

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**Financial Statements and Required Reports
Under Uniform Guidance**

**For the Year Ended June 30, 2021
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-14
FINANCIAL STATEMENTS	
Statement of net position	15
Statement of activities	16
Balance sheet – governmental funds.....	17-18
Reconciliation of the balance sheet – governmental funds to the statement of net position.....	19
Statement of revenue, expenditures, and changes in fund balance – governmental funds.....	20
Reconciliation of the statement of revenue, expenditures, and changes in fund balance to the statement of activities.....	21
Notes to financial statements.....	22-53
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)	
Schedule of revenue, expenditures, and change in fund balance – budget and actual - general fund.....	54-55
Schedule of proportionate share of net pension liability (asset).....	56
Schedule of contributions – pension plans.....	57
Schedule of changes in total OPEB liability and related ratios.....	58
OTHER INFORMATION (UNAUDITED)	
Schedule of change from original budget to revised budget.....	59
Schedule of Section 1318 of Real Property Tax Law Limit calculation.....	59
Schedule of project expenditures – capital projects fund	60
Schedule of net investment in capital assets	61
REQUIRED REPORTS UNDER UNIFORM GUIDANCE	
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 <i>Government Auditing Standards</i>	62-63

C O N T E N T S (Continued)

	Page
Independent auditor's report on compliance for each major federal program and on internal control over compliance required by the Uniform Guidance.....	64-65
Schedule of expenditures of federal awards.....	66
Notes to schedule of expenditures of federal awards.....	67
Schedule of findings and questioned costs.....	68-69

INDEPENDENT AUDITOR'S REPORT

October 12, 2021

To the Board of Education of
Newburgh Enlarged City School District:

Report on the Financial Statements

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

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 and each major fund of Newburgh Enlarged City School District as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 12, during 2021 the School District adopted Governmental Accounting Standards Board Statement 84 – *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of proportionate share of the net pension liability (asset), contributions – pension plans, and changes in total OPEB liability and related ratios 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 School District's basic financial statements. The other information listed in the accompanying table of contents, as required by the New York State Education Department, is presented for purposes of additional analysis and is 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* (CFR) 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 schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information listed in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2021, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2021

The following is a discussion and analysis of Newburgh Enlarged City School District's (the School District) financial performance for the fiscal year ended June 30, 2021. This section summarizes the School District's financial activities based on currently known facts, decisions, and conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. As this section is only an introduction, it should be read in conjunction with the School District's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Government-wide net position of the School District is \$(506,516,614).
- Government-wide net position is \$42,420,687 less than at **July 1, 2020**.
- The School District continued to offer all programs, without reducing services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: Management's Discussion & Analysis (MD&A) (this section), the basic financial statements, required supplementary information, and other information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *School District-wide* financial statements that provide both *short-term* and *long-term* information about the School District's *overall* financial status. Because of this, the Statement of Net Position will include assets such as building and equipment and long-term balances due to the School District as well as long term liabilities such as bonds payable. In addition, payments for principal on long term bond obligations will be shown as a reduction of the liability and payments for buildings and equipment will be shown as additions to assets.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in *more detail* than the Government-wide statements. The fund financial statements concentrate on the School District's most significant funds.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending. As such, in this presentation, payments for buildings and equipment will be shown as expenditures rather than an increase in assets, proceeds from new long-term borrowings will be shown as a source of revenue rather than a long-term liability, and principal payments on the long-term borrowings will be shown as expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data immediately following the financial statements. The statements are followed by a section of required supplementary information and then other information.

These schedules further explain and support the financial statements with a comparison of the School District's budget for the year, a detailed capital project schedule, and other financial information.

Table A-1 shows how the various sections of this annual report are arranged and related to one another.

Table A-1 Organization of the School District's Annual Financial Report

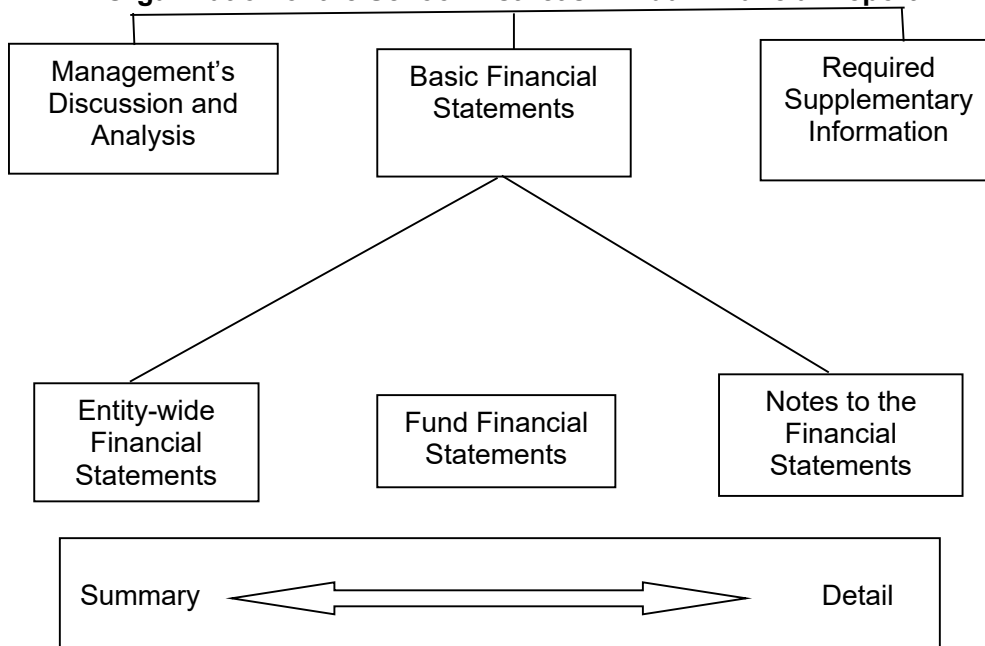


Table A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Table A-2 Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide	Fund Financial Statements
		Governmental Funds
Scope	Entire School District	The day-to-day operating activities of the School District, such as instruction and special education.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and change in fund balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.
Type of asset/liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term.	Current assets, deferred inflows/outflows of resources, and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue 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.

Government-Wide Statements

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

The two Government-wide statements report the School District's net position and how it has changed. Net position – the difference between the School District's assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements (Continued)

- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, (dollars), are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position is those assets with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, debt service fund, capital projects fund, and library fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and change in fund balance.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The analysis below focuses on the net position (Table A-3) and changes in net position (Table A-4) of the School District's governmental activities.

Table A-3 Condensed Statement of Net Position

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change
Assets:			
Current and other assets	\$ 135,913,757	\$ 125,389,639	\$ 10,524,118
Noncurrent assets	<u>158,498,401</u>	<u>170,350,328</u>	<u>(11,851,927)</u>
Total assets	<u>294,412,158</u>	<u>295,739,967</u>	<u>(1,327,809)</u>
Deferred Outflows of Resources	<u>268,317,375</u>	<u>148,754,169</u>	<u>119,563,206</u>
Liabilities:			
Current liabilities	39,485,754	47,624,761	(8,139,007)
Long-term liabilities	<u>946,552,853</u>	<u>769,872,797</u>	<u>176,680,056</u>
Total liabilities	<u>986,038,607</u>	<u>817,497,558</u>	<u>168,541,049</u>
Deferred Inflows of Resources	<u>83,207,540</u>	<u>91,649,363</u>	<u>(8,441,823)</u>
Net position:			
Net investment in capital assets	109,217,140	99,281,471	9,935,669
Restricted	53,634,855	41,376,946	12,257,909
Unrestricted	<u>(669,368,609)</u>	<u>(605,311,202)</u>	<u>(64,057,407)</u>
Total net position	<u>\$(506,516,614)</u>	<u>\$(464,652,785)</u>	<u>\$ (41,863,829)</u>

In Table A-3, total assets at June 30, 2021 were approximately \$1.3 million less than at June 30, 2020. Non-current assets decreased approximately \$11.8 million, due largely to the Teachers' Retirement System's net pension asset decreasing approximately 18 million and capital assets, net depreciation increasing by \$6 million. Current assets increased approximately \$10.5 million, due primarily to an increase in cash of approximately \$17.9 million from proceeds from the serial bond debt issuance.

Deferred outflows of resources at June 30, 2021 were approximately \$119.5 million greater than at June 30, 2020, due primarily to an increase in pension and OPEB related deferred outflows.

Total liabilities increased by approximately \$168.5 million, due primarily to an increase in long term liabilities of approximately \$13.9 million due to the issuance of serial bond debt and an increase of \$172.7 million in OPEB.

Deferred inflows of resources decreased by \$8.4 million due to a decrease in OPEB deferred inflows and a decrease in pension deferred inflow.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-4 Changes in Net Position from Operating Results

	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Dollar Change</u>
Revenue			
Program revenue:			
Charges for services	\$ 578,585	\$ 725,211	\$ (146,626)
Operating grants	28,898,507	25,764,445	3,134,062
General revenue:			
Property and other tax items	121,549,123	121,437,482	111,641
State aid	158,751,091	163,163,768	(4,412,677)
Federal aid	198,332	555,598	(357,266)
Use of money and of property	132,215	997,252	(865,037)
Sale of property and compensation for loss	243,691	154,060	89,631
Miscellaneous	<u>3,919,536</u>	<u>2,226,598</u>	<u>1,692,938</u>
Total revenue	<u>314,271,080</u>	<u>315,024,414</u>	<u>(753,334)</u>
Expenses			
General support	44,468,494	43,549,477	919,017
Instruction	289,900,949	279,480,442	10,420,507
Pupil transportation	12,507,021	15,446,348	(2,939,327)
Debt service - Interest	2,056,676	2,346,688	(290,012)
School lunch program	<u>7,758,627</u>	<u>8,416,720</u>	<u>(658,093)</u>
Total expenses	<u>356,691,767</u>	<u>349,239,675</u>	<u>7,452,092</u>
Change in Net Position	<u><u>\$(42,420,687)</u></u>	<u><u>\$(34,215,261)</u></u>	<u><u>\$ (8,205,426)</u></u>

The School District's fiscal year 2021 revenues totaled \$314,271,080. (See Table A-4). Property taxes (including other tax items) and state and federal sources accounted for most of the School District's revenue by contributing 39% and 51% respectively, of every dollar raised in 2021 (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property, and other miscellaneous sources.

