

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
 JUNE 30, 2021  
TABLE OF CONTENTS

<u>SCHEDULE NUMBER</u>	<u>SCHEDULES</u>	<u>PAGE</u>
	<b>Independent Auditor's Report</b>	1 – 3
	<b>Management Discussion and Analysis</b>	4 – 14
	<b>Basic Financial Statements</b>	
1	Statement of Net Position	15
2	Statement of Activities	16
3	Balance Sheet - Governmental Funds	17
4	Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
5	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
6	Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
	Notes to Financial Statements	21 – 60
	<b>Required Supplementary Information</b>	
SS-1	Schedule of Changes in the District's Total OPEB Liability and Related Ratios	61
SS-2	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	62 – 63
SS-3	Schedule of the District's Proportionate Share of the Net Pension Liability	64
SS-4	Schedule of District Contributions	65
	<b>Supplementary Information</b>	
SS-5	Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund	66
SS-6	Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	67
SS-7	Net Investment in Capital Assets	68
	<b>Federal Award Program Information</b>	
	Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69 – 70
	Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	71 – 72
	Schedule of Expenditures of Federal Awards	73
	Notes to the Schedule of Expenditures of Federal Awards	74
	Schedule of Findings and Questioned Costs	75 – 76
	<b>Extraclassroom Activity Fund</b>	
	Independent Auditor's Report	77 – 78
	Statement of Assets, Liabilities and Fund Balance - Cash Basis	79
	Statement of Receipts and Disbursements - Cash Basis - High School	80
	Statement of Receipts and Disbursements - Cash Basis - Middle School	81
	Notes to Financial Statements	82

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Highland Falls-Fort Montgomery Central School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Highland Falls-Fort Montgomery Central School District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

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

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 4 through 14 and 61 through 65 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 Highland Falls-Fort Montgomery Central School District's basic financial statements. The supplemental schedules on pages 66 through 68 are required by the New York State Education Department and are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The supplemental schedules on pages 66 through 68 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages 66 through 68 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021, on our consideration of the Highland Falls-Fort Montgomery Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Highland Falls-Fort Montgomery Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Highland Falls-Fort Montgomery Central School District's internal control over financial reporting and compliance.

Montgomery, New York  
October 15, 2021

# HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

## **Management Discussion and Analysis**

### **Introductory Section**

The following is a discussion and analysis of Highland Falls-Fort Montgomery Central School District's financial performance for the fiscal year ended June 30, 2021. This section is a summary of the Highland Falls-Fort Montgomery Central School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2021 are as follows:

- District tax levy increase was 1.53% which was at the computed property tax cap limit for 2020-2021 school taxes.
- The District received additional Aid through the Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act in the amount of \$135,786.

### **Overview of the Financial Statements**

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

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

**Overview of the Financial Statements (Continued)**

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

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

**District-Wide Financial Statements**

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

The two district-wide statements report the District’s net position and how it has changed. Net position, the difference between the District’s assets and liabilities, is one way to measure the District’s financial health or position.

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

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

**Fund Financial Statements**

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

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

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



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

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

For the year ended June 30, 2021, the District restated its beginning of the year net position as a requirement of implementing GASB Statement No. 84. The beginning of the year net position was increased by \$106,509 from (\$15,923,888) to (\$15,817,379). For more information, see Note 17. For the year ended June 30, 2021, the District's net position is \$(16,177,590). This is a \$360,211 decrease from last year's net position as restated. The following table provides a summary of the District's net position:

Summary of Net Position

	School District Activities			
	June 30, 2021	June 30, 2020	\$ Change	% Change
Current Assets	\$ 19,932,569	\$ 25,152,629	\$ (5,220,060)	-20.75%
Non-Current Assets	33,540,476	28,875,521	4,664,955	16.16%
Total Assets	<u>53,473,045</u>	<u>54,028,150</u>	<u>(555,105)</u>	-1.03%
Deferred Outflows of Resources	<u>15,027,988</u>	<u>9,735,200</u>	<u>5,292,788</u>	54.37%
Current Liabilities	4,128,517	21,174,257	(17,045,740)	-80.50%
Non-Current Liabilities	71,972,990	50,321,680	21,651,310	43.03%
Total Liabilities	<u>76,101,507</u>	<u>71,495,937</u>	<u>4,605,570</u>	6.44%
Deferred Inflows of Resources	<u>8,577,116</u>	<u>8,084,792</u>	<u>492,324</u>	6.09%
Net Position:				
Net Investment in Capital Assets	17,392,719	16,577,603	815,116	4.92%
Restricted	12,076,377	8,618,512	3,457,865	40.12%
Unrestricted	<u>(45,646,686)</u>	<u>(41,013,494)</u>	<u>(4,633,192)</u>	-11.30%
Total Net Position	<u>\$ (16,177,590)</u>	<u>\$ (15,817,379)</u>	<u>\$ (360,211)</u>	2.28%

The prior year information provided above has been adjusted to include the restatement of net position to provide a more meaningful comparison of net position.

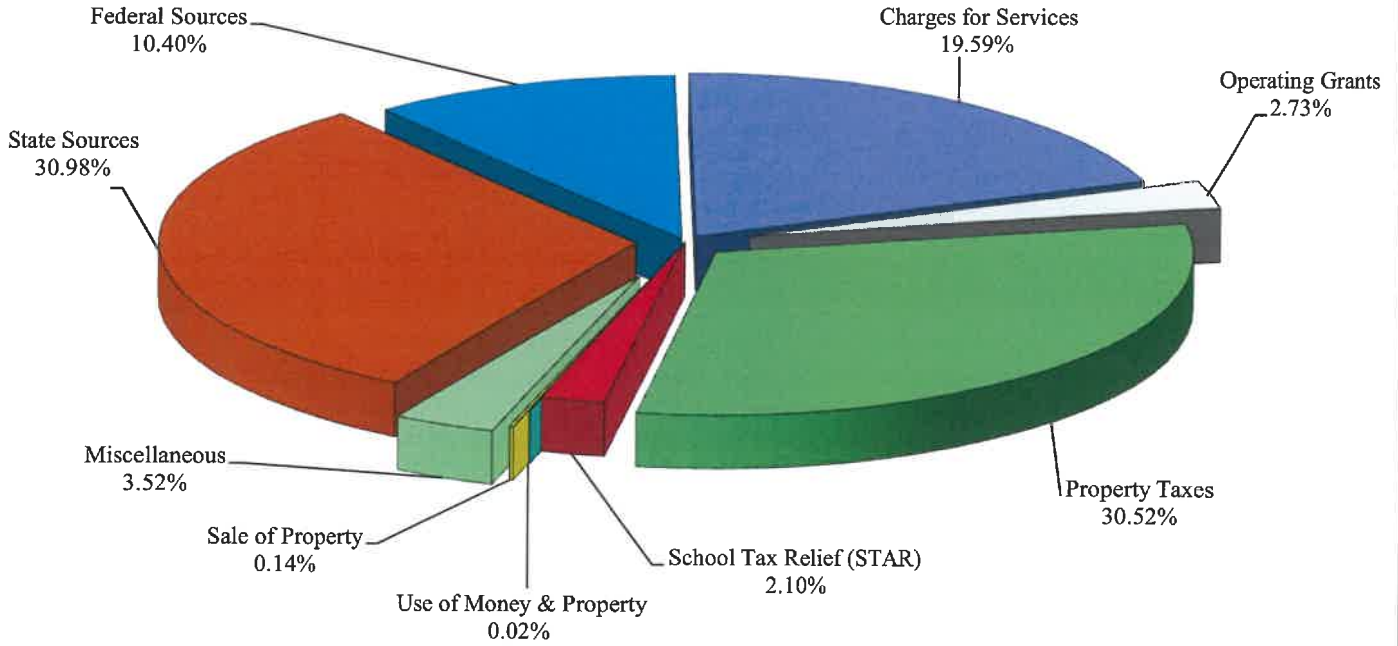
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the years ended June 30 2021 and 2020:

