Salary Increases	5.00%	1.90% - 4.72% Rates of increase differ based on age and gender. They have been calculated based upon recent NYSTRS member experience										
		<table border="0"> <thead> <tr> <th style="text-align: center;"><u>Service</u></th> <th style="text-align: center;"><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">4.72%</td> </tr> <tr> <td style="text-align: center;">15</td> <td style="text-align: center;">3.46%</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">2.37%</td> </tr> <tr> <td style="text-align: center;">35</td> <td style="text-align: center;">1.90%</td> </tr> </tbody> </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, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience										
Inflation Rate	2.50%	2.20%										
Mortality Improvement	Society of Actuaries Scale MP-2018	Society of Actuaries Scale MP-2018										

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.

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PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

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, 2020	Long-term expected		June 30, 2019	Long-term expected
	Target Allocation	real rate of return		Target Allocation	real rate of return
Asset Class:			Asset Class:		
Domestic Equity	36%	4.05%	Domestic Equities	33%	6.30%
International Equity	14%	6.15%	International Equities	16%	7.80%
Private Equity	10%	6.75%	Global Equities	4%	7.20%
Real Estate	10%	4.95%	Real Estate Equities	11%	4.60%
Absolute Return Strategies	2%	3.25%	Private Equity	8%	9.90%
Opportunistic Portfolio	3%	4.65%	Domestic fixed income securities	16%	1.30%
Real Assets	3%	5.95%	Global fixed income securities	2%	0.90%
Bonds and Mortgages	17%	0.75%	Private Debt	1%	6.50%
Cash	1%	0.00%	Real Estate Debt	7%	2.90%
Inflation-indexed bonds	4%	0.50%	High Yield Fixed Income Securities	1%	3.60%
			Cash Equivalents	1%	0.30%
Total	100%		Total	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% 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, 2020

NOTE 7. 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:

ERS	1% Decrease (5.80%)	Current Assumption (6.80%)	1% Increase (7.80%)
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (8,943,824)	\$ (4,873,269)	\$ (1,124,270)
TRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (17,320,498)	\$ 3,837,151	\$ 21,586,030

Pension plan fiduciary net position

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

Measurement Date	(Dollars in Thousands)	
	ERS March 31, 2020	TRS June 30, 2019
Employers' total pension asset/(liability)	\$ (194,596,261)	\$ (119,879,474)
Plan net position	168,115,682	122,477,481
Employer's net pension asset/(liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>
Ratio of plan net position to the employers' total pension asset/(liability)	86.39%	102.17%

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7. 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 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2020 represent the projected employer contributions for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$280,678.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through state aid intercept. Accrued retirement contributions as of June 30, 2020 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, 2020 amounted to \$2,216,716.

NOTE 8. INTERFUND BALANCES AND ACTIVITY.

Interfund balances and activity for the year ended June 30, 2020, were as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,271,972	\$ 39	\$ 174,999	\$ 15,674,609
Special Aid Fund	0	1,096,973	235,714	0
School Lunch Fund	0	0	113,895	0
Capital Fund	0	176,407	15,710,000	174,999
Debt Service Fund	1,408	0	0	385,000
Total Governmental Activities	1,273,380	1,273,419	16,234,608	16,234,608
Fiduciary Agency Fund	39	0	0	0
Totals	<u>\$ 1,273,419</u>	<u>\$ 1,273,419</u>	<u>\$ 16,234,608</u>	<u>\$ 16,234,608</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, 2020

NOTE 9. 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	397
Active employees	<u>363</u>
 Total Employees Covered by Benefit Terms	 <u><u>760</u></u>

Total OPEB Liability

The District’s total OPEB liability of \$104,168,218 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2019 with update procedures used to roll forward the actuarial accrued liability to June 30, 2020.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.25%
Projected Salary Increases	3.80%
Discount Rate	3.51%
Healthcare Cost Trend Rates	<p>Pre-65: 7.14% for 2020, decreasing to an ultimate rate of 4.50% for 2027 and later years</p> <p>Post-65: 7.91% for 2020, decreasing to an ultimate rate of 4.5% for 2027 and later years</p>
Current Retirees' Share of Benefit Related Costs	<p>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.</p>
Future Retirees' Share of Benefit Related Costs	<p>Contributions vary by bargaining unit.</p>