The total cost of all programs and services totaled \$356,691,767 for fiscal year 2021. These expenses are predominately related to general instruction, which account for 81% of School District expenses. (See Table A-6). The School District's general support activities accounted for 12% of total expenses. The \$7.4 million increase in expenses over the prior year is substantially due to recognizing pension and other-employment benefits on a full accrual basis.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Table A-5 Sources of Revenue for 2021

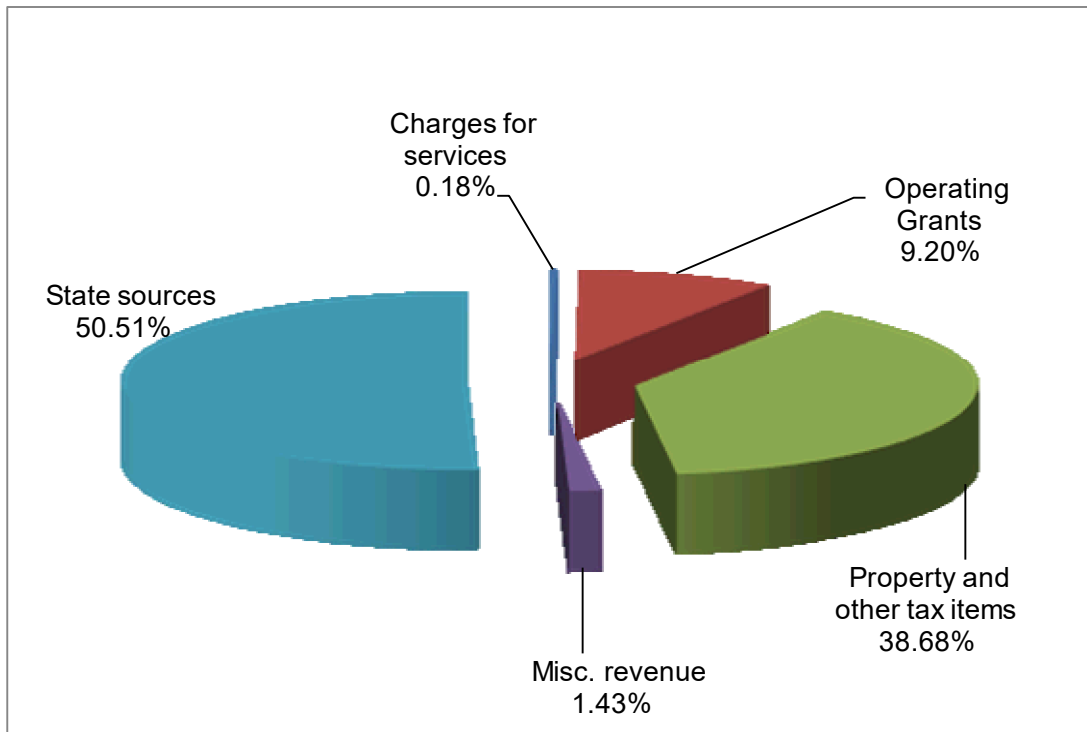
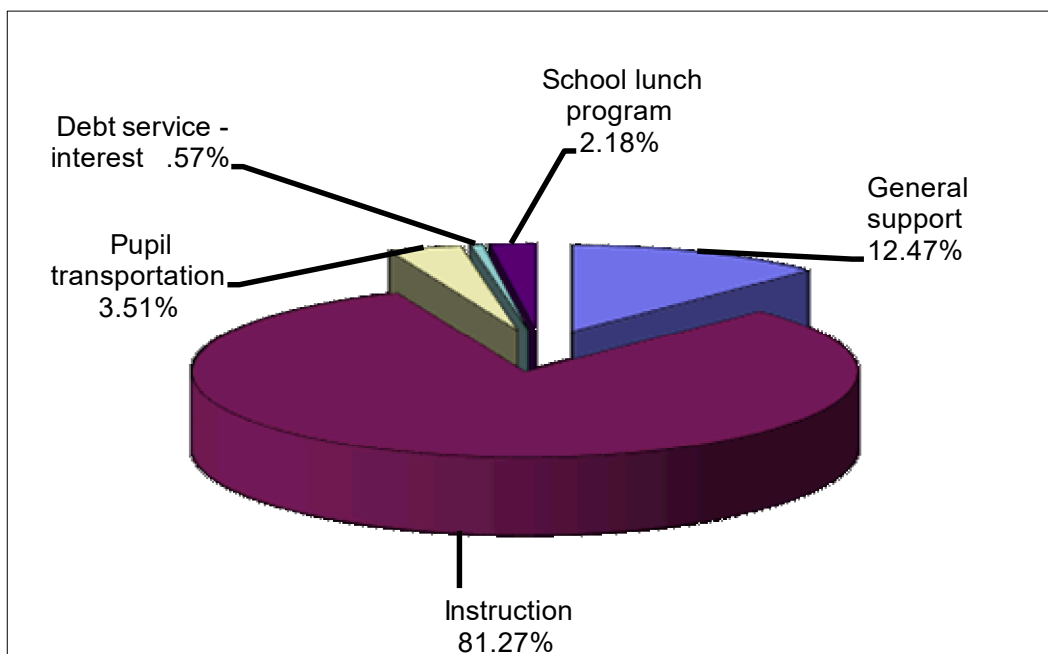


Table A-6 Sources of Expenses for 2021



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE (Continued)

Governmental Activities

Table A-7 presents the cost of the School District's major programs or activities as well as each activity's net cost (total cost less fees generated by the activity and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the School District's taxpayers by each of these functions and is presented in the Statement of Activities.

Table A-7 Net Costs of Governmental Activities

	Total Cost Of Services <u>2021</u>	Total Cost Of Services <u>2020</u>	Percent Change	(Net) Cost Of Services <u>2021</u>	(Net) Cost Of Services <u>2020</u>	Percent Change
Functions:						
General support	\$ 44,468,494	\$ 43,549,477	2.11%	\$ 44,468,494	\$ 43,549,477	2.11%
Instruction	289,900,949	279,480,442	3.73%	271,848,646	259,320,006	4.83%
Pupil transportation	12,507,021	15,446,348	-19.03%	12,507,021	15,446,348	-19.03%
Debt service - Interest	2,056,676	2,346,688	-12.36%	2,056,676	2,346,688	-12.36%
Cost of sales	7,758,627	8,416,720	-7.82%	(3,666,162)	2,087,500	-275.62%
Total	<u>\$356,691,767</u>	<u>\$349,239,675</u>	<u>2.13%</u>	<u>\$327,214,675</u>	<u>\$322,750,019</u>	<u>1.38%</u>

- The total cost of all governmental activities for the year was \$356,691,767.
- The users of the School District's programs financed \$578,585 of the costs.
- The federal and state operating grants financed \$28,898,507 of the costs.
- The remainder of the costs was financed by the School District's taxpayers and unrestricted state aid and federal aid.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Variations between years for the governmental fund financial statements are not the same as variations between years for the government-wide financial statements. The School District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

- General fund – ended the year with \$68.5 million in fund balance. Revenue exceeded expenditures by approximately \$11 million.
- School lunch fund – ended the year with \$4,936,532 in fund balance. Revenues exceeded expenditures by approximately \$4.3 million.
- Capital projects fund – ended the year with \$18.7 million in fund balance. Capital expenditures totaled nearly \$13.5 million and the School District recognized \$13.9 million in proceeds from serial bond debt.
- Special aid fund – ended the year with \$0 in fund balance. By the nature of the fund, total expenditures of \$18 million were matched with offsetting revenue.
- Debt service fund – ended the year with \$1.6 million in fund balance.
- Library fund – ended the year with \$3.3 million in fund balance. Revenue exceeded expenditures by \$831 thousand.
- Miscellaneous special revenue fund was created as a governmental activity fund due to the implementation of Governmental Standards Board Statement No. 84 implementation recognizing extraclassroom and scholarship activities.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights

This section presents an analysis of significant variances between original and final budget amounts and between final budget amounts and actual results for the general fund.

Table A-8 – Results vs. Budget

	Adopted Budget	Final Budget	Actual	Encumbrances	Variance
Revenue:					
Real property taxes	\$100,475,215	\$100,475,215	\$102,664,783	\$ -	\$ 2,189,568
Other tax items	15,244,786	15,244,786	15,074,911	-	(169,875)
Charges for services	400,000	400,000	567,050	-	167,050
Use of money and property	1,250,000	1,250,000	72,440	-	(1,177,560)
Sale of property and compensation for loss	250,000	250,000	243,691	-	(6,309)
Miscellaneous	1,300,000	3,812,833	3,585,790	-	(227,043)
State sources	165,494,424	165,494,424	159,467,675	-	(6,026,749)
Medicaid reimbursement	-	-	198,332	-	198,332
Federal sources	400,000	400,000	1,009,602	-	609,602
Transfers in	620,000	620,000	8,348,949	-	7,728,949
Total revenue	<u>285,434,425</u>	<u>287,947,258</u>	<u>291,233,223</u>	<u>-</u>	<u>3,285,965</u>
Expenditures:					
General support	24,921,567	28,653,831	24,931,512	1,205,882	2,516,437
Instruction	148,377,603	148,995,260	143,029,707	2,321,902	3,643,651
Pupil transportation	16,413,463	16,197,029	11,617,476	-	4,579,553
Employee benefits	82,343,927	80,189,714	75,762,772	-	4,426,942
Transfers out	15,376,031	25,909,604	24,842,065	-	1,067,539
Total expenses	<u>287,432,591</u>	<u>299,945,438</u>	<u>280,183,532</u>	<u>3,527,784</u>	<u>16,234,122</u>
Net change in fund balance	<u>\$ (1,998,166)</u>	<u>\$(1,998,180)</u>	11,049,691	<u>\$ (3,527,784)</u>	<u>\$ 19,520,087</u>
Fund balance - beginning of year			<u>57,484,697</u>		
Fund balance - end of year			<u>\$ 68,534,388</u>		

The general fund is the only fund for which a budget is legally adopted.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights (Continued)

The following significant variances between budget and actual occurred during fiscal 2021:

Property taxes - As a small city school district, we are not guaranteed one hundred percent of the property tax levy every year, due to governmental municipalities' current budgetary needs we did not receive anticipated revenues.

Interfund transfers – the favorable variance in the interfund transfer was due to capital projects and it was not necessary to make the transfer.

All other budgetary variances are considered immaterial.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2021, the School District had \$158,498,401 invested in a broad range of capital assets including land, buildings, vehicles, athletic facilities, computers, and other educational equipment.

Table A-9 – Capital Assets (Net of Depreciation)

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>
Construction in progress	\$ 33,975,511	\$ 20,426,846
Land	1,949,269	1,949,269
Buildings and improvements	266,903,500	266,821,648
Furniture and equipment	13,265,081	13,042,445
Vehicles	1,422,188	1,414,942
Accumulated depreciation	<u>(159,017,148)</u>	<u>(151,363,084)</u>
Total capital assets	<u>\$158,498,401</u>	<u>\$152,292,066</u>

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

As of June 30, 2021, the School District had \$956,846,409 in general obligation and other long-term liabilities outstanding. More detailed information about the School District's long-term debt is included in the notes to the financial statements.