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

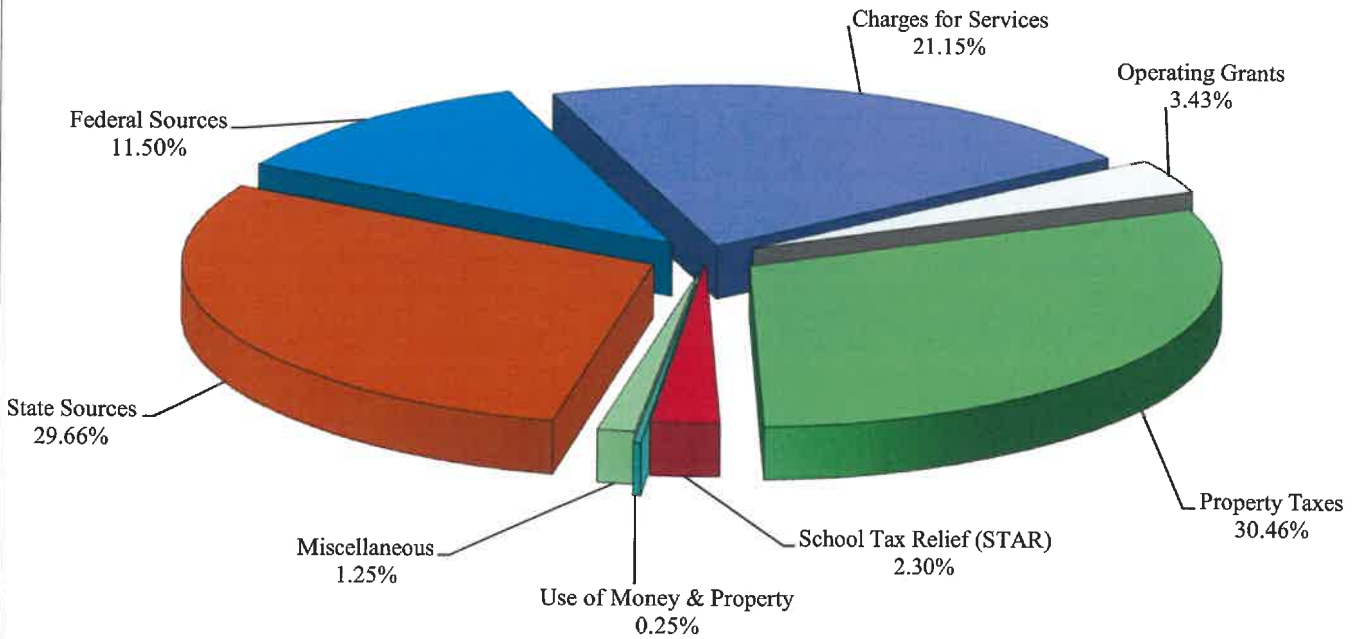
	FOR THE YEAR ENDED JUNE 30, 2021		FOR THE YEAR ENDED JUNE 30, 2020		\$ Change	%
		%		%		
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 6,790,176	19.59%	\$ 7,193,467	21.15%	\$ (403,291)	-5.61%
Operating Grants	945,866	2.73%	1,164,950	3.43%	(219,084)	-18.81%
GENERAL REVENUES:						
Property Taxes	10,582,219	30.52%	10,357,575	30.47%	224,644	2.17%
School Tax Relief (STAR)	726,940	2.10%	781,973	2.30%	(55,033)	-7.04%
Use of Money & Property	8,364	0.02%	86,305	0.25%	(77,941)	-90.31%
Sale of Property	48,156	0.14%	0	0.00%	48,156	100.00%
Miscellaneous	1,220,362	3.52%	426,017	1.25%	794,345	186.46%
State Sources	10,736,984	30.98%	10,086,250	29.65%	650,734	6.45%
Federal Sources	3,603,553	10.40%	3,909,057	11.50%	(305,504)	-7.82%
TOTAL REVENUES	34,662,620	100.00%	34,005,594	100.00%	657,026	1.93%
<u>EXPENSES</u>						
General Support	4,717,979	13.47%	3,782,053	10.73%	935,926	24.75%
Instruction	17,837,964	50.93%	18,508,483	52.53%	(670,519)	-3.62%
Pupil Transportation	1,706,423	4.87%	2,242,962	6.36%	(536,539)	-23.92%
Employee Benefits	9,277,966	26.49%	9,093,698	25.80%	184,268	2.03%
Debt Service Interest	245,259	0.70%	177,239	0.50%	68,020	38.38%
Depreciation	916,316	2.62%	1,050,440	2.98%	(134,124)	-12.77%
School Lunch Program	320,924	0.92%	386,749	1.10%	(65,825)	-17.02%
TOTAL EXPENSES	35,022,831	100.00%	35,241,624	100.00%	(218,793)	-0.62%
CHANGE IN NET POSITION	\$ (360,211)		\$ (1,236,030)		\$ 875,819	