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, 2020

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 93,074,986
<u>Changes for the Year:</u>	
Service cost	3,541,701
Interest	3,688,603
Differences between expected and actual experience	251,505
Changes in assumptions or other inputs	6,244,329
Benefit payments	(2,632,906)
Net Changes	11,093,232
 Balance at June 30, 2020	 \$ 104,168,218

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51 percent) or 1 percentage point higher (4.51 percent) than the current discount rate:

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB Liability	\$ 124,739,946	\$ 104,168,218	\$ 88,071,797

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	\$ 85,434,569	\$ 104,168,218	\$ 129,079,959

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. 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, 2020, the District recognized OPEB expense of \$3,218,924. At June 30, 2020, the District report a deferred outflows of resources of \$9,302,960 and deferred inflows of resources of \$11,492,183 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	\$ 1,335,687	\$ 0
Changes of assumptions or other inputs	5,400,501	11,492,183
District's contributions subsequent to the measurement date	<u>2,566,772</u>	<u>0</u>
Total	<u>\$ 9,302,960</u>	<u>\$ 11,492,183</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, 2020.

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>
2021	\$ 1,122,164
2022	(1,444,608)
2023	(1,444,608)
2024	(1,444,608)
2025	(80,574)
Thereafter	1,103,011

NOTE 10. 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, 2020

NOTE 10. RISK MANAGEMENT. (Continued)

Consortiums and Self Insured Plans

For the year ended June 30, 2020, 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, 2020, the district estimated its workers compensation liability to be \$1,319,544 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	\$ 1,206,052
Incurred But Not Reported Claims	<u>113,492</u>
Workers Compensation Liability (Judgment and Claims)	<u><u>\$ 1,319,544</u></u>

As of June 30, 2020 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, 2020</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 1,508,213
Plus: Incurred Claims **	149,971
Less: Claims Payments	<u>(452,132)</u>
Unpaid Claims, End of Fiscal Year	<u><u>\$ 1,206,052</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, 2020. 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, 2020

NOTE 10. 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 11. 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, 2020 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, 2020:

General Fund	\$ 128,207
Special Aid Fund	94,061
Capital Projects Fund	<u>2,636,034</u>
 Total Encumbrances	 <u><u>\$ 2,858,302</u></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 12. DONOR-RESTRICTED ENDOWMENTS.

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

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

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 13. 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, 2020, the School District abated property taxes by \$544,501 and received payments in lieu of tax (PILOT) payments totaling \$475,432.

NOTE 14. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through October 6, 2020 the date that the financial statements were available to be issued. On August 13, 2020, the New York State Division of the Budget (DOB) issued the *FY 2021 First Quarterly State Budget Financial Plan Update* which notes that, in the absence of Federal action since enactment of the fiscal year 2021 budget, DOB began withholding 20% of most local aid payments in June, and that all or a portion of these withholds may be converted to permanent reductions, depending on the size and timing of new Federal aid, if any. No other significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying 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, 2020

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Total OPEB Liability</u>			
Service cost	\$ 3,541,701	\$ 3,155,792	\$ 3,837,811
Interest	3,688,603	3,386,545	2,969,382
Differences between expected and actual experience	251,505	1,544,139	0
Changes in assumptions or other inputs	6,244,329	(5,196,063)	(13,185,646)
Benefit payments	<u>(2,632,906)</u>	<u>(2,489,821)</u>	<u>(2,578,222)</u>
Net change in total OPEB liability	11,093,232	400,592	(8,956,675)
Total OPEB liability-beginning	<u>93,074,986</u>	<u>92,674,394</u>	<u>101,631,069</u>
Total OPEB liability-ending	<u>\$ 104,168,218</u>	<u>\$ 93,074,986</u>	<u>\$ 92,674,394</u>
Covered-employee payroll	\$ 28,886,838	\$ 27,207,583	\$ 26,514,457
Total OPEB liability as a percentage of covered-employee payroll	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.