Table A-10 – Long-term Liabilities

	Fiscal Year <u>2021</u>	Fiscal Year <u>2020</u>
Bonds payable, including unamortized bond premium	\$ 44,952,656	\$ 39,698,499
Energy performance contract	26,217,030	27,771,848
Compensated absences	3,650,715	3,571,649
Total other postemployment benefits liability	853,599,802	680,877,061
Net pension liability - ERS	73,851	19,837,087
Net pension liability - ERS	19,545,619	-
Judgment and claims	<u>8,806,736</u>	<u>9,036,471</u>
Total long-term liabilities	<u>\$956,846,409</u>	<u>\$780,792,615</u>

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

The Federal COVID funding is a surge to the revenue and will provide much needed programs to support learning loss, increased maintenance, and compliance for technology and to allow the School District to maintain COVID protocols and mitigation strategies; however, the School District needs to ensure that the long-range financial plan incorporates the ability to sustain needed services beyond the period of available stimulus funds. Additionally, the demand for technology hardware, software, and implementation of EdLaw 2D, as well as providing the required services to ensure that sensitive data is secure and protected from cyber threats demands increased financial resources. The costs of extended health and dental benefits continue to rise each year and we will continue to need additional funding to address this expense.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Newburgh Enlarged City School District
Attn: Assistant Superintendent - Finance
124 Grand Street
Newburgh, New York 12550

NEWBURGH ENLARGED CITY SCHOOL DISTRICT**STATEMENT OF NET POSITION
JUNE 30, 2021****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:

Cash and cash equivalents - unrestricted	\$ 51,373,467
Cash and cash equivalents - restricted	53,407,555
Taxes receivable	2,042,389
Accounts receivable	1,155,261
State and federal aid receivable	27,467,715
Prepaid expenses	250,000
Inventories	<u>217,370</u>
Total current assets	<u>135,913,757</u>

NON-CURRENT ASSETS:

Capital assets, net	<u>158,498,401</u>
Total non-current assets	<u>158,498,401</u>
Total assets	<u>294,412,158</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refunding	428,341
Deferred outflows of resources - TRS Pension	67,143,710
Deferred outflows of resources - ERS Pension	16,393,359
Deferred outflows - OPEB	<u>184,351,965</u>
Total deferred outflows of resources	<u>268,317,375</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	14,456,393
Accrued interest	638,418
Due to other governments	24,024
Unearned revenue	852,755
Due to Teachers' Retirement System	12,248,778
Due to Employees' Retirement System	971,830
Long-term debt due within one year	<u>10,293,556</u>
Total current liabilities	<u>39,485,754</u>

LONG-TERM LIABILITIES:

Bonds payable, net of current portion and unamortized premiums	36,347,656
Energy performance contract	24,528,474
Compensated absences	3,650,715
Judgments and claims	8,806,736
Net pension liability - ERS	73,851
Net pension liability - TRS	19,545,619
Total other postemployment benefits liability	<u>853,599,802</u>
Total long-term liabilities	<u>946,552,853</u>

Total liabilities	<u>986,038,607</u>
-------------------	--------------------

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - TRS Pension	11,393,605
Deferred inflows of resources - ERS Pension	21,545,353
Deferred inflows - OPEB	<u>50,268,582</u>
Total deferred inflows of resources	<u>83,207,540</u>

NET POSITION

Net investment in capital assets	109,217,140
Restricted	53,634,855
Unrestricted	<u>(669,368,609)</u>
TOTAL NET POSITION	<u>\$ (506,516,614)</u>

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

GOVERNMENTAL ACTIVITIES	<u>Expenses</u>	<u>Program Revenues</u>		<i>Net (Expense)</i>
		<i>Charges for</i> <u>Services</u>	<i>Operating</i> <u>Grants</u>	<i>Revenue and</i> <i>Change in</i> <i>Net Position</i>
FUNCTIONS/PROGRAMS:				
General support	\$ 44,468,494	\$ -	\$ -	\$ (44,468,494)
Instruction	289,900,949	569,048	17,483,255	(271,848,646)
Pupil transportation	12,507,021	-	-	(12,507,021)
Debt service - interest	2,056,676	-	-	(2,056,676)
School lunch program	<u>7,758,627</u>	<u>9,537</u>	<u>11,415,252</u>	<u>3,666,162</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 356,691,767</u>	<u>\$ 578,585</u>	<u>\$ 28,898,507</u>	<u>(327,214,675)</u>
GENERAL REVENUE:				
Real property taxes				106,474,212
Other tax items				15,074,911
Use of money and property				132,215
Sale of property and compensation for loss				243,691
State sources				158,751,091
Medicaid reimbursement				198,332
Miscellaneous				<u>3,919,536</u>
TOTAL GENERAL REVENUE				<u>284,793,988</u>
CHANGE IN NET POSITION				<u>(42,420,687)</u>
TOTAL NET POSITION - beginning of year, as previously reported				(464,652,785)
RESTATEMENT (Note 12)				<u>556,858</u>
TOTAL NET POSITION - beginning of year, as restated				<u>(464,095,927)</u>
TOTAL NET POSITION - end of year				<u>\$ (506,516,614)</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<i>General</i>	<i>Special Aid</i>	<i>School Lunch</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Library</i>	<i>Miscellaneous Special Revenue</i>	<i>Total Governmental Funds</i>
ASSETS								
Cash and cash equivalents - unrestricted	\$ 26,314,937	\$ 290,073	\$ 469,986	\$ 21,460,084	\$ 1,607,021	\$ 1,004,066	\$ 227,300	\$ 51,373,467
Cash and cash equivalents - restricted	53,031,786	-	-	-	-	-	375,769	53,407,555
Taxes receivable	2,042,389	-	-	-	-	-	-	2,042,389
Accounts receivable	1,150,141	1,422	3,698	-	-	-	-	1,155,261
Due from other funds	10,383,277	-	2,237,335	308,550	47,690	2,557,173	-	15,534,025
State and federal aid receivable	12,748,755	10,876,424	2,556,567	1,285,969	-	-	-	27,467,715
Prepaid expenditures	250,000	-	-	-	-	-	-	250,000
Inventory	-	-	217,370	-	-	-	-	217,370
Total assets	\$ 105,921,285	\$ 11,167,919	\$ 5,484,956	\$ 23,054,603	\$ 1,654,711	\$ 3,561,239	\$ 603,069	\$ 151,447,782
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
LIABILITIES:								
Accounts payable and accrued expenses	\$ 10,211,855	\$ 1,052,925	\$ 548,424	\$ 2,427,937	\$ -	\$ 215,252	\$ -	\$ 14,456,393
Due to other funds	5,103,058	9,061,115	-	1,369,852	-	-	-	15,534,025
Due to other governments	10,192	13,832	-	-	-	-	-	24,024
Due to Teachers' Retirement System	12,248,778	-	-	-	-	-	-	12,248,778
Due to Employees' Retirement System	971,830	-	-	-	-	-	-	971,830
Unearned revenue	-	1,040,047	-	517,375	-	-	-	1,557,422
Total liabilities	28,545,713	11,167,919	548,424	4,315,164	-	215,252	-	44,792,472
DEFERRED INFLOWS OF RESOURCES:								
Deferred taxes	1,688,965	-	-	-	-	-	-	1,688,965
Deferred revenue	7,152,219	-	-	-	-	-	-	7,152,219
Total deferred inflows of resources	8,841,184	-	-	-	-	-	-	8,841,184

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2021

	<i>General</i>	<i>Special Aid</i>	<i>School Lunch</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Library</i>	<i>Miscellaneous Special Revenue</i>	<i>Total Governmental Funds</i>
Nonspendable								
Prepaid expenditures	250,000	-	-	-	-	-	-	250,000
Inventory	-	-	217,370	-	-	-	-	217,370
Total nonspendable fund balance	<u>250,000</u>	<u>-</u>	<u>217,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,370</u>
Restricted for:								
Unemployment insurance	1,020,142	-	-	-	-	-	-	1,020,142
Workers' compensation reserve	8,352,244	-	-	-	-	-	-	8,352,244
Retirement	5,887,090	-	-	-	-	-	-	5,887,090
Tax certiorari	3,366,505	-	-	-	-	-	-	3,366,505
Capital projects	25,259,205	-	-	-	-	-	-	25,259,205
Employee benefits accrued liability	3,331,366	-	-	-	-	-	-	3,331,366
Insurance	1,150,904	-	-	-	-	-	-	1,150,904
Repairs	1,664,330	-	-	-	-	-	-	1,664,330
Liability reserve	3,000,000	-	-	-	-	-	-	3,000,000
Other	-	-	-	-	-	-	603,069	603,069
Total restricted fund balance	<u>53,031,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,069</u>	<u>53,634,855</u>
Assigned								
Unappropriated	3,527,784	-	4,719,162	18,739,439	1,654,711	3,345,987	-	31,987,083
Total assigned fund balance	<u>3,527,784</u>	<u>-</u>	<u>4,719,162</u>	<u>18,739,439</u>	<u>1,654,711</u>	<u>3,345,987</u>	<u>-</u>	<u>31,987,083</u>
Unassigned	<u>11,724,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,724,818</u>
Total fund balance	<u>68,534,388</u>	<u>-</u>	<u>4,936,532</u>	<u>18,739,439</u>	<u>1,654,711</u>	<u>3,345,987</u>	<u>603,069</u>	<u>97,814,126</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 105,921,285</u>	<u>\$ 11,167,919</u>	<u>\$ 5,484,956</u>	<u>\$ 23,054,603</u>	<u>\$ 1,654,711</u>	<u>\$ 3,561,239</u>	<u>\$ 603,069</u>	<u>\$ 151,447,782</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - total governmental funds	\$ 97,814,126
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the funds.	158,498,401
Revenue related to the tax levy and deferred state aid is recognized when earned in the statement of activities, but deferred in the fund statements if collection is anticipated to exceed sixty days after year-end.	9,545,851
Deferred outflows/inflows of resources related to pensions and OPEB and deferred gains and losses on refundings are applicable to future periods and; therefore, are not reported in the funds:	
Deferred outflows - ERS/TRS	83,537,069
Deferred inflows - ERS/TRS	(32,938,958)
Deferred outflows - Refunding	428,341
Deferred outflows - OPEB	184,351,965
Deferred inflows - OPEB	(50,268,582)
Net pension obligations are not due and payable in the current period and; therefore, are not reported in the funds.	
Net pension liability - ERS	(73,851)
Net pension liability - TRS	(19,545,619)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:	
Bonds payable, net of unamortized premium	(46,641,212)
Energy performance contract debt	(24,528,474)
Judgment and claims	(8,806,736)
Compensated absences	(3,650,715)
Total other postemployment benefits liability	(853,599,802)
Accrued interest	(638,418)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (506,516,614)</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Library</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUE:								
Real property taxes	\$ 102,664,783	\$ -	\$ -	\$ -	\$ -	\$ 5,462,744	\$ -	\$ 108,127,527
Other tax items	15,074,911	-	-	-	-	-	-	15,074,911
Charges for services	567,050	-	-	-	-	1,998	-	569,048
Use of money and property	72,440	-	123	-	25,689	961	33,002	132,215
Sale of property and compensation for loss	243,691	-	-	-	-	-	-	243,691
Miscellaneous	3,585,790	17,141	50,000	-	-	167,594	99,011	3,919,536
State sources	159,467,675	8,308,807	344,900	-	-	18,834	-	168,140,216
Medicaid reimbursement	198,332	-	-	-	-	-	-	198,332
Federal sources	1,009,602	8,141,638	11,070,352	-	-	4,374	-	20,225,966
Sales - school lunch	-	-	9,537	-	-	-	-	9,537
Total revenue	282,884,274	16,467,586	11,474,912	-	25,689	5,656,505	132,013	316,640,979
EXPENDITURES:								
General support	24,931,512	-	-	-	-	3,278,802	85,802	28,296,116
Instruction	143,029,707	14,388,887	-	-	-	-	-	157,418,594
Pupil transportation	11,617,476	481,876	-	-	-	-	-	12,099,352
Employee benefits	75,762,772	2,880,382	1,313,065	-	-	1,437,621	-	81,393,840
Debt service - principal	-	-	-	-	10,919,818	-	-	10,919,818
Debt service - interest	-	-	-	-	2,296,243	-	-	2,296,243
Cost of sales	-	-	5,812,434	-	-	-	-	5,812,434
Capital outlay	-	-	-	13,548,667	-	-	-	13,548,667
Total expenditures	255,341,467	17,751,145	7,125,499	13,548,667	13,216,061	4,716,423	85,802	311,785,064
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	27,542,807	(1,283,559)	4,349,413	(13,548,667)	(13,190,372)	940,082	46,211	4,855,915
OTHER SOURCES AND (USES):								
Proceeds from issuance of bonds	-	-	-	13,985,000	-	-	-	13,985,000
Premium on issuance of debt	-	-	-	1,019,004	-	-	-	1,019,004
Operating transfers in	8,348,949	1,627,450	-	10,002,250	13,212,365	-	-	33,191,014
Operating transfers (out)	(24,842,065)	(362,200)	-	-	(7,877,679)	(109,070)	-	(33,191,014)
Total other sources (uses)	(16,493,116)	1,265,250	-	25,006,254	5,334,686	(109,070)	-	15,004,004
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	11,049,691	(18,309)	4,349,413	11,457,587	(7,855,686)	831,012	46,211	19,859,919
FUND BALANCE - beginning of year, as previously reported	57,484,697	18,309	587,119	7,281,852	9,510,397	2,514,975	-	77,397,349
RESTATEMENT (Note 12)	-	-	-	-	-	-	556,858	556,858
FUND BALANCE - beginning of year, as restated	57,484,697	18,309	587,119	7,281,852	9,510,397	2,514,975	556,858	77,954,207
FUND BALANCE - end of year	\$ 68,534,388	\$ -	\$ 4,936,532	\$ 18,739,439	\$ 1,654,711	\$ 3,345,987	\$ 603,069	\$ 97,814,126