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

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

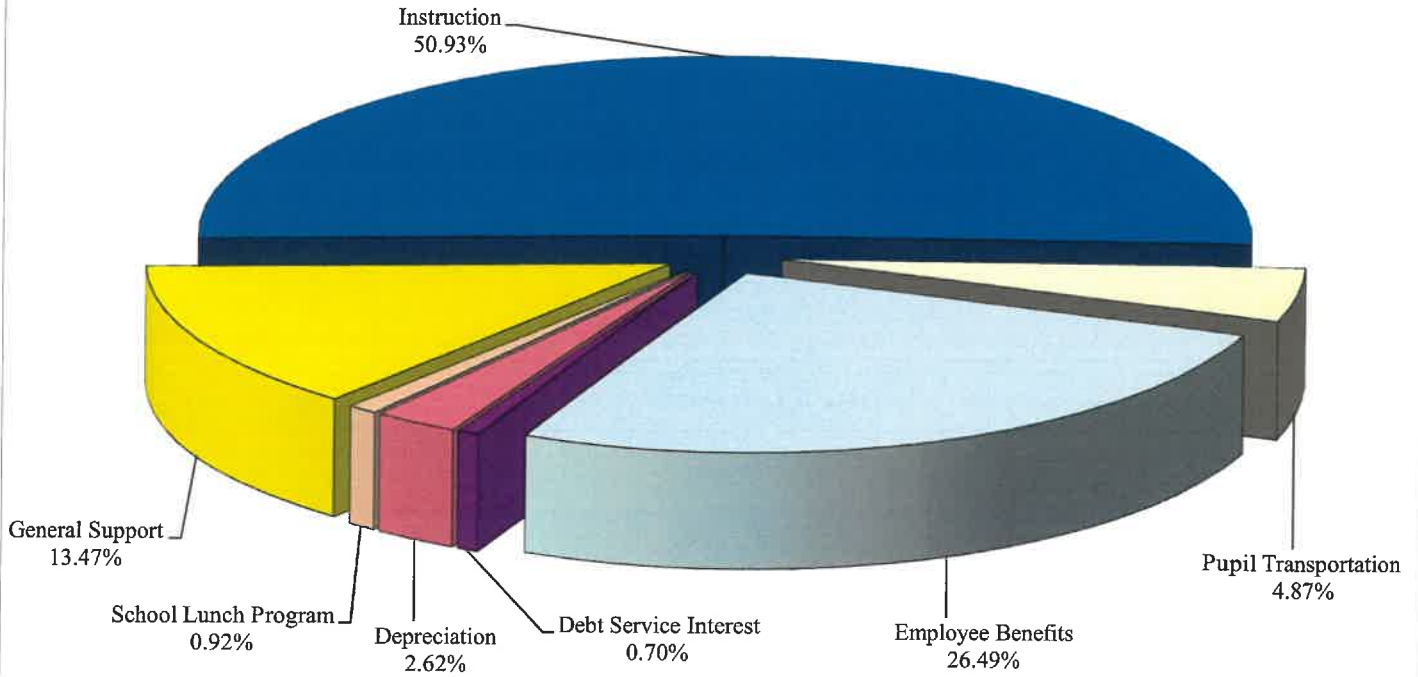


**SOURCES OF REVENUES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

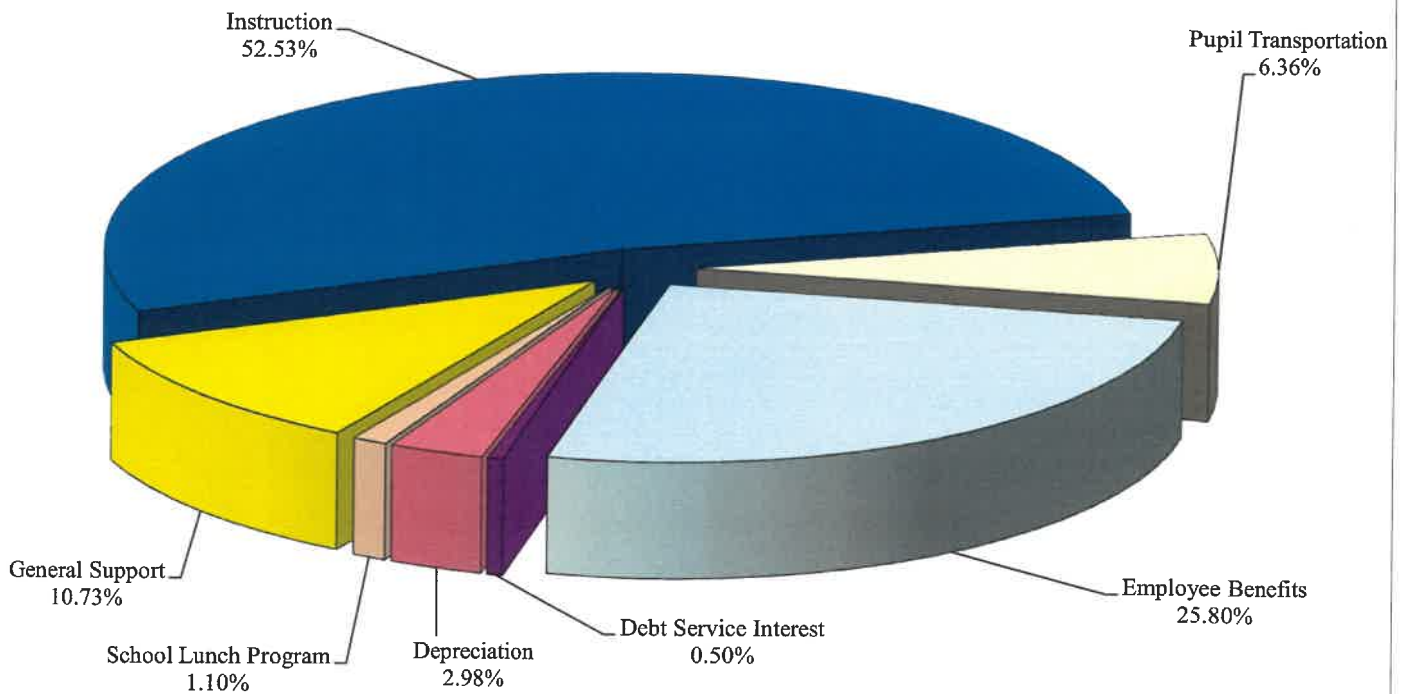


**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**  
**HIGHLAND FALLS, NEW YORK**

**EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2021**



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

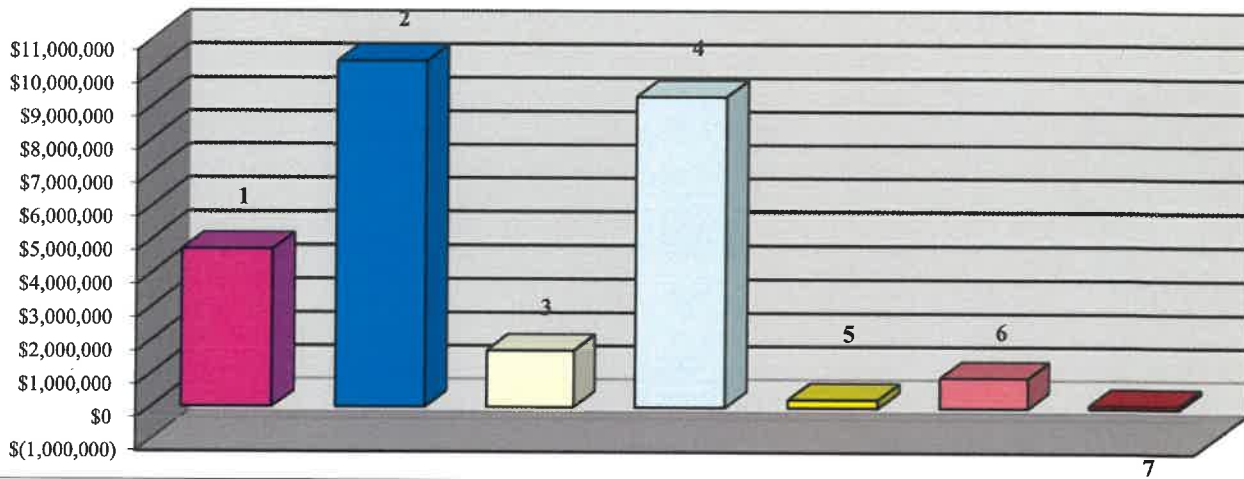


**HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT**  
**HIGHLAND FALLS, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**NET COSTS**