6/30/2020	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, 2020

<u>REVENUES</u>	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>CURRENT YEAR'S REVENUES</u>	<u>OVER (UNDER) REVISED BUDGET</u>
LOCAL SOURCES:				
Real Property Taxes	\$ 24,724,635	\$ 24,724,635	\$ 25,023,756	\$ 299,121
Other Tax Items	4,701,117	4,701,117	4,234,434	(466,683)
Charges for Services	105,000	105,000	175,326	70,326
Use of Money & Property	355,000	355,000	561,635	206,635
Miscellaneous	417,000	425,873	988,499	562,626
STATE SOURCES	43,859,364	43,859,364	44,064,774	205,410
FEDERAL SOURCES	<u>96,000</u>	<u>96,000</u>	<u>171,508</u>	<u>75,508</u>
TOTAL REVENUES	74,258,116	74,266,989	<u>\$ 75,396,320</u>	<u>\$ 1,129,331</u>
APPROPRIATED FUND BALANCE	902,800	16,227,800		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	<u>\$ 75,160,916</u>	<u>\$ 90,494,789</u>		

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, 2020

	ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCE
<u>EXPENDITURES</u>					
GENERAL SUPPORT:					
Board of Education	\$ 94,992	\$ 102,935	\$ 67,554	\$ 3,262	\$ 32,119
Central Administration	266,820	277,961	272,367	0	5,594
Finance	703,001	812,246	766,730	9,800	35,716
Staff	267,819	270,365	175,491	0	94,874
Central Services	4,346,591	4,275,556	3,994,974	78,539	202,043
Special Items	783,005	773,861	753,782	0	20,079
INSTRUCTIONAL:					
Instruction, Administration & Improvement	2,455,793	2,370,042	2,278,847	0	91,195
Teaching - Regular School	19,056,431	18,782,424	18,018,071	0	764,353
Programs for Children with Handicapping Conditions	15,778,116	15,829,278	14,662,360	4,626	1,162,292
Occupational Education	1,341,118	1,341,118	1,165,200	0	175,918
Teaching - Special Schools	455,760	437,448	356,626	0	80,822
Instructional Media	1,988,113	2,057,865	1,943,079	4,200	110,586
Pupil Services	3,203,830	3,256,223	2,918,985	27,780	309,458
PUPIL TRANSPORTATION	4,385,673	4,467,137	3,292,943	0	1,174,194
EMPLOYEE BENEFITS	15,839,323	15,849,284	14,423,133	0	1,426,151
DEBT SERVICE:					
Debt Service - Principal	3,324,250	3,236,847	3,230,000	0	6,847
Debt Service - Interest	610,281	679,590	679,588	0	2
TOTAL EXPENDITURES	74,900,916	74,820,180	68,999,730	128,207	5,692,243
OTHER USES:					
Operating Transfers Out	260,000	15,674,609	15,674,609	0	0
TOTAL EXPENDITURES & OTHER USES	\$ 75,160,916	\$ 90,494,789	84,674,339	\$ 128,207	\$ 5,692,243
NET CHANGE IN FUND BALANCE			\$ (9,278,019)		

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, 2020

NYSERS Pension Plan  
 Last 10 Fiscal Years\*

	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
District's proportion of the net pension asset/(liability)	0.0184032%	0.0190955%	0.0191021%	0.0204326%	0.0198663%	0.0201758%	0.0201758%
District's proportionate share of the net pension asset/(liability)	\$ (4,873,269)	\$ (1,352,973)	\$ (616,510)	\$ (1,919,895)	\$ (3,188,592)	\$ (681,588)	\$ (911,717)
District's covered-employee payroll	\$ 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	-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	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%	97.20%

NYSTRS Pension Plan  
 Last 10 Fiscal Years\*

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
District's proportion of the net pension asset/(liability)	0.147696%	0.146859%	0.150240%	0.150243%	0.152027%	0.151734%	0.155985%
District's proportionate share of the net pension asset/(liability)	\$ 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	\$ 25,020,269	\$ 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	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	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, 2020

	NYSERS Pension Plan Last 10 Fiscal Years*						
	<u>3/31/2020</u>	<u>3/31/2019</u>	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Contractually required contribution	\$ 836,837	\$ 859,924	\$ 868,498	\$ 891,693	\$ 929,819	\$ 1,034,570	\$ 1,040,072
Contributions in relation to the contractually required contribution	<u>836,837</u>	<u>859,924</u>	<u>868,498</u>	<u>891,693</u>	<u>929,819</u>	<u>1,034,570</u>	<u>1,040,072</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 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	14.18%	14.35%	14.64%	14.82%	16.98%	17.95%	18.21%
	NYSTRS Pension Plan Last 10 Fiscal Years*						
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Contractually required contribution	\$ 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	<u>2,699,076</u>	<u>2,344,330</u>	<u>2,790,569</u>	<u>3,074,197</u>	<u>4,003,233</u>	<u>3,642,201</u>	<u>2,812,757</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$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	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 REVISED BUDGET  
AND THE REAL PROPERTY TAX LIMIT  
FOR THE YEAR ENDED JUNE 30, 2020