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balance - total governmental funds	\$ 19,859,919
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	13,860,399
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities.	(7,654,064)
Deferred tax revenues and State Aid are recorded on the modified accrual basis, but are not reported in the government-wide financial statement.	(2,369,899)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the statement of net position.	10,919,818
Amortization of premiums associated with long-term debt are not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	384,847
Amortization of the deferred gain on bond refunding is not recorded as a revenue in the governmental funds, but is recorded in the statement of activities.	(135,265)
Proceeds from issuance of long-term debt are recorded as other sources in the the governmental funds but are not recorded as additions to liabilities in the statement of net position.	(13,985,000)
Bond premium is recognized as revenue in the governmental funds, but is recorded in the statement of activities	(1,019,004)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of district pension contributions is reported as pension expense;	
ERS Pension Expense	1,462,378
TRS Pension Expense	(14,801,463)
Certain expenses in the statement of activities do not require the use of current resources and are, therefore, not reported as expenditures in the governmental funds:	
Change in accrued interest	(10,015)
Change in compensated absences	(79,066)
Change in judgment and claims	229,735
Change in other postemployment benefits	<u>(49,084,007)</u>
Change in net position - governmental activities	<u>\$ (42,420,687)</u>

The accompanying notes are an integral part of these statements.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Newburgh Enlarged City School District (School District) provides K-12 public education to students living within its geographic boundaries.

The financial statements of Newburgh Enlarged City School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 School District are described below:

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education. The President of the Board of Education 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 School District. The Board of Education has the authority to make decisions, power to appoint management, and primarily accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). 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 School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an activity included in the School District's reporting entity:

Extraclassroom Activity Funds

The extraclassroom activity funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. Separate audited cash basis financial statements of the extraclassroom activity funds can be obtained at the School District's business office. The School District accounts for the assets held as an agent for various student organizations in the Miscellaneous Special Revenue Fund.

Public Library

The public library jointly shares the services of the School District Treasurer, appoints trustees for library purposes, and has title to real property used by the library.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The School District's financial statements consist of School District-wide financial statements, including a statement of net position and a statement of activities and change in net position, and fund level financial statements which provide more detailed information. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures, as appropriate. Governmental resources are allocated to and accounted in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Statements

The statement of net position and the statement of activities and changes in net position present financial information about the School District's governmental activities and are included on the statement of net position. 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 revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital), grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between program expenses and revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The fund financial statements provide information about the School District's 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.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The accounts of the School District are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflows of resources, fund balances, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types used by the School District are as follows:

Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities are accounted for through the governmental funds. The measurement focus is upon determination of the changes in financial position rather than upon determination of net income. The following are the School District's major governmental funds:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- **Special Aid Fund:** Used to account for special operating projects or programs supported in whole, or in part, with federal funds or state or local grants.
- **School Lunch Fund:** Used to account for transactions of the lunch and breakfast programs.
- **Library Fund:** Used to account for operations of the public library.
- **Capital Projects Fund:** These funds are 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.
- **Miscellaneous Special Revenue Fund:** This fund accounts for proceeds from various funding sources, which may be restricted by donor or designated by the School District for specific purposes. The transactions of the Extraclassroom Activities Funds are included in this fund as well as scholarships.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, potential contingent liabilities, net pension assets and liabilities and useful lives of long-lived assets.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide 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 School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Cash and Cash Equivalents

Cash and investments consist of funds deposited in demand deposit accounts and amounts with the New York Cooperative Liquid Assets Securities System (NYCLASS). The School District's deposit and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include NYCLASS, obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions and accordingly, The School District's policy provides for no credit risk on investments.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by FDIC insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and School District subdivisions.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financing institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name.

The School District participates in NYCLASS, a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby the School District holds a portion of the investments in cooperation with other participants. At June 30, 2021, the School District held \$7,320,687 in NYCLASS consisting of various investments in securities issued by the United States and its agencies. NYCLASS is rated 'AAAm' from Standard & Poor's Global Ratings. Amounts held with NYCLASS are highly liquid and the amount held represents the amortized cost of the investment pool shares, which are considered to approximate fair value. Additional information concerning NYCLASS, including the annual report, can be found on its website www.newyorkclass.org.

Restricted Cash

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.

Accounts Receivable

Accounts receivable are shown gross. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventory and Prepaid Expenditures

Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both the government-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.

Interfund Transactions

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

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

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 School District's practice to settle these amounts at a net balance based upon the right of legal offset.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Capital Assets, Net

Capital assets, net are reflected in the government-wide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third-party professionals, net of accumulated depreciation. Donated assets are reported at estimated fair value at the time received.

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 government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$5,000	SL	50
Buildings and improvements	\$5,000	SL	50
Furniture and equipment	\$5,000	SL	5-15
Vehicles	\$5,000	SL	5

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position presents 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 (expenses/expenditure) until then.

In addition to liabilities, the statement of net position presents 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 and so will not be recognized as an inflow of resources (revenue) until then.

The School District also reports deferred outflows of resources and deferred inflows of resources in relation to its pension and OPEB obligations. These amounts are detailed in the discussion of the School District's pension and OPEB plans in Note 8.

Vested Employee Benefits

Compensated Absences

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

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

The liability for compensated absences has been calculated using the vesting/termination method and an accrual for that liability is included in the government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the governmental funds 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.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Vested Employee Benefits (Continued)

Net Pension Liability/Asset

The net pension liability/asset represents the School District's proportionate share of the net pension liability or asset of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Total Other Postemployment Benefits Liability

In addition to providing the pension benefits through the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System, the School District provides post-employment health insurance coverage (OPEB) to its retired employees and their survivors. The School District has retained an actuary to determine the School District's total OPEB liability in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The disclosures relating to the School District's total OPEB liability are reflected in Note 8.

Property Taxes

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

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

Unearned Revenue

Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded. Unearned revenue recorded in governmental funds is generally not recorded in the government-wide financial statements.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Accrued Liabilities and Long-Term Obligations

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

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due within one year (current) or due within more than one year (non-current) in the statement of net position.

Short-Term Debt

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

The School 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 School District did not issue any budget notes during the year ended June 30, 2021.

The School 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 be converted to long-term financing within five years after the original issue date.

The School 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 in 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.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the School 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.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Net Position and Fund Balance Classifications

Government-wide Statements

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

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

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

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

Governmental 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 are required to be maintained intact. Non-spendable fund balance includes prepaid expenses and the inventory recorded in the school lunch fund.

Restricted fund balance – 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. The School District has available the following restricted fund balances:

Capital

Capital reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term, and the source of the funds. Expenditures 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 capital fund under restricted fund balance.

Repair

Repair services (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The board of education without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Workers' Compensation

Workers' compensation reserve (GML §6-j) is 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 under restricted fund balance.

Unemployment Insurance

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

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the debt service fund under restricted fund balance.

Insurance

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

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000 whichever is greater. This type of reserve fund may be utilized only by School Districts, except city School Districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

Net Position and Fund Balance Classifications (Continued)
Governmental Fund Statements (Continued)

Tax Certiorari

Tax certiorari reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which 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 under restricted fund balance.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due to 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 under restricted fund balance.

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Restricted fund balance at June 30, 2021 consists of:

Unemployment insurance	\$ 1,020,142
Retirement contributions	5,887,090
Workers compensation	8,352,244
Tax certiorari	3,366,505
Capital projects	25,259,205
Employee benefits accrued liability	3,331,366
Insurance	1,150,904
Repairs	1,664,330
Liability reserve	3,000,000
Other	603,069
Total restricted fund balance	<u>\$ 53,634,855</u>

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School Districts highest level of decision-making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2021.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Assigned fund balance – Includes amounts that are constrained by the School District’s intent to be used for specific purposes but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. As of June 30, 2021, the School District’s encumbrances were classified as follows:

General Support	\$ 1,205,882
Instruction	<u>2,321,902</u>
	<u>\$ 3,527,784</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above two classifications and are deemed to be available for general use by the School District.

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

Order of Fund Balance Spending Policy

The School District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The School District considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Explanation of Certain Differences between Governmental Fund Statements and Government-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-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.