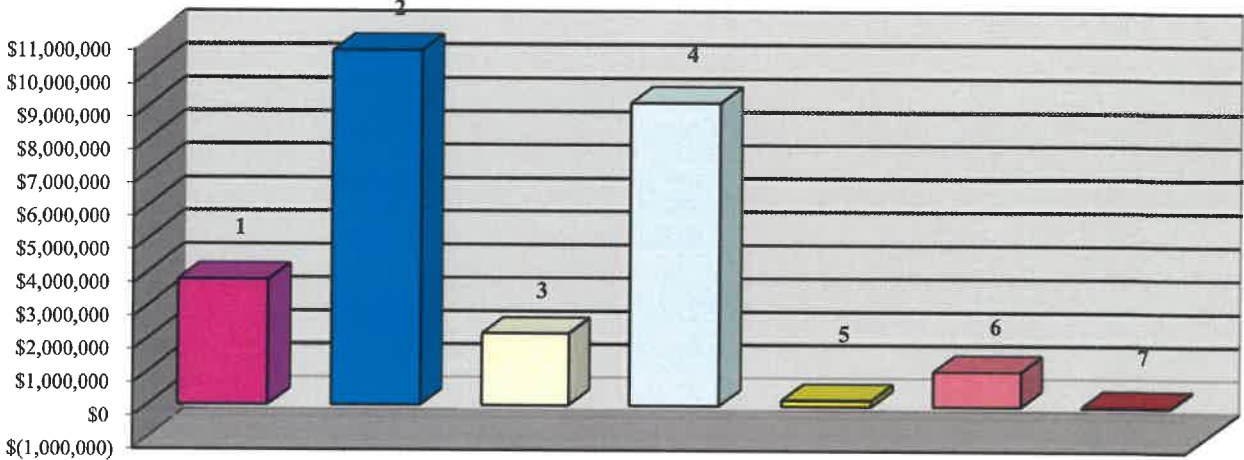
The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2020-2021	NET COST OF SERVICES 2020-2021	TOTAL COST OF SERVICES 2019-2020	NET COST OF SERVICES 2019-2020
General Support	1	\$ 4,717,979	\$ 4,713,705	\$ 3,782,053	\$ 3,772,970
Instruction	2	17,837,964	10,331,960	18,508,483	10,651,372
Pupil Transportation	3	1,706,423	1,699,623	2,242,962	2,158,742
Employee Benefits	4	9,277,966	9,277,966	9,093,698	9,093,698
Debt Service - Interest	5	245,259	245,259	177,236	177,236
Depreciation	6	916,316	916,316	1,050,440	1,050,440
School Lunch Program	7	320,924	101,960	386,749	(21,256)
		<u>\$ 35,022,831</u>	<u>\$ 27,286,789</u>	<u>\$ 35,241,621</u>	<u>\$ 26,883,202</u>

**NET COST OF SERVICE 2020-2021**



**NET COST OF SERVICE 2019-2020**



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

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

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

	June 30, 2021				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General	\$ 0	\$ 8,083,734	\$ 367,304	\$ 7,463,456	\$ 15,914,494
Special Aid	0	12,839	0	0	12,839
School Lunch	10,257	57,873	0	0	68,130
Special Revenue	0	115,321	0	0	115,321
Capital Projects	0	727,243	0	0	727,243
Debt Service	0	565,848	0	0	565,848
	<u>\$ 10,257</u>	<u>\$ 9,562,858</u>	<u>\$ 367,304</u>	<u>\$ 7,463,456</u>	<u>\$ 17,403,875</u>

	June 30, 2020				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General	\$ 0	\$ 4,675,450	\$ 898,597	\$ 8,626,356	\$ 14,200,403
Special Aid	0	12,839	0	0	12,839
School Lunch	8,154	150,244	0	0	158,398
Special Revenue	0	106,509	0	0	106,509
Capital Projects	0	0	0	(10,586,143)	(10,586,143)
Debt Service	0	154,923	0	0	154,923
	<u>\$ 8,154</u>	<u>\$ 5,099,965</u>	<u>\$ 898,597</u>	<u>\$ (1,959,787)</u>	<u>\$ 4,046,929</u>

General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$156,213 during the year. The supplemental appropriations consisted of Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act in the amount of \$156,213.

In the General Fund for the fiscal year ended June 30, 2021, actual revenues were greater than the final budgeted revenues by \$119,669 (.36%). Revenue sources significantly over budget were from refunds of prior year expenses.

Actual expenditures and encumbrances were less than the final budgeted expenditures by \$2,125,715 (6.29%). The District monitored its' expenses and looked for ways to reduce cost.

**Management Discussion and Analysis  
(Continued)**

General Fund Budgetary Highlights (Continued)

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

- Property Tax Cap – The Property Tax Cap continues to put constraints on the budgeting process as we are limited to the revenues that can be raised; limiting the increases to the expenditure budget.
- Employees Retirement Contributions and Teachers Retirement Contribution have been fluctuating during the past few budget seasons. These fluctuations will be monitored in future years as it can affect other areas in the budget in a negative way.
- State Aid Cuts - The Gap Elimination Adjustment has been fully restored but, the freeze of the Foundation Aid formula continues to limit state aid increases, however this trend appears to be mitigating.
- Affordable Care Act – The District continues to anticipate expenses and fees that will increase District health care costs as well as increases in the administration of soft costs related to managing the program. Calendar year 2015 was the first year that the District reported detailed health insurance information to the IRS for the employees of the District.

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

Other Fund Highlights

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

The School Lunch Program Fund ended the year with a fund balance of \$68,130. The expenditures exceeded revenue and other sources by \$90,268.

The Capital Projects Fund ended the year with a fund balance of \$727,243. The District continued capital projects at the High School and issued related serial bonds June 25, 2021.

Debt Service Fund ended the year with a fund balance of \$565,848. This fund balance will be appropriated in future years to offset principal and interest payments.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2021, was \$33,540,476. The total increase in this net investment was 22.78% for the District as a whole (see schedule below). The District's investment in capital assets, net of accumulated depreciation as of June 30, 2020 was \$27,317,219. The District expended \$7,139,573 to acquire equipment and construct capital assets during the fiscal year ended June 30, 2021. Depreciation expense for the year was \$916,316.