CHANGE FROM ADOPTED TO REVISED BUDGET

ADOPTED BUDGET	\$ 75,160,916
BUDGET REVISIONS:	
Budget Amendment for Instruction: (Funded by Donations)	8,873
Budget Amendment to Fund Capital Projects. (Funded by Capital Reserve)	6,440,000
Budget Amendment to Fund Capital Projects. (Funded by Unassigned Fund Balance)	8,885,000
REVISED BUDGET	\$ 90,494,789

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 Voter-approved expenditure budget maximum allowed (4% of 2020-2021 budget of \$75,430,132)	\$ 3,017,205
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 1,801,007
Unassigned Fund Balance	8,263,509
Total Unrestricted Fund Balance	10,064,516
Less:	
Appropriated Fund Balance	1,672,800
Encumbrances Included in Assigned Fund Balance	128,207
Total Adjustments	\$ 1,801,007
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ 8,263,509
Actual Percentage	10.96%

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, 2020

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES TO DATE			UNEXPENDED BALANCE	METHODS OF FINANCING				FUND BALANCE JUNE 30, 2020
			PRIOR YEARS	CURRENT YEAR	TOTAL		PROCEEDS FROM DEBT	STATE AID	LOCAL SOURCES	TOTAL	
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
Reconstruction, Renovations, Abatement Replacement and Upgrade of School District Facilities 2015	3,700,000	3,700,000	3,700,000	0	3,700,000	0	2,825,000	0	875,000	3,700,000	0
Smart Bond Project Upgrade of School District Facilities 2016	7,000,000	7,000,000	6,852,942	87,320	6,940,262	59,738	3,820,000	1,854,329	1,325,671	7,000,000	59,738
Reconstruction, Renovations, Abatement Replacement and Upgrade of School District Facilities 2017	5,585,000	5,585,000	2,481,722	2,164,206	4,645,928	939,072	2,500,000	0	2,285,000	4,785,000	139,072
Reconstruction, Renovations, and Upgrade of School District Facilities 2020	54,895,000	54,895,000	0	111,494	111,494	54,783,506	0	0	15,325,000	15,325,000	15,213,506
Emergency Roof Repair	175,000	175,000	0	174,999	174,999	1	0	0	174,999	174,999	0
Asbestos Removal	725,000	725,000	174,682	0	174,682	550,318	0	0	174,682	174,682	0
	<u>\$ 86,720,000</u>	<u>\$ 86,720,000</u>	<u>\$ 27,849,346</u>	<u>\$ 2,538,019</u>	<u>\$ 30,387,365</u>	<u>\$ 56,332,635</u>	<u>\$ 21,108,582</u>	<u>\$ 2,530,747</u>	<u>\$ 22,160,352</u>	<u>\$ 45,799,681</u>	<u>\$ 15,412,316</u>

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, 2020

NON- DEPRECIABLE CAPITAL ASSETS		\$ 13,162,507
CAPITAL ASSETS, NET		53,506,798
ADDITIONS:		
Deferred Amount on Refunding	\$ 206,426	
Total Additions		206,426
DEDUCTIONS:		
Short-term Portion of Bonds Payable	2,940,000	
Long-term Portion of Bonds Payable	18,560,000	
Less: Unspent Bond Proceeds	(198,810)	
Premium From Refinancing	301,246	
Total Deductions		(21,602,436)
NET INVESTMENT IN CAPITAL ASSETS		\$ 45,273,295

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



**Nugent & Haeussler, P.C.**  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF 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

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

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, 2020, 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 6, 2020.

**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.

### **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.

*Mugent + Hausler, P.C.*

Montgomery, New York  
October 6, 2020



**Nugent & Haeussler, P.C.**  
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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

Peter J. Bullis, CPA, FACFEI, DABFA  
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**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, 2020. 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, 2020.

### **Other Matter**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

Port Jervis City School District's response to the noncompliance finding that we identified in our audit is described in the accompanying schedule of findings and questioned costs. Port Jervis City School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 identify a deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

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

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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.