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

Total fund balances of the School 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.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered available, whereas the statement of activities reports revenue when earned. Differences in long-term, available expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

Pension Differences

Pension differences occur as a result of changes in the School District's proportion of the collection net pension asset/liability and differences between the School District's contributions and its proportionate share of the total contributions to the pensions system.

OPEB Differences

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

Stewardship, Compliance, and Accountability

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

The voters of the School District approved the proposed appropriation budget for the general fund and library fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

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

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

2. CASH AND CASH EQUIVALENTS

The School District's aggregate bank balances, including balances not covered by depository insurance at year-end are collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	<u>\$115,701,917</u>	<u>\$ 97,438,878</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$114,349,401	
Covered by FDIC insurance	<u>1,352,516</u>	
Total	<u>\$115,701,917</u>	

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of June 30, 2021 includes \$53,407,555 within the governmental funds.

General Fund:

Unemployment insurance	\$ 1,020,142
Workers' compensation reserve	8,352,244
Retirement	5,887,090
Tax certiorari	3,366,505
Capital projects	25,259,205
Employee benefits accrued liability	3,331,366
Insurance	1,150,904
Repairs	1,664,330
Liability reserve	<u>3,000,000</u>

Total restricted cash - General Fund 53,031,786

Miscellaneous Special Revenue Fund:

Cash on deposit for extraclassroom activity funds and scholarships	<u>375,769</u>
--------------------------------------------------------------------	----------------

Total restricted cash \$ 53,407,555

3. INVESTMENTS

The School District has few investments (primarily donated scholarship funds) and chooses to disclose its investments by specifically identifying each. The School District's investment policy for these investments is also governed by New York State statutes. Investments which consist of equity securities are carried at the fair value of \$21,457.

4. CAPITAL ASSETS, NET

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

	July 1, 2020 <u>Balance</u>	Additions/ <u>Adjustments</u>	Deletions/ <u>Adjustments</u>	June 30, 2021 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,949,269	\$ -	\$ -	\$ 1,949,269
Construction in progress	<u>20,426,846</u>	<u>13,548,665</u>	<u>-</u>	<u>33,975,511</u>
Total non-depreciable capital assets	<u>22,376,115</u>	<u>13,548,665</u>	<u>-</u>	<u>35,924,780</u>
Capital assets that are depreciated:				
Buildings and improvements	266,821,648	81,852	-	266,903,500
Machinery and equipment	13,042,445	222,636	-	13,265,081
Vehicles	<u>1,414,942</u>	<u>7,246</u>	<u>-</u>	<u>1,422,188</u>
Total depreciable capital assets	<u>281,279,035</u>	<u>311,734</u>	<u>-</u>	<u>281,590,769</u>
Less accumulated depreciation:	<u>(151,363,084)</u>	<u>(7,654,064)</u>	<u>-</u>	<u>(159,017,148)</u>
Total capital assets, net	<u>\$152,292,066</u>	<u>\$ 6,206,335</u>	<u>\$ -</u>	<u>\$158,498,401</u>

Depreciation expense for the year ended June 30, 2021, was allocated to specific functions as follows:

General government support	\$ 567,166
Instruction	6,926,163
Pupil transportation	146,958
Cost of sales	<u>13,777</u>
Total depreciation	<u>\$ 7,654,064</u>

5. LONG-TERM LIABILITIES

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>	Long-term <u>Portion</u>
Government activities:						
Bonds and notes payable:						
Bond payable	\$ 37,725,000	\$ 13,985,000	\$ 9,365,000	\$ 42,345,000	\$ 8,605,000	\$ 33,740,000
Unamortized bond premium	<u>1,973,499</u>	<u>1,019,004</u>	<u>384,847</u>	<u>2,607,656</u>	<u>-</u>	<u>2,607,656</u>
Total bonds payable, net	<u>39,698,499</u>	<u>15,004,004</u>	<u>9,749,847</u>	<u>44,952,656</u>	<u>8,605,000</u>	<u>36,347,656</u>
Other long-term liabilities:						
Energy performance contract	27,771,848	-	1,554,818	26,217,030	1,688,556	24,528,474
Judgments and claims	9,036,471	1,259,824	1,489,559	8,806,736	-	8,806,736
Net pension liability - ERS	19,837,087	-	19,763,236	73,851	-	73,851
Net pension liability - TRS	-	19,545,619	-	19,545,619	-	19,545,619
Compensated absences	3,571,649	79,066	-	3,650,715	-	3,650,715
Total other postemployment benefits	<u>680,877,061</u>	<u>191,057,999</u>	<u>18,335,258</u>	<u>853,599,802</u>	<u>-</u>	<u>853,599,802</u>
Total long-term liabilities	<u>\$780,792,615</u>	<u>\$226,946,512</u>	<u>\$ 50,892,718</u>	<u>\$956,846,409</u>	<u>\$ 10,293,556</u>	<u>\$946,552,853</u>

Issue dates, maturities, and interest rates on outstanding debt are as follows at June 30, 2021:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
Serial Bonds	2011	2024	Varies	\$ 1,315,000
Serial Bonds	2011	2024	Varies	1,470,000
Serial Bonds	2011	2025	Varies	11,335,000
Serial Bonds	2012	2026	Varies	8,560,000
Serial Bonds	2014	2026	Varies	5,680,000
Serial Bonds	2021	2041	Varies	13,985,000
				<u>\$ 42,345,000</u>

The following is a summary of the maturity of bonds payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 8,605,000	\$ 1,673,403	\$ 10,278,403
2023	7,445,000	1,261,316	8,706,316
2024	7,645,000	897,411	8,542,411
2025	5,285,000	598,894	5,883,894
2026	3,720,000	406,644	4,126,644
2027 - 2031	2,770,000	1,072,830	3,842,830
2032 - 2036	3,265,000	575,130	3,840,130
2037 - 2041	<u>3,610,000</u>	<u>227,662</u>	<u>3,837,662</u>
Total	<u>\$ 42,345,000</u>	<u>\$ 6,713,290</u>	<u>\$ 49,058,290</u>

5. LONG-TERM LIABILITIES (Continued)

In 2019, the School District entered into an \$26,135,748 equipment lease/purchase agreement in order to implement a performance energy contract. The agreement carries an interest rate of 2.935% and matures in April 2034. In 2020, the School District entered into an \$1,998,178 equipment lease/purchase agreement in addition to the implemented performance energy contract. The agreement carries an interest rate of 2.271% and matures in February 2034. The following is a summary of the scheduled principal and interest payments of energy performance agreement:

<u>Fiscal Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,688,556	\$ 744,403	\$ 2,432,959
2023	1,737,599	695,361	2,432,960
2024	1,788,072	644,888	2,432,960
2025	1,840,015	592,944	2,432,959
2026	1,893,474	539,485	2,432,959
2027 - 2031	10,325,443	1,839,355	12,164,798
2032 - 2034	<u>6,943,871</u>	<u>355,009</u>	<u>7,298,880</u>
Total	<u>\$ 26,217,030</u>	<u>\$ 5,411,445</u>	<u>\$ 31,628,475</u>

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

Interest paid	\$ 2,296,243
Less : interest accrued in the prior year	(628,403)
Plus : interest accrued in the current year	638,418
Amortization of debt premiums	(384,847)
Amortization of deferred gains and losses on refunding	<u>135,265</u>
Total expense	<u>\$ 2,056,676</u>

6. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 10,383,277	\$ 5,103,058	\$ 8,348,949	\$ 24,842,065
Special aid fund	-	9,061,115	1,627,450	362,200
School lunch fund	2,237,335	-	-	-
Capital fund	308,550	1,369,852	10,002,250	-
Debt service fund	47,690	-	13,212,365	7,877,679
Library fund	<u>2,557,173</u>	<u>-</u>	<u>-</u>	<u>109,070</u>
Total	<u>\$ 15,534,025</u>	<u>\$ 15,534,025</u>	<u>\$ 33,191,014</u>	<u>\$ 33,191,014</u>

Interfund receivables and payables, other than between governmental activities, are eliminated on the statement of net position.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

7. PENSION PLANS

New York State and Local Employee Retirement System (ERS)

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

ERS is noncontributory except for employees who joined ERS after July 27, 1976, who contribute 3.0% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% of their salary for their entire length of service.

Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during ERS's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2021	\$ 3,887,319
2020	\$ 3,290,587
2019	\$ 3,043,822

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

At June 30, 2021, the School District reported a net pension liability of \$73,851 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2020. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2021, the School District's proportion was .0741669% which was an decrease of .00074497% from its proportionate share measured at June 30, 2020.

7. PENSION PLANS (Continued)

New York State and Local Employee Retirement System (ERS) (Continued)

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

For the year ended June 30, 2021, the School District recognized pension expense of \$2,110,265. At June 30, 2021, the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 901,920	\$ -
Changes of assumptions	13,578,805	256,100
Net difference between projected and actual earnings on pension plan investments	-	21,214,337
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	940,804	74,916
Contributions subsequent to the measurement date	971,830	-
	<u>\$ 16,393,359</u>	<u>\$ 21,545,353</u>

The School District recognized \$971,830 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2021 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ERS's Year Ended March 31:	
2022	\$ (927,167)
2023	(206,789)
2024	(966,254)
2025	(4,023,614)
2026	-
Thereafter	-
	<u>\$ (6,123,824)</u>

7. PENSION PLANS (Continued)

New York State and Local Employee Retirement System (ERS) (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.7%
Salary Increases	4.4%, indexed by service
Projected COLAs	1.4% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2015 through March 31, 2020
Mortality Improvement	Society of Actuaries Scale MP-2020
Investment Rate of Return	5.9% compounded annually, net of investment expenses

The long-term expected 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 return, net of investment expenses 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 the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations</u>	<u>Long-Term expected real rate of return</u>
Domestic Equity	32%	4.05%
International Equity	15%	6.30%
Private Equity	10%	6.75%
Real Estate	9%	4.95%
Opportunistic/ARS portfolio	3%	4.50%
Credit	4%	3.63%
Real Assets	3%	5.95%
Fixed Income	23%	0.00%
Cash	1%	0.50%
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 Plan'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.