CAPITAL ASSETS  
Net of Accumulated Depreciation

	<u>School District Activities</u>		<u>% Change</u>
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	
<u>Non-Depreciable Assets:</u>			
Land	\$ 152,475	\$ 152,475	0.00%
Construction in Progress	23,238,700	16,099,127	44.35%
<u>Depreciable Assets:</u>			
Land Improvements	201,773	244,846	-17.59%
Building and Improvements	9,687,477	10,458,405	-7.37%
Furniture and Equipment	236,759	330,484	-28.36%
Vehicles	23,292	31,882	-26.94%
TOTALS	<u>\$ 33,540,476</u>	<u>\$ 27,317,219</u>	22.78%

Long-Term Debt

At the end of the year, the District had total bonded debt outstanding of \$16,875,000. This amount is backed by the full faith and credit of the Highland Falls-Fort Montgomery Central School District with debt service fully funded by voter approved property taxes. Activity in bonded debt outstanding during the fiscal year was as follows:

	<u>Beginning</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending</u>
	<u>Balance</u>			<u>Balance</u>
Total Bonded Debt Outstanding	<u>\$ 615,000</u>	<u>\$ 16,375,000</u>	<u>\$ 115,000</u>	<u>\$ 16,875,000</u>

Bond Ratings

Moody's Investors Service ("Moody's") has assigned a rating of "A1" to outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's Investors Service. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any such change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

Contacting the District's Financial Management

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



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021

ASSETS

Unrestricted Cash	\$ 8,754,679
Restricted Cash	8,956,753
State & Federal Aid Receivable	1,286,877
Due from Other Governments	744,195
Other Receivables, Net	179,808
Inventories	10,257
Non Depreciable Capital Assets	23,391,175
Capital Assets, Net	<u>10,149,301</u>
 TOTAL ASSETS	 <u>53,473,045</u>

DEFERRED OUTFLOWS OF RESOURCES

Other Postemployment Benefits	7,578,196
Pensions	<u>7,449,792</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>15,027,988</u>

LIABILITIES

Accounts Payable	664,659
Accrued Liabilities	365,340
Due to Other Governments	9
Due to Teachers' Retirement System	1,137,293
Due to Employees' Retirement System	112,200
Other Liabilities	10,602
Overpayments and Collections in Advance	190,239
Unearned Revenue	62,337
Deferred Revenues	838
Long-term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable	1,585,000
Due and Payable In More Than One Year:	
Bonds Payable	15,290,000
Compensated Absences	1,280,441
Net Pension Liability-Proportionate Share	1,696,674
Other Postemployment Benefits	<u>53,705,875</u>
TOTAL LIABILITIES	<u>76,101,507</u>

DEFERRED INFLOWS OF RESOURCES

Other Postemployment Benefits	5,337,517
Pensions	<u>3,239,599</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,577,116</u>

NET POSITION

Net Investment in Capital Assets	17,392,719
Restricted	12,076,377
Unrestricted (Deficit)	<u>(45,646,686)</u>
TOTAL NET POSITION	<u>\$ (16,177,590)</u>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

<u>FUNCTIONS &amp; PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE &amp; CHANGES IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
General Support	\$ (6,592,116)	\$ 4,274	\$ 0	\$ (6,587,842)
Instruction	(25,483,321)	6,785,113	720,891	(17,977,317)
Pupil Transportation	(2,368,398)	0	6,800	(2,361,598)
Debt Service - Interest	(245,259)	0	0	(245,259)
School Lunch Program	(333,737)	789	218,175	(114,773)
<b>TOTAL FUNCTIONS &amp; PROGRAMS</b>	<u><u>\$ (35,022,831)</u></u>	<u><u>\$ 6,790,176</u></u>	<u><u>\$ 945,866</u></u>	<u><u>(27,286,789)</u></u>
 <u>GENERAL REVENUES</u>				
Real Property Taxes				10,582,219
Other Tax Items				726,940
Use of Money & Property				8,364
Sale of Property & Compensation for Loss				48,156
Miscellaneous				1,220,362
State Sources				10,736,984
Federal Sources				3,603,553
<b>TOTAL GENERAL REVENUES</b>				<u><u>26,926,578</u></u>
<b>CHANGE IN NET POSITION</b>				(360,211)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>				<u><u>(15,817,379)</u></u>
<b>NET POSITION, END OF YEAR</b>				<u><u>\$ (16,177,590)</u></u>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021

ASSETS	GENERAL	SPECIAL AID	SCHOOL LUNCH	MISCELLANEOUS		CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
				SPECIAL REVENUE				
Unrestricted Cash	\$ 8,754,679	\$ 0	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 8,754,679
Restricted Cash	8,083,734	275,645	0	115,321	52	0	482,001	8,956,753
State & Federal Aid Receivable	366,331	556,120	68,484	0	295,942	0	0	1,286,877
Due from Other Governments	744,195	0	0	0	0	0	0	744,195
Due from Other Funds	818,034	3,383	0	0	471,624	0	83,847	1,376,888
Due from Fiduciary Funds	0	0	0	0	0	0	0	0
Other Receivables, Net	179,808	0	0	0	0	0	0	179,808
Inventories	0	0	10,257	0	0	0	0	10,257
<b>TOTAL ASSETS</b>	<b>\$ 18,946,781</b>	<b>\$ 835,148</b>	<b>\$ 78,741</b>	<b>\$ 115,321</b>	<b>\$ 767,618</b>	<b>\$ 565,848</b>	<b>\$ 21,309,457</b>	

**LIABILITIES & FUND BALANCES**

Accounts Payable	\$ 624,410	\$ 0	\$ 0	\$ 0	\$ 40,249	\$ 0	\$ 0	\$ 664,659
Accrued Liabilities	350,463	54	0	0	0	0	0	350,517
Due to Other Governments	0	0	9	0	0	0	0	9
Due to Other Funds	555,345	821,417	0	0	126	0	0	1,376,888
Due to Teachers' Retirement System	1,137,293	0	0	0	0	0	0	1,137,293
Due to Employees' Retirement System	112,200	0	0	0	0	0	0	112,200
Other Liabilities	0	0	10,602	0	0	0	0	10,602
Overpayments and Collections in Advance	190,239	0	0	0	0	0	0	190,239
Unearned Revenue	62,337	0	0	0	0	0	0	62,337
Deferred Revenues	0	838	0	0	0	0	0	838
<b>TOTAL LIABILITIES</b>	<b>\$ 3,032,287</b>	<b>\$ 822,309</b>	<b>\$ 10,611</b>	<b>\$ 0</b>	<b>\$ 40,375</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,905,582</b>