*Mugent & Haussler, P.C.*

Montgomery, New York  
October 6, 2020

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PASS-THROUGH TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed-through NYS Education Department:				
Special Education Cluster:				
IDEA - Part B, Section 611	84.027A	0032-20-0697	\$ 60,744	\$ 724,321
IDEA - Part B, Section 619	84.173A	0033-20-0697	16,335	36,209
Total Special Education Cluster			<u>\$ 77,079</u>	<u>760,530</u>
Title I				
Title I, School Improvement	84.010A	0011-20-2130		50,381
Title I - Part A	84.010A	0021-20-2280		698,272
Title I - Part A	84.010A	0021-19-2280		42,478
Title II - Part A	84.367A	0147-20-2280		125,790
Title III - Part A	84.365	0293-20-2280		930
Title IV	84.424	0204-20-2280		9,412
Title V	84.358	0006-20-2280		19,128
Title V	84.358	0006-19-2280		<u>2,567</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,709,488</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed-through NYS Education Department:				
Child Nutrition Cluster:				
Cash Assistance				
National School Lunch Program	10.555	N/A		698,912
National School Breakfast Program	10.553	N/A		<u>420,469</u>
Cash Assistance Subtotal				1,119,381
Non-Cash Assistance (food distribution)				
National School Lunch Program	10.555	N/A		<u>89,354</u>
TOTAL U.S. DEPT. OF AGRICULTURE, CHILD NUTRITION CLUSTER				<u>1,208,735</u>
TOTAL FEDERAL AWARDS EXPENDED				<u>\$ 2,918,223</u>

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, 2020

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 an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

NOTE 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 \$89,354 of commodities under the National School Lunch Program (CFDA 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, 2020

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  No

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

Noncompliance material to financial statements noted?  Yes  No

FEDERAL AWARDS

Internal Control over Major Programs:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified?  Yes  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  No

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA NUMBERS</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
84.027, 84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

SECTION II - FINANCIAL STATEMENT FINDINGS

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

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Finding on Internal Control over Compliance

**Finding Reference:**2020-001

**Federal Agency:** U.S. Department of Education

**Federal Program:** IDEA – Part B, Section 611 (84.027)  
IDEA – Part B, Section 619 (84.173)

**Compliance**

**Requirement:** Activities Allowed or Unallowed

**Type of Finding:** a) Significant Deficiencies in Internal Control Over Compliance  
b) Compliance Finding

**Criteria:** According to 2 CFR, Part 200.430(i)(1) of the Office of Management and Budget's Uniform Grant Guidance, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed, which must, among other things:

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

**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.

**Cause:** The School District did not have adequate internal controls in place to ensure that the monthly certifications were being completed by each employee working in the federal award programs.

**Effect:** Without adequate internal controls over employee certification requirements, the School District cannot ensure that federal funds are paid in accordance with the time worked in the grant.

**Questioned Costs:** The employee's time in question was reviewed and found that allocations of their salaries charged to the grant were appropriate, therefore, there were no questioned costs.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Finding on Internal Control over Compliance

**Finding Reference:2020-001**

**Federal Agency:** U.S. Department of Education

**Federal Program:** IDEA – Part B, Section 611 (84.027)

IDEA – Part B, Section 619 (84.173)

**Compliance**

**Requirement:** Activities Allowed or Unallowed

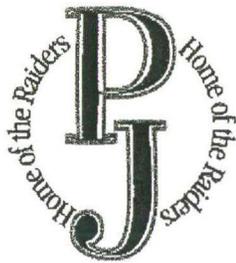
**Type of Finding:** a) Significant Deficiencies in Internal Control Over Compliance  
b) Compliance Finding

Recommendation: We recommend that the District ensure that the employees working in the grants are timely certifying their actual percent of time and effort that is being spent working in the federal award program. Monthly certifications should be completed if less than 100% of time is being worked in the federal award program or semiannually if 100% of time is being spent.

Management's

Response:

The District agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur. Please refer to the corrective action plan on the following page.



# Port Jervis

CITY SCHOOL DISTRICT

*Pursuing excellence at every level, every day.*

**Joseph C. Lenz**  
Assistant Superintendent for Business  
9 Thompson Street  
Port Jervis, New York 12771

Phone (845) 858-3100  
Fax (845) 858-3265  
jlenz@pjschools.org

September 23, 2020

U.S. Department of Education

Port Jervis City School District respectively submits the following corrective action plan for the year ended June 30, 2020.