7. PENSION PLANS (Continued)

New York State and Local Employee Retirement System (ERS) (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (4.90%) or 1% higher (6.90%) than the current rate:

	1 % Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Proportionate Share of Net Pension Liability (Asset)	\$ 20,498,162	\$ 73,851	\$ (18,762,144)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of ERS as of March 31, 2021, were as follows (in thousands):

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 220,680,157
Net position	(220,580,583)
Net pension liability (asset)	<u>\$ 99,574</u>
Fiduciary net position as a percentage of total pension liability	99.95%

New York State Teachers' Retirement System (TRS)

The School District participates in the New York State Teachers' Retirement System (TRS). TRS is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten-member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, 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 TRS issues a stand-alone financial report which may be found at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

NYSTRS is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the TRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in NYSTRS more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (TRS) (Continued)

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

2021	\$ 11,112,336
2020	\$ 10,636,512
2019	\$ 10,969,680

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

At June 30, 2021, the School District reported net pension liability of \$19,545,619 for its proportionate share of the NYSTRS net pension liability. The net pension liability was measured as of **June 30, 2020**, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At **June 30, 2020** the School District's proportionate share was 0.707336%, which was an increase of 0.012255% from its proportionate share measured at June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$26,158,056. At June 30, 2021 the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,125,873	\$ 1,001,675
Changes of assumptions	24,720,658	8,811,623
Net difference between projected and actual earnings on pension plan investments	12,765,002	-
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	283,399	1,580,307
Contributions subsequent to the measurement date	12,248,778	-
	<u>\$ 67,143,710</u>	<u>\$ 11,393,605</u>

The School District recognized \$12,248,778 as a deferred outflow of resources related to pensions resulting from the School District's contributions subsequent to the measurement date June 30, 2020, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (TRS) (Continued)

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

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

TRS's Year Ended June 30:

2021	\$ 7,456,869
2022	15,213,054
2023	12,346,104
2024	7,545,553
2025	152,232
Thereafter	<u>787,515</u>
	<u>\$ 43,501,327</u>

Actuarial Assumptions

The total pension liability at the June 30, 2020 measurement date was determined by 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 valuations used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.20%
Projected Salary Increases	Rates of increase differ based on service They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.3% compounded annually
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2019, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (TRS) (Continued)

Actuarial Assumptions (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations</u>	<u>Long-Term expected real rate of return</u>
Domestic Equity	33%	7.1%
International Equity	16%	7.7%
Global Equity	4%	7.4%
Real Estate Equity	11%	6.8%
Private Equity	8%	10.4%
Domestic Fixed Income	16%	1.8%
Global Bonds	2%	1.0%
High-yield Bonds	1%	3.9%
Private Debt	1%	5.2%
Real Estate Debt	7%	3.6%
Cash Equivalents	1%	0.7%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from School Districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability (asset) of the School District calculated using the discount rate of 7.10 percent, as well as what the School Districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.10 percent) or 1% higher (8.10 percent) than the current rate:

	1 % Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Proportionate Share of Net Pension Liability (Asset)	\$ 123,462,935	\$ 19,545,619	\$ (67,667,345)

7. PENSION PLANS (Continued)

New York State Teachers' Retirement System (TRS) (Continued)

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of NYSTRS as of June 30, 2020, were as follows (in thousands):

	Pension Plan's Fiduciary Net Position
Total pension liability	\$123,242,776,215
Net position	<u>(120,479,505,380)</u>
Net pension liability (asset)	<u>\$ 2,763,270,835</u>
Fiduciary net position as a percentage of total pension liability	97.8%

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY

Plan Description

The School District's single-employer defined benefit OPEB plan, which is administered by the School District, provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits and eligibility requirements determined by the employment contracts negotiated between the School District and its employee groups. All employees are eligible if they retire at or after the age of 55 and have 10 years of service with the School District. Medical benefits, including pharmaceutical costs, are provided through plans whose premiums are based on the benefits paid during the year. The School District pays 100% of the cost of premiums with surviving spouses contributing 100% of premiums.

Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. The plan does not accumulate assets to meet its future obligation and the plan is not administered through a trust or an equivalent arrangement. The OPEB plan does not issue a stand-alone financial report.

In the governmental funds, the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid. Total contributions to the plan to cover the School District's share of insurance premiums for the year ended June 30, 2021 was \$17,237,835.

At June 30, 2021, the number of employees covered by the School District's OPEB plan was:

Inactive employees or beneficiaries	
currently receiving benefits	1,736
Active employees	<u>1,990</u>
Total participants	<u><u>3,726</u></u>

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Total OPEB Liability

The School District's total OPEB liability of \$853,599,802 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019. The July 1, 2019 total OPEB liability was increased by service cost and interest, decreased by benefits payments and adjusted to reflect any material plan changes to arrive at the total OPEB liability at the measurement date. The changes in the OPEB liability are as follows:

Balance at June 30, 2020	<u>\$680,877,061</u>
Changes for the Year	
Service cost	25,558,647
Interest	24,509,769
Changes of benefit terms	-
Changes in assumptions or other inputs	140,989,583
Differences between expected and actual experience	(1,890,010)
Benefit payments	<u>(16,445,248)</u>
Net changes	<u>172,722,741</u>
Balance at June 30, 2021	<u>\$853,599,802</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability per the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- The actuarial method used is the entry age normal -level percentage of payroll.
- The discount rate of 2.21% was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
- Mortality rates used were PUB-2010 Headcount Weighted Mortality Table, Teachers and General Classification projected generationally with MP-2020.

Health care costs are assumed to increase at the following rates:

Year	Pre-65	Post-65	EGWP	Rx
2019	5.75%	5.00%	8.00%	8.00%
2020	5.75%	4.90%	7.00%	7.00%
2021	5.50%	4.80%	6.00%	6.00%
2022	5.25%	4.80%	5.50%	5.50%
2023	5.00%	4.75%	5.25%	5.25%
2024	5.00%	4.75%	5.00%	5.00%
2025	4.75%	4.50%	4.50%	4.50%
2026	4.50%	4.50%	4.50%	4.50%

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

Actuarial Assumptions and Other Inputs (Continued)

Changes in the actuarial methods and assumption since the prior measurement period are as follows:

- The discount rate was updated from 3.51% to 2.21% to be consistent with the Bond Buyer 20 GO Bond Index
- Mortality assumption has been updated from RP-2014 Headcount Weighted Mortality Table projected generationally with scale MP 2020 from the central year to PUB-2010 Headcount Weighted Mortality Table projected generationally with scale MP 2020 varying based on Bargaining Unit Classification.
- Salary Scale was updated to service-based tables from ERS and TRS to be consistent with GASB 75 requirements
- Healthcare Cost Trend Rate was 5.75% in 2019, decreasing 0.25% per year to an ultimate rate of 4.5% for 2026.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Current Discount (2.21%)	1% Increase (3.21%)
Total OPEB Liability	<u>\$1,019,694,997</u>	<u>\$853,599,802</u>	<u>\$ 722,690,343</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District Post-Retirement Health Care Plan, as well as what the School District total OPEB liability of the Post-Retirement Health Care Plan 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 (4.75%)	Current Healthcare (5.75%)	1% Increase (6.75%)
Total OPEB Liability	<u>\$699,269,551</u>	<u>\$853,599,802</u>	<u>\$ 1,058,283,392</u>

8. TOTAL OTHER POST-EMPLOYMENT BENEFITS LIABILITY (Continued)

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

For the year ended June 30, 2021, the School District recognized OPEB expense of \$66,321,842. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 40,091,023	\$ 1,635,220
Assumption changes	127,023,107	48,633,362
Benefit payments subsequent to measurement date	<u>17,237,835</u>	<u>-</u>
Total	<u>\$ 184,351,965</u>	<u>\$ 50,268,582</u>

The School District recognized \$17,237,835 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of June 30, 2020, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 16,253,426
2023	16,253,426
2024	18,058,702
2025	21,626,079
2026	23,103,276
Thereafter	<u>21,550,639</u>
	<u>\$116,845,548</u>

9. RISK MANAGEMENT

General Insurance - The School 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.

Consortiums and Self Insured Plans – For the year ended June 30, 2021, the 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 School District's workers compensation program administrator is responsible for the approval, processing and payment of claims, after which they bill the School District for reimbursement. The School District performs an actuarial study of its workers compensation plan on a biannual basis, the last actuarial study was conducted during the fiscal year ended June 30, 2017. At year end, the School District estimated its liability at \$8,806,736 which represents reported and unreported claims which were incurred on or before year end, but which were not paid by the School District as of that date.

As of June 30, 2021, the School District's reserves provide coverage for up to a maximum of \$650,000 for each workers' compensation claim with annual cash flow endorsements, \$50,000 for each property claim and \$10,000 for School Board liability. The School District purchases commercial insurance for claims in excess of coverage provided by the fund for all other risks of loss.

The School District's claims experience for the past 2 years for workers' compensation is as follows:

<u>Reported Claims</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Unpaid Claims, beginning of fiscal year	\$ 9,036,471	\$ 8,885,673
Plus: Incurred Claims	1,259,824	1,259,824
Less: Claims Payments	<u>(1,489,559)</u>	<u>(1,109,026)</u>
Unpaid Claims, end of fiscal year	<u>\$ 8,806,736</u>	<u>\$ 9,036,471</u>

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

10. TAX ABATEMENTS

All real property in New York State is subject to taxation unless specific legal provision grant it exempt status. Real property exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the Real Property Tax Law, the Agriculture and Markets Law and the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town, and school purposes, whereas other pertain only to certain of these purposes. Some tax exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

10. TAX ABATEMENTS (Continued)

The School District has 29 real property tax abatement agreements that are entered into by the Orange County Industrial Development Agency (OCIDA), the Town of Newburgh, the Town of New Windsor and the City of Newburgh Industrial Development Agency (NIDA). These agreements provide for abatement of real property taxes in exchange for payment in lieu of taxes (PILOT) in accordance with the OCIDA's, NIDA's or the Towns' Tax Exemption Policy.

PILOTs are granted in accordance with various activities such as new affordable housing construction, purchase of an existing facility, development of a new facility, or the improvement or expansion of an existing facility to promote job creation or retention. There are no policies for recapture of PILOTs should the applicant not meet certain criteria.

The following are the aggregated PILOT agreements by purpose and the amount of real property tax that has been abated for the year ended June 30, 2021.

<u>Purpose</u>	<u>Assessed Taxable Value</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>2020-2021 Amount of Tax Abated</u>	<u>Prior Year Payments Received</u>	<u>Total Tax Abatement</u>
Town of Newburgh						
Promote affordable housing	\$ 1,336,300	\$ 100,793	\$ 15,387	\$ 85,406	-	\$ 85,406
Promote job retention and growth	3,374,400	254,522	24,470	230,052	-	230,052
Town of New Windsor:						
Promote job retention and growth	3,048,200	449,772	403,371	46,401	2,286	48,687
Orange County Industrial Development Agency:						
Promote economic growth	25,615,876	2,086,240	1,257,585	828,655	418	829,073
City of Newburgh Industrial Development Agency:						
Promote affordable housing	58,484,500	1,321,183	357,053	964,130	60,567	1,024,697
Promote job retention and growth	681,100	15,386	6,169	9,217	-	9,217
Total		<u>\$ 4,227,896</u>	<u>\$ 2,064,036</u>	<u>\$ 2,163,860</u>	<u>\$ 63,271</u>	<u>\$ 2,100,589</u>

11. CONTINGENCIES AND COMMITMENTS

The School District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial. The School District has tax certiorari pending with certain property owners. While the outcome of these matters is uncertain, the School District intends to vigorously defend its position.