**FUND BALANCES**

Nonspendable	0	0	10,257	0	0	0	0	10,257
Restricted	8,083,734	12,839	57,873	115,321	727,243	565,848	0	9,562,858
Assigned	367,304	0	0	0	0	0	0	367,304
Unassigned	7,463,456	0	0	0	0	0	0	7,463,456
<b>TOTAL FUND BALANCES</b>	<b>\$ 15,914,494</b>	<b>\$ 12,839</b>	<b>\$ 68,130</b>	<b>\$ 115,321</b>	<b>\$ 727,243</b>	<b>\$ 565,848</b>	<b>\$ 0</b>	<b>\$ 17,403,875</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 18,946,781</b>	<b>\$ 835,148</b>	<b>\$ 78,741</b>	<b>\$ 115,321</b>	<b>\$ 767,618</b>	<b>\$ 565,848</b>	<b>\$ 0</b>	<b>\$ 21,309,457</b>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
<u>ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</u>				
<u>ASSETS</u>				
Unrestricted Cash	\$ 10,461,735	\$ 0	\$ 0	\$ 10,461,735
Restricted Cash	7,249,697	0	0	7,249,697
State & Federal Aid Receivable	1,286,877	0	0	1,286,877
Due from Other Governments	744,195	0	0	744,195
Due from Other Funds	1,376,888	0	(1,376,888)	0
Other Receivables, Net	179,808	0	0	179,808
Inventories	10,257	0	0	10,257
Non Depreciable Capital Assets	0	23,391,175	0	23,391,175
Capital Assets, Net	0	10,149,301	0	10,149,301
<b>TOTAL ASSETS</b>	<b>21,309,457</b>	<b>33,540,476</b>	<b>(1,376,888)</b>	<b>53,473,045</b>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Other Postemployment Benefits	0	7,578,196	0	7,578,196
Pensions	0	7,449,792	0	7,449,792
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 21,309,457</b>	<b>\$ 48,568,464</b>	<b>\$ (1,376,888)</b>	<b>\$ 68,501,033</b>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES / NET POSITION</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 664,659	\$ 0	\$ 0	\$ 664,659
Accrued Liabilities	350,517	14,823	0	365,340
Due to Other Governments	9	0	0	9
Due to Other Funds	1,376,888	0	(1,376,888)	0
Due to Teachers' Retirement System	1,137,293	0	0	1,137,293
Due to Employees' Retirement System	112,200	0	0	112,200
Other Liabilities	10,602	0	0	10,602
Overpayments and Collections in Advance	190,239	0	0	190,239
Unearned Revenue	62,337	0	0	62,337
Deferred Revenue	838	0	0	838
Bonds Payable	0	16,875,000	0	16,875,000
Compensated Absences	0	1,280,441	0	1,280,441
Net Pension Liability-Proportionate Share	0	1,696,674	0	1,696,674
Other Postemployment Benefits	0	53,705,875	0	53,705,875
<b>TOTAL LIABILITIES</b>	<b>3,905,582</b>	<b>73,572,813</b>	<b>(1,376,888)</b>	<b>76,101,507</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Other Postemployment Benefits	0	5,337,517	0	5,337,517
Pensions	0	3,239,599	0	3,239,599
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>0</b>	<b>8,577,116</b>	<b>0</b>	<b>8,577,116</b>
<b>FUND BALANCES / NET POSITION</b>	<b>17,403,875</b>	<b>(33,581,465)</b>	<b>0</b>	<b>(16,177,590)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES / NET POSITION</b>	<b>\$ 21,309,457</b>	<b>\$ 48,568,464</b>	<b>\$ (1,376,888)</b>	<b>\$ 68,501,033</b>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	GENERAL	SPECIAL AID	SCHOOL LUNCH	MISCELLANEOUS SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>							
Real Property Taxes	\$ 10,582,219	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,582,219
Other Tax Items	726,940	0	0	0	0	0	726,940
Charges for Services	6,789,387	0	0	0	0	0	6,789,387
Use of Money & Property	8,020	0	0	233	0	111	8,364
Sale of Property & Compensation for Loss	48,156	0	0	0	0	0	48,156
Miscellaneous	752,253	0	0	57,295	0	410,814	1,220,362
State Sources	10,517,076	243,386	7,146	0	337,959	0	11,105,567
Federal Sources	3,603,553	417,829	211,029	0	0	0	4,232,411
Sales	0	0	789	0	0	0	789
<b>TOTAL REVENUES</b>	<b>33,027,604</b>	<b>661,215</b>	<b>218,964</b>	<b>57,528</b>	<b>337,959</b>	<b>410,925</b>	<b>34,714,195</b>
<u>EXPENDITURES</u>							
General Support	4,372,136	0	5,847	0	0	0	4,377,983
Instruction	17,095,444	693,804	0	48,716	0	0	17,837,964
Pupil Transportation	1,697,923	8,500	0	0	0	0	1,706,423
Employee Benefits	6,004,661	0	0	0	0	0	6,004,661
Debt Service:							
Principal	1,855,000	0	0	0	0	0	1,855,000
Interest	235,568	0	0	0	0	0	235,568
Cost of Sales	0	0	315,077	0	0	0	315,077
Capital Outlay	0	0	0	0	7,139,573	0	7,139,573
<b>TOTAL EXPENDITURES</b>	<b>31,260,732</b>	<b>702,304</b>	<b>320,924</b>	<b>48,716</b>	<b>7,139,573</b>	<b>0</b>	<b>39,472,249</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>1,766,872</b>	<b>(41,089)</b>	<b>(101,960)</b>	<b>8,812</b>	<b>(6,801,614)</b>	<b>410,925</b>	<b>(4,758,054)</b>
<u>OTHER SOURCES &amp; USES</u>							
Proceeds from Debt	0	0	0	0	16,375,000	0	16,375,000
Bond Anticipation Notes Paid from Current Appropriations	0	0	0	0	1,740,000	0	1,740,000
Operating Transfers In	0	41,089	11,692	0	0	0	52,781
Operating Transfers Out	(52,781)	0	0	0	0	0	(52,781)
<b>TOTAL OTHER SOURCES &amp; USES</b>	<b>(52,781)</b>	<b>41,089</b>	<b>11,692</b>	<b>0</b>	<b>18,115,000</b>	<b>0</b>	<b>18,115,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,714,091</b>	<b>0</b>	<b>(90,268)</b>	<b>8,812</b>	<b>11,313,386</b>	<b>410,925</b>	<b>13,356,946</b>
<b>FUND BALANCES, BEGINNING OF YEAR, AS RESTATED</b>	<b>14,200,403</b>	<b>12,839</b>	<b>158,398</b>	<b>106,509</b>	<b>(10,586,143)</b>	<b>154,923</b>	<b>4,046,929</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 15,914,494</b>	<b>\$ 12,839</b>	<b>\$ 68,130</b>	<b>\$ 115,321</b>	<b>\$ 727,243</b>	<b>\$ 565,848</b>	<b>\$ 17,403,875</b>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
<b>REVENUES</b>						
Real Property Taxes	\$ 10,582,219	\$ 0	0	0	0	\$ 10,582,219
Other Tax Items	726,940	0	0	0	0	726,940
Charges for Services	6,789,387	0	0	0	0	6,789,387
Use of Money & Property	8,364	0	0	0	0	8,364
Sale of Property & Compensation for Loss	48,156	0	0	0	0	48,156
Miscellaneous	1,220,362	0	0	0	0	1,220,362
State Sources	11,105,567	(51,575)	0	0	0	11,053,992
Federal Sources	4,232,411	0	0	0	0	4,232,411
Sales	789	0	0	0	0	789
<b>TOTAL REVENUES</b>	<b>34,714,195</b>	<b>(51,575)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,662,620</b>
<b>EXPENDITURES</b>						
General Support	4,377,983	345,843	178,049	0	1,690,241	6,592,116
Instruction	17,837,964	0	725,454	0	6,919,903	25,483,321
Pupil Transportation	1,706,423	0	0	0	661,975	2,368,398
Employee Benefits	6,004,661	3,273,305	0	0	(9,277,966)	0
Debt Service:						
Principal	1,855,000	0	0	(115,000)	(1,740,000)	0
Interest	235,568	9,691	0	0	0	245,259
Cost of Sales	315,077	0	12,813	0	5,847	333,737
Capital Outlay	7,139,573	0	(7,139,573)	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>39,472,249</b>	<b>3,628,839</b>	<b>(6,223,257)</b>	<b>(115,000)</b>	<b>(1,740,000)</b>	<b>35,022,831</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>(4,758,054)</b>	<b>(3,680,414)</b>	<b>6,223,257</b>	<b>115,000</b>	<b>1,740,000</b>	<b>(360,211)</b>
<b>OTHER SOURCES &amp; USES</b>						
Proceeds from Debt	16,375,000	0	0	(16,375,000)	0	0
Bond Anticipation Notes Paid from Current Appropriations	1,740,000	0	0	0	(1,740,000)	0
Operating Transfers In	52,781	0	0	0	(52,781)	0
Operating Transfers Out	(52,781)	0	0	0	52,781	0
<b>TOTAL OTHER SOURCES &amp; USES</b>	<b>18,115,000</b>	<b>0</b>	<b>0</b>	<b>(16,375,000)</b>	<b>(1,740,000)</b>	<b>0</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ 13,356,946</b>	<b>\$ (3,680,414)</b>	<b>\$ 6,223,257</b>	<b>\$ (16,260,000)</b>	<b>\$ 0</b>	<b>\$ (360,211)</b>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