Nugent and Haeussler, PC  
101 Bracken Road  
Montgomery, NY 12549

Audit period: Year ended June 30, 2020

The finding from the June 30, 2020 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

## **FINDINGS – FEDERAL AWARD PROGRAMS AUDITS**

### **U.S. DEPARTMENT OF EDUCATION**

2020-001 IDEA – Part B, Section 611 CFDA No. 84.027  
IDEA – Part B, Section 619 CFDA No. 84.173

#### **Compliance Finding**

*Recommendation:* The auditor recommended that the District ensure that the employees working in the grants are timely certifying their actual percent of time and effort that is being spent working in the federal award program. Monthly certifications should be completed if less than 100% of time is being worked in the federal award program or semiannually if the 100% of time is being spent.

*Action Taken:* The District will implement a system of internal controls to ensure that all certifications are completed in accordance with the percentage of time worked (ie. monthly or semiannually) and that they are completed timely. The implementation of this system will occur within 30 days of receiving the auditor's report.

If the Department of Education has questions regarding this plan, please call me at (845) 858 -3100.

Sincerely,

Joseph C. Lenz  
Assistant Superintendent for Business  
JL:am



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, 2020, 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

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### **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, 2020, 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.

*Jugent + Hausler, P.C.*

Montgomery, New York  
October 6, 2020

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
EXTRACLASROOM ACTIVITY FUND  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS  
JUNE 30, 2020

ASSETS

Cash in Checking	<u>\$ 277,282</u>
------------------	-------------------

FUND BALANCE

Fund Balance, Beginning of Year	\$ 223,687
Excess of Receipts over Disbursements	<u>53,595</u>
Fund Balance, End of Year	<u>\$ 277,282</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, 2020

	CASH BALANCE JUNE 30, 2019	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2020
Student Activities 2019	\$ 18,190	\$ 0	\$ 18,190	\$ 0
Student Activities 2020	1,816	18,190	14	19,992
Class of 2020	10,264	80,810	84,631	6,443
Class of 2021	7,885	14,128	7,403	14,610
Class of 2022	6,506	6,198	2,349	10,355
Class of 2023	4,893	690	2,423	3,160
H.S. Student Council	1,383	6,663	6,295	1,751
M.S. Student Council	4,167	3,050	2,840	4,377
8th Grade	1,280	20,568	16,592	5,256
7th Grade	0	5,773	2,757	3,016
H.S. Yearbook	10,926	12,382	14	23,294
M.S. Yearbook	4,233	5,807	7,794	2,246
H.S. Band/Chorus	10,410	14,067	11,357	13,120
Spring Musical	23,765	10,286	8,201	25,850
Musical Scholarship	2,043	0	214	1,829
M.S. Music Club	11,091	10,846	15,847	6,090
M.S. Drama Club	0	9,047	3,190	5,857
Senior Arts	1,003	0	155	848
Honor Society	10,902	1,660	1,014	11,548
DECA	486	1,393	991	888
Rotary Interact	4	703	707	0
SADD	2,465	3,171	2,811	2,825
Foreign Language Club	2,482	3,782	3,176	3,088
Friends Of Rachel	638	0	14	624
Junior Honor Society	31	60	84	7
GSA	72	932	655	349
HBE 6th Grade	2,015	19,234	15,084	6,165
HBE Drama Club	13,510	18,596	18,112	13,994
ASK 6th Grade	2,167	2,812	3,215	1,764
ASK Performing Arts	8,202	48,007	43,280	12,929
Varsity Club	33,966	14,036	4,411	43,591
Football Cheerleading	1,534	11,337	11,408	1,463
Football Camp	4,129	0	434	3,695
Boys' Soccer	21	0	0	21
Girls' Volleyball	1,920	20,169	16,867	5,222
Girls' Basketball	3,359	0	209	3,150
Boys' Basketball	1,464	0	627	837
Track Club	145	0	14	131
Girls' Softball	7,718	6,090	468	13,340
Boys' Baseball	2,116	230	264	2,082
M.S. Ski Club	6	0	0	6
Girls' Soccer	4,480	0	3,011	1,469
	<u>\$ 223,687</u>	<u>\$ 370,717</u>	<u>\$ 317,122</u>	<u>\$ 277,282</u>

See notes to financial statement.

PORT JERVIS CITY SCHOOL DISTRICT  
PORT JERVIS, NEW YORK  
EXTRACLASROOM ACTIVITY FUNDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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.