Other Contingencies – The School 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.

12. CHANGE IN ACCOUNTING PRINCIPLE

The School District adopted GASB Statement No. 84, Fiduciary Activities, during the year ended June 30, 2021. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

This Statement clarified the criteria for reporting certain activities as governmental or fiduciary activities. As a result, beginning cash, liabilities, fund balance, and net position were adjusted as noted below for the following opinion units:

	Governmental Activities			
	Cash and Cash	Accounts	Accrued/Other	
	Equivalents	Receivable	Liabilities	Net Position
Balance at June 30, 2020, as previously reported	\$ 86,876,423	\$ 885,782	\$ 23,363,234	\$(464,652,785)
Restatement of beginning balance - Adoption of GASB Statement No. 84	1,124,557	1,066	96,772	556,858
Balance at July 1, 2020, as restated	<u>\$ 88,000,980</u>	<u>\$ 886,848</u>	<u>\$ 23,460,006</u>	<u>\$(464,095,927)</u>

	General Fund			
	Cash and Cash	Accounts	Accrued/Other	Due to Other
	Equivalents	Receivable	Liabilities	Funds
Balance at June 30, 2020, as previously reported	\$ 69,638,126	\$ 882,634	\$ 16,528,995	\$ -
Restatement of beginning balance - Adoption of GASB Statement No. 84	567,699	1,066	96,772	471,993
Balance at July 1, 2020, as restated	<u>\$ 70,205,825</u>	<u>\$ 883,700</u>	<u>\$ 16,625,767</u>	<u>\$ 471,993</u>

	Fiduciary Activity				
	Cash and Cash	Accounts	Accrued/Other	Due to Other	
	Equivalents	Receivable	Liabilities	Funds	Net Position
Balance at June 30, 2020, as previously reported	\$ 1,124,557	\$ 1,066	\$ 287,140	\$ 471,993	\$ 366,490
Restatement of beginning balance - Adoption of GASB Statement No. 84	(1,124,557)	(1,066)	(287,140)	(471,993)	(366,490)
Balance at July 1, 2020, as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Miscellaneous Special Revenue	
	Cash and Cash	
	Equivalents	Fund Balance
Balance at June 30, 2020, as previously reported	\$ -	\$ -
Restatement of beginning balance - Adoption of GASB Statement No. 84	556,858	556,858
Balance at July 1, 2020, as restated	<u>\$ 556,858</u>	<u>\$ 556,858</u>

13. COVID-19 PANDEMIC

As of the date of this report, the United States continues to be affected by a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). During 2020, the NYS Governor put the economy “on pause” in an effort to combat the spread of COVID. As a result, many businesses were closed, or their operations were severely curtailed. The School District acted proactively as well in an effort to protect its employees as well as the School District population.

In response to the economic impact, the COVID pandemic, the United States government passed several stimulus bills (Coronavirus Aid, Relief, and Economic Security Act; Coronavirus Response and Relief Supplemental Appropriations Act; and American Rescue Plan Act) in an effort to provide relief to businesses, families and governments that have been devastated by the closure of large segments of the economy.

The School District’s remaining allocations for each of the stimulus plans are:

CARES	\$2,830,704 of budget remaining on ESSER and \$558,265 remaining on GEER
CRRSA	\$12,769,756
ARPA	\$38,699,801

14. DONOR-RESTRICTED ENDOWMENTS

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

The School 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 School District.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

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

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
Local sources:					
Real property taxes	\$ 100,475,215	\$ 100,475,215	\$ 102,664,783	\$ -	\$ 2,189,568
Other tax items	15,244,786	15,244,786	15,074,911	-	(169,875)
Charges for services	400,000	400,000	567,050	-	167,050
Use of money and property	1,250,000	1,250,000	72,440	-	(1,177,560)
Sale of property and compensation for loss	250,000	250,000	243,691	-	(6,309)
Miscellaneous	1,300,000	3,812,833	3,585,790	-	(227,043)
Interfund transfers	<u>620,000</u>	<u>620,000</u>	<u>8,348,949</u>	-	<u>7,728,949</u>
Total local sources	119,540,001	122,052,834	130,557,614	-	8,504,780
State sources	165,494,424	165,494,424	159,467,675	-	(6,026,749)
Medicaid reimbursement	-	-	198,332	-	198,332
Federal sources	<u>400,000</u>	<u>400,000</u>	<u>1,009,602</u>	-	<u>609,602</u>
Total revenue	<u>285,434,425</u>	<u>287,947,258</u>	<u>291,233,223</u>	-	<u>3,285,965</u>

(Continued)

See the accompanying independent auditor's report.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2021**

	Adopted Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	\$ 196,078	\$ 166,583	\$ 149,992	\$ -	\$ 16,591
Central administration	913,640	890,313	842,187	13,968	34,158
Finance	1,315,132	1,424,840	1,325,394	49,969	49,477
Staff	1,641,720	1,791,961	1,453,030	78,827	260,104
Central services	19,770,720	22,218,137	19,031,009	1,063,118	2,124,010
Special items	<u>1,084,277</u>	<u>2,161,997</u>	<u>2,129,900</u>	<u>-</u>	<u>32,097</u>
Total general support	<u>24,921,567</u>	<u>28,653,831</u>	<u>24,931,512</u>	<u>1,205,882</u>	<u>2,516,437</u>
INSTRUCTION:					
Instruction, administration, and improvement	11,393,029	12,382,161	11,797,562	20,197	564,402
Teaching - regular school	76,908,945	75,986,684	73,193,520	955,074	1,838,090
Programs for children with handicapping conditions	40,797,951	40,419,516	39,899,714	13,045	506,757
Teaching - special school	448,596	110,069	50,072	-	59,997
Occupational education	5,138,210	4,759,404	4,709,094	33,066	17,244
Instructional media	3,123,396	4,601,792	3,906,054	608,046	87,692
Pupil services	<u>10,567,476</u>	<u>10,735,634</u>	<u>9,473,691</u>	<u>692,474</u>	<u>569,469</u>
Total instruction	148,377,603	148,995,260	143,029,707	2,321,902	3,643,651
Pupil transportation	16,413,463	16,197,029	11,617,476	-	4,579,553
Employee benefits	<u>82,343,927</u>	<u>80,189,714</u>	<u>75,762,772</u>	<u>-</u>	<u>4,426,942</u>
Total expenditures	272,056,560	274,035,834	255,341,467	3,527,784	15,166,583
OTHER FINANCING SOURCES (USES)					
Transfers (to) other funds	<u>(15,376,031)</u>	<u>(25,909,604)</u>	<u>(24,842,065)</u>	<u>-</u>	<u>1,067,539</u>
Total other financing sources (uses)	<u>(15,376,031)</u>	<u>(25,909,604)</u>	<u>(24,842,065)</u>	<u>-</u>	<u>1,067,539</u>
Total expenditures and other financing sources (uses)	<u>287,432,591</u>	<u>299,945,438</u>	<u>280,183,532</u>	<u>3,527,784</u>	<u>16,234,122</u>
NET CHANGE IN FUND BALANCE	(1,998,166)	(11,998,180)	11,049,691	(3,527,784)	19,520,087
FUND BALANCE - beginning of year	<u>57,484,697</u>	<u>57,484,697</u>	<u>57,484,697</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 55,486,531</u>	<u>\$ 45,486,517</u>	<u>\$ 68,534,388</u>	<u>\$ (3,527,784)</u>	<u>\$ 19,520,087</u>

See the accompanying independent auditor's report.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.0741669%	0.0749118%	0.0706551%	0.0710096%	0.0707294%	0.0740374%	0.0770621%			
Proportionate share of the net pension liability (asset)	\$ 73,851	\$ 19,837,087	\$ 5,006,132	\$ 2,291,797	\$ 6,645,894	\$ 11,883,210	\$ 2,603,348			
Covered-employee payroll	25,172,529	23,285,661	20,882,636	21,254,678	20,746,383	21,051,468	21,403,963			
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.29%	85.19%	23.97%	10.78%	32.03%	56.45%	12.16%			
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.95%	86.00%	96.27%	98.00%	95.00%	90.70%	97.95%			

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they

	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.7073360%	0.6950810%	0.6871900%	0.6792090%	0.6715710%	0.6834970%	0.6842190%			
Proportionate share of the net pension liability (asset)	\$ 19,545,619	\$ (18,058,262)	\$ (12,426,204)	\$ (5,162,661)	\$ 7,192,810	\$ (70,993,580)	\$ (76,217,689)			
Covered-employee payroll	116,603,736	120,050,929	111,935,510	107,632,218	103,630,226	102,670,559	101,069,742			
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.76%	-15.04%	-11.10%	-4.80%	6.94%	-69.15%	-75.41%			
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.8%	101.5%	101.5%	101.0%	99.0%	110.5%	111.5%			

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 3,887,319	\$ 3,290,587	\$ 3,043,822	\$ 3,214,618	\$ 3,204,154	\$ 3,881,960	\$ 4,520,397			
Contributions in relation to the contractually required contribution	<u>3,887,319</u>	<u>3,290,587</u>	<u>3,043,822</u>	<u>3,214,618</u>	<u>3,204,154</u>	<u>3,881,960</u>	<u>4,520,397</u>			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Covered-employee payroll	25,172,529	\$ 23,285,661	\$ 20,882,636	\$ 20,882,636	\$ 21,254,678	\$ 20,746,383	\$ 21,051,468			
Contributions as a percentage of covered-employee payroll	15.44%	14.13%	14.58%	15.39%	15.08%	18.71%	21.47%			

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*						
	2021	2020	2019	2018	2017	2016	
Contractually required contribution	\$ 11,112,336	\$ 10,636,512	\$ 10,969,680	\$ 12,614,496	\$ 13,741,368	\$ 17,998,149	\$ 16,423,833
Contributions in relation to the contractually required contribution	<u>11,112,336</u>	<u>10,636,512</u>	<u>10,969,680</u>	<u>12,614,496</u>	<u>13,741,368</u>	<u>17,998,149</u>	<u>16,423,833</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 116,603,736	\$ 120,050,929	\$ 111,935,510	\$ 107,632,218	\$ 103,630,226	\$ 102,670,559	\$ 101,069,742
Contributions as a percentage of covered-employee payroll	9.53%	8.86%	9.80%	11.72%	13.26%	17.53%	16.25%

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Last Ten Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability - Post-Retirement Health Care Plan										
Service cost	\$ 25,558,647	\$ 22,504,303	\$ 20,183,805	\$ 21,319,845						
Interest	24,509,769	24,606,506	22,478,124	18,116,285						
Changes of benefit terms	-	(1,151,558)	-	-						
Differences between expected and actual experience	(1,890,010)	21,504,331	(20,514)	63,090,036						
Changes in assumptions	140,989,583	8,345,884	(20,927,950)	(93,687,165)						
Benefit payments	<u>(16,445,248)</u>	<u>(16,354,979)</u>	<u>(15,836,050)</u>	<u>(15,159,717)</u>						
Total change in total OPEB liability	172,722,741	59,454,487	5,877,415	(6,320,716)						
OPEB Plan Fiduciary Net Position										
Total OPEB liability - beginning	<u>680,877,061</u>	<u>621,422,574</u>	<u>615,545,159</u>	<u>621,865,875</u>						
Total OPEB liability - ending	<u>\$ 853,599,802</u>	<u>\$ 680,877,061</u>	<u>\$ 621,422,574</u>	<u>\$ 615,545,159</u>						
Covered-employee payroll	\$ 145,891,058	\$ 150,483,916	\$ 145,299,977	\$ 138,885,552						
Total OPEB liability as a percentage of covered-employee payroll	585.09%	452.46%	427.68%	443.20%						

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available

Notes to schedule:

Change in significant assumptions:

	2021	2020	2020	2019
Discount rate	2.21%	3.51%	3.87%	3.58%

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

OTHER INFORMATION (UNAUDITED)

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND SECTION 1318 OF THE REAL PROPERTY TAX LIMIT (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2021**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 287,432,591
Add: Prior year's encumbrances	<u>2,511,333</u>
Original budget	289,943,924
Budget revisions	
General support	2,997,977
Instruction	(1,158,790)
Pupil transportation	(217,033)
Employee benefits	(2,154,213)
Transfer to other funds	<u>10,533,573</u>
Total budget revisions	<u>10,001,514</u>
Final budget	<u>\$ 299,945,438</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 voter-approved expenditure budget	\$ 293,207,684	
Maximum allowed (4% of 2021-22 budget)		11,728,307
General fund, fund balance subject to section 1318 of real property tax law*:		
Unrestricted fund balance:		
Assigned fund balance		3,527,784
Unassigned fund balance		<u>11,724,818</u>
Total unrestricted fund balance		<u>\$ 15,252,602</u>
Less:		
Encumbrances included in committed and assigned fund balance	<u>3,527,784</u>	
Total adjustments	<u>3,527,784</u>	
General fund, fund balance subject to section 1318 of real property tax law		<u>\$ 11,724,818</u>
Actual percentage		4.00%

*Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2021**

<i>PROJECT TITLE</i>	Expenditures					<i>Unexpended Balance</i>	Methods of Financing			<i>Fund Balance June 30, 2021</i>	
	<i>Original Appropriation</i>	<i>Revised Appropriation</i>	<i>Prior Years</i>	<i>Current Year</i>	<i>Total</i>		<i>Proceeds of Obligations</i>	<i>State Aid</i>	<i>Local Sources</i>		<i>Total</i>
Smart Schools Bond Act	\$ 12,831,056	\$ 12,831,056	\$ 8,188,503	\$ -	\$ 8,188,503	\$ 4,642,553	\$ -	\$ 7,681,364	\$ -	\$ 7,681,364	\$ (507,139)
Security - District Wide	1,114,451	1,122,879	1,122,879	-	1,122,879	-	-	-	1,122,879	1,122,879	-
HOH Reconstruction	250,000	250,000	118,003	2,250	120,253	129,747	-	-	120,253	120,253	-
Energy Performance Contract	26,135,748	28,133,926	18,690,966	5,420,486	24,111,452	4,022,474	28,133,926	-	-	28,133,926	4,022,475
Projects District Wide	257,000,000	257,000,000	1,653,970	8,125,931	9,779,901	247,220,099	15,004,004	-	10,000,000	25,004,004	15,224,103
District Wide Renovations	49,950,222	49,434,228	49,434,228	-	49,434,228	-	49,434,228	-	-	49,434,228	-
District Wide Improvements	68,000,000	68,259,843	68,259,843	-	68,259,843	-	57,413,343	9,483,351	1,363,149	68,259,843	-
Athletic Field Improvements	8,500,000	8,637,429	8,637,429	-	8,637,429	-	8,637,429	-	-	8,637,429	-
Total	\$ 423,781,477	\$ 425,669,361	\$ 156,105,821	\$ 13,548,667	\$ 169,654,488	\$ 256,014,873	\$ 158,622,930	\$ 17,164,715	\$ 12,606,281	\$ 188,393,926	\$ 18,739,439

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (Unaudited) FOR THE YEAR ENDED JUNE 30, 2021

Capital assets, net	\$ 158,498,401
Add:	
Unspent energy performance contract proceeds	21,460,084
Deferred loss on refunding	<u>428,341</u>
	<u>21,888,425</u>
Deduct:	
Short-term portion of bonds payable and energy performance contract	10,293,556
Long-term portion of bonds payable, including unamortized premium and energy performance contract	<u>60,876,130</u>
	<u>71,169,686</u>
Net investment in capital assets	<u>\$ 109,217,140</u>

See the accompanying independent auditor's report.

REQUIRED REPORTS UNDER UNIFORM GUIDANCE

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

October 12, 2021

To the Board of Education of
Newburgh Enlarged City School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Newburgh Enlarged City School District (School District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 12, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing 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 the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

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

October 12, 2021

To the Board of Education of the
Newburgh Enlarged City School District:

Report on Compliance for Each Major Federal Program

We have audited the Newburgh Enlarged City School District's (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The 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 the 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 the 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 the School District's compliance.

Opinion on Each Major Federal Program

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

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

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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 the School District's internal control over compliance.

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

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

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

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing</u>	<u>Pass Through Grant Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program (Donated Commodities)	10.555	N/A	<u>708,886</u>
Passed through New York State Department of Education:			
National School Lunch Program	10.555	N/A	<u>545,746</u>
Summer Food Service Program for Children	10.559	N/A	<u>9,803,247</u>
<i>Total Child Nutrition Cluster</i>			<u>11,057,879</u>
Passed through New York State Department of Health:			
Child and Adult Care Food Program	10.558	N/A	<u>12,473</u>
Total U.S. Department of Agriculture			<u>11,070,352</u>
U.S. Department of Education			
Passed through New York State Department of Education:			
Title I Grants to Local Educational Agencies - Part A&D	84.010	0021-21-2275	2,732,978
Title I Grants to Local Educational Agencies - Part A&D	84.010	0021-20-2275	347,194
Title I Grants to Local Educational Agencies - School Improvement	84.010	0011-21-2138	382,431
Title I Grants to Local Educational Agencies - School Improvement	84.010	0011-20-2138	37,166
Title I Grants to Local Educational Agencies - School Improvement Enhanced	84.010	0011-21-2338	1,229
Title I Grants to Local Educational Agencies - Delinquent At Risk	84.010	0016-21-2275	43,292
Title I Grants to Local Educational Agencies - Delinquent At Risk	84.010	0016-20-2275	<u>10,485</u>
<i>Total Title I Grants to Local Educational Agencies</i>			<u>3,554,775</u>
Adult Education - Basic Grants to States	84.002	2338-21-3182	<u>209,548</u>
<i>Total Adult Education - Basic Grants to States</i>			<u>209,548</u>
Special Education Cluster:			
Special Education - Grants to States	84.027	0032-21-0691	2,501,983
Special Education - Preschool Grants	84.173	0033-21-0691	<u>53,597</u>
<i>Total Special Education Cluster</i>			<u>2,555,580</u>
Education for Homeless Children and Youth	84.196	0212-21-3108	10,170
Education for Homeless Children and Youth	84.196	0212-19-3017	<u>29,859</u>
<i>Total Education for Homeless Children and Youth Cluster</i>			<u>40,029</u>
Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	8000-21-0041	<u>75,896</u>
<i>Total Career and Technical Education - Basic Grants to States</i>			<u>75,896</u>
Supporting Effective Instruction State Grants	84.367	0147-21-2275	485,244
Supporting Effective Instruction State Grants	84.367	0147-20-2275	<u>38,131</u>
<i>Total Improving Teacher Quality State Grants</i>			<u>523,375</u>
English Language Acquisition State Grants (Title III, Part A - LEP)	84.365	0293-20-2275	90,890
English Language Acquisition State Grants (Title III, Part A - LEP)		0293-21-2275	39,795
English Language Acquisition State Grants (Title III, Part A - Immigration)	84.365	0149-21-2275	5,389
English Language Acquisition State Grants (Title III, Part A - Immigration)	84.365	0149-20-2275	<u>23,091</u>
<i>Total English Language Acquisition State Grants</i>			<u>159,165</u>
Twenty-First Century Community Learning Centers	84.287	0187-21-7140	<u>424,715</u>
<i>Total Twenty-First Century Community Learning Centers</i>			<u>424,715</u>
Student Support and Academic Enrichment Program	84.424	0204-21-2275	243,342
Student Support and Academic Enrichment Program	84.424	0204-20-2275	<u>393,441</u>
<i>Total Student Support and Academic Enrichment Program</i>			<u>636,783</u>
COVID-19 - Economic Security Act - GEER	84.425C	5895-21-2275	58,871
COVID-19 - Economic Security Act - ESSER	84.425D	5890-21-2275	<u>810,582</u>
<i>Total COVID-19 Education Stabilization Fund Under Coronavirus Aid, Relief, and Economic Security Act</i>			<u>869,453</u>
<i>Total Passed through New York State Education Department</i>			<u>9,049,319</u>
Total U.S. Department of Education			<u>9,049,319</u>
U.S. Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-02-NY-4480-PW-00321	<u>82,532</u>
Total expenditures of federal awards			<u>\$ 20,202,203</u>

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Newburgh Enlarged City School District (School District), under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the School District's general ledger.

3. PASS-THROUGH PROGRAMS

Where the School District receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Assistance Listing number advised by the pass-through grantor.

Identifying numbers, other than the Assistance Listing numbers, which may be assigned by pass-through grantors are not maintained in the School District's financial management system. The School District has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards, as available.

4. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

The School District did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

5. MATCHING COSTS

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

6. NON-MONETARY FEDERAL PROGRAM

The School District is the recipient of a federal financial award program that does not result in cash receipts or disbursements termed a non-monetary program. During the year ended June 30, 2021, the School District received food commodities, the fair value of which amounted to \$708,886, which is presented in the Schedule as National School Lunch Program under Assistance Listing number 10.555.

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2021

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified 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 not considered to be material weaknesses?

Yes None Reported

Type of auditor's report issued on compliance for major programs

Unmodified

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

Yes No

Identification of major programs:

Assistance Listing Number

Name of Federal Program/Cluster

10.555/10.559

Child Nutrition Cluster

84.425C

COVID 19 - Education Stabilization Fund Under the Coronavirus Aid, Relief, Economic Security Act - GEER

84.425D

COVID 19 -Education Stabilization Fund Under the Coronavirus Aid, Relief, Economic Security Act - ESSER

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

\$ 750,000

NEWBURGH ENLARGED CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED JUNE 30, 2021

Section II – Financial statement findings

There were no findings that are required to be reported under *Government Auditing Standards*.

Section III – Federal award finding and questioned costs

There were no findings that are required to be reported under Uniform Guidance.