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

A. Reporting Entity

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

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

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

1. Extraclassroom Activity Funds

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

B. Joint Venture

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

B. Joint Venture (Continued)

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

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

During the year ended June 30, 2021, the Highland Falls-Fort Montgomery Central School District was billed \$5,135,137 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,280,005. Financial statements for BOCES are available from the BOCES administrative office at Gibson Road, Goshen, New York 10924.

C. Basis of Presentation

1. District-Wide Statements

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

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



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

C. Basis of Presentation (Continued)

2. Funds Statements

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

The District reports the following major governmental funds:

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

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

Special Aid Fund: Used to account for proceeds received from State and Federal grants that are restricted for specific educational programs.

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

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

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

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

D. Measurement Focus and Basis of Accounting

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

The District-wide fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

D. Measurement Focus and Basis of Accounting (Continued)

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

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

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1<sup>st</sup> and became a lien on August 20, 2020. Taxes were collected by the Town of Highlands during the period September 1, 2020 through November 5, 2020.

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

F. Restricted Resources

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

G. Interfund Transactions

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

G. Interfund Transactions (Continued)

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

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

H. Estimates

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

I. Cash and Investments

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

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

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

J. Accounts Receivable

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

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. A reserve for these non-liquid assets has been recognized in the School Lunch Fund to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

K. Inventories and Prepaid Items (Continued)

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

L. Other Assets/Restricted Assets

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

M. Capital Assets

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

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

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

N. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

N. Deferred Outflows and Inflows of Resources (Continued)

The first is related to pensions reported in the district-wide Statement of Net Position. For additional information on deferred inflows related to pensions, see Note 9. The second is related to OPEB reported in the district wide Statement of Net Position. For additional information on deferred inflows related to other postemployment benefits, see Note 11.

O. Unearned Revenue

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

P. Vested Employee Benefits

1. Compensated Absences

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

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

In the 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.

2. Other Benefits

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

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

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

P. Vested Employee Benefits (Continued)

2. Other Benefits (Continued)

Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q. Short-Term Debt

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

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

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

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

R. Accrued Liabilities and Long-Term Obligations

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

S. Equity Classifications

1. District-wide Statements

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

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

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

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

2. Funds Statements

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

Nonspendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance includes inventory in the School Lunch Fund of \$10,257.

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

Capital Reserve

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Unemployment Insurance Reserve

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

Tax Certiorari Reserve

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

Employee Benefit Accrued Liability Reserve

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

Retirement Contribution Reserve

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



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Teachers Retirement Contribution Reserve

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

Restricted fund balance at June 30, 2021 consisted of:

General Fund:		
Capital Reserve	\$ 6,251,855	
Unemployment Insurance Reserve	100,000	
Tax Certiorari Reserve	303,293	
Employee Benefit Accrued Liability Reserve	422,545	
Teacher Retirement System Reserve	606,041	
Retirement Contribution Reserve	<u>400,000</u>	
General Fund Total		\$ 8,083,734
Special Aid Fund		12,839
School Lunch Fund		57,873
Miscellaneous Special Revenue:		
Scholarships		18,567
Extraroom Activities		96,754
Capital Fund		727,243
Debt Service Fund		<u>565,848</u>
Total Restricted Fund Balance		<u>\$ 9,562,858</u>

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The District did not classify any of its fund balances as committed as of June 30, 2021.

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

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

Order of Use of Fund Balance:

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

Limitation on Unexpended Surplus Funds:

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

T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the District implemented the following new standards issued by GASB:

- GASB Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2021.
- GASB Statement 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2021.
- GASB Statement 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2021.

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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

GASB Statement 93, *Replacement of Interbank Offered Rates*, which addresses accounting and financial reporting implications that result from the replacement of an IBOR (interbank offered rate). The District implemented Statement 93, as required.

U. Future Changes in Accounting Standards

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

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

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

GASB has issued Statement 92, *Omnibus 2020*, which will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The District is currently studying the Statement and plans to adopt it when required, which will be for the June 30, 2022 financial statements.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

U. Future Changes in Accounting Standards (Continued)

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

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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

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

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

1. The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. The balances at June 30, 2021 were as follows:

Original Cost of Capital Assets	\$ 58,232,368
Accumulated Depreciation	<u>(24,691,892)</u>
	<u>\$ 33,540,476</u>

2. In the Statement of Net Position, a liability is recognized for the District's proportionate share of the net pension liability attributable to each defined benefit pension plan in which the District participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan's fiduciary net position. If a pension plan's fiduciary net position exceeds its total pension liability, the District's proportionate share of the pension plan's net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily result from contributions subsequent to the measurement date, as well as changes in the components of the net pension liability or asset. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at June 30, 2021 were as follows:

Net Pension Asset - Proportionate Share	\$ 0
Deferred Outflows of Resources - Pensions	7,449,792
Net Pension Liability - Proportionate Share	(1,696,674)
Deferred Inflows of Resources - Pensions	<u>(3,239,599)</u>
	<u>\$ 2,513,519</u>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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

3. Interest is accrued in the Statement of Net Position, regardless of when it is due. This liability does not appear on the Balance Sheet because interest is expensed when it is due, and thus requires the use of current financial resources. This liability at June 30, 2021 was as follows:

Accrued Interest	\$ <u>14,823</u>
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4. Long-term liabilities and related deferred inflows and outflows are reported in the Statement of Net Position, but not in the Balance Sheet, because the liabilities are not due and payable in the current period. The balances at June 30, 2021 were as follows:

Bonds Payable	\$ 16,875,000
Compensated Absences	1,280,441
Deferred Outflow of Resources - OPEB	(7,578,196)
Other Postemployment Benefits	53,705,875
Deferred Inflows of Resources - OPEB	<u>5,337,517</u>
	<u>\$ 69,620,637</u>

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

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

1. Long-Term Revenue Differences  
Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities and Changes in Net Position reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
2. Capital Related Differences  
Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
3. Long-Term Debt Transaction Differences  
Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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

4. Pension Plan Transaction Differences

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

5. Other Postemployment Benefit (OPEB) Related Differences

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

Explanation of Differences between Governmental Funds Operating Statement  
and the Statement of Activities

Total Revenues and Other Funding Sources

Total revenues reported in governmental funds (Schedule 5)	\$ 34,714,195
Because some revenue will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds until the subsequent fiscal year. However, they were previously considered to be earned in the Statement of Activities.	<u>(51,575)</u>
Total revenues in the Statement of Activities (Schedule 2)	<u>\$ 34,662,620</u>

Total Expenditures & Other Uses/Expenses

Total expenditures reported in governmental funds (Schedule 5)	\$ 39,472,249
When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$7,139,573 were greater than depreciation of \$916,316.000 in the current year.	(6,223,257)
In the Statement of Activities, certain operating expenses (judgments and claims, compensated absences, and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). The amount by which compensated absences earned exceeded the amount paid during the year	345,843

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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

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

Total Expenditures & Other Uses/Expenses  
(Continued)

<p>In the entity wide statements, interest payable is recognized as an accrued liability under full accrual accounting whereas it is not under governmental fund accounting. This is the amount that interest payable this year exceeds the interest payable last year.</p>	9,691
<p>In the Statement of Activities, the expense for other postemployment benefits (OPEB) includes changes in the OPEB liability such as service cost, interest cost and change in benefit terms, as well as amortization of deferred outflows of resources and deferred inflows of resources related to OPEB. However, in the governmental funds, OPEB expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which the OPEB expense in the Statement of Activities exceeded the amount of financial resources used during the year.</p>	2,161,768
<p>In the Statement of Activities, pension expense related to ERS and TRS defined benefit pension plans is measured as the change in the District's proportionate shares of the net pension assets and liabilities as of the measurement dates for each plan. In the governmental funds however, these expenditures are recognized equal to the total of (1) the amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. This is the amount by which pension expense was more than the amount of financial resources expended during the year.</p>	1,111,537
<p>Repayments of BAN's is an expenditures in the governmental funds, but reduces liabilities in the Statement of Net Assets, and does not affect the Statement of Net Position.</p>	(1,740,000)
<p>Repayments of bond and installment debt principal are expenditures in the governmental funds, when they are due and paid but reduce liabilities in the Statement of Net Position, and do not affect the Statement of Activities.</p>	(115,000)
<p>Total expenses in the Statement of Activities (Schedule 2)</p>	<u>\$ 35,022,831</u>



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 3. CHANGE IN ACCOUNTING PRINCIPLES.

For the year ended June 30, 2021, the District implemented GASB Statement 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The District has determined that it does not conduct any activities that meet the above referenced criteria. See note 17 for the financial statement impact of the implementation of the statement.

NOTE 4. STEWARDSHIP AND COMPLIANCE.

A. Budgets

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

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

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

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2021.

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

B. Encumbrances

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 4. STEWARDSHIP AND COMPLIANCE. (Continued)

C. Other Stewardship and Compliance Matters

The portion of the District's fund balance subject to the New York State Real Property Tax Law §1318 limit exceeded the amount allowable, which is 4% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include appropriating sufficient fund balance in the 2021-2022 budget to ensure that the District is compliant with the §1318 limit in the future and potentially adding to underfunded reserves.

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

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

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

Uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$	18,877,679

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$7,249,698 within the governmental funds.

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

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

Total investments of the NYClass cooperative as of year-end are \$3,351,277,180, which consisted of \$291,229,070 in repurchase agreements, \$1,698,773,636 in U.S. Treasury Bills, \$242,176,434 in U. S. Treasury Securities and \$1,119,098,040 in collateralized bank deposits all with various interest rate and due dates.

The following amounts are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund	\$ 6,376,678	\$ 6,376,678
Capital Projects Fund	19	19
Debt Service Fund	22,364	22,364

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

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

NOTE 6. CAPITAL ASSETS.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 152,475	\$ 0	\$ 0	\$ 152,475
Construction in Progress	16,538,768	7,139,573	(439,641)	23,238,700
Total Nondepreciable Assets	<u>16,691,243</u>	<u>7,139,573</u>	<u>(439,641)</u>	<u>23,391,175</u>
Capital assets that are depreciated:				
Land Improvements	819,412	0	74,908	894,320
Buildings and Improvements	32,780,210	0	0	32,780,210
Furniture & Equipment	567,196	0	364,733	931,929
Vehicles	234,734	0	0	234,734
Total Depreciable Assets	<u>34,401,552</u>	<u>0</u>	<u>439,641</u>	<u>34,841,193</u>
Less: Accumulated Depreciation	<u>(23,775,576)</u>	<u>(916,316)</u>	<u>0</u>	<u>(24,691,892)</u>
Capital Assets, Net	<u>\$ 27,317,219</u>	<u>\$ 6,223,257</u>	<u>\$ 0</u>	<u>\$ 33,540,476</u>

Depreciation expense was charged to governmental function as follows:

General Support	\$ 178,049
Instruction	725,454
Cost of Sales	12,813
Total Depreciation	<u>\$ 916,316</u>

NOTE 7. SHORT-TERM DEBT.

Transactions in short-term debt for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid/ Redeemed</u>	<u>Ending Balance</u>
BAN maturing 6/26/2021 at 1.25%	<u>\$ 17,615,000</u>	<u>\$ 0</u>	<u>\$ 17,615,000</u>	<u>\$ 0</u>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 7. SHORT-TERM DEBT. (Continued)

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

Interest Paid	\$ 220,187
Less Interest Accrued in the Prior Year	(2,413)
Plus Interest Accrued in the Current Year	<u>0</u>
Interest Expense	<u>\$ 217,774</u>

NOTE 8. LONG-TERM LIABILITIES.

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

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
Bonds Payable	\$ 615,000	\$ 16,375,000	\$ 115,000	\$ 16,875,000	\$ 1,585,000
Total Bonds and Notes Payable	<u>615,000</u>	<u>16,375,000</u>	<u>115,000</u>	<u>16,875,000</u>	<u>1,585,000</u>
Other Liabilities:					
Compensated Absences	934,598	345,843	0	1,280,441	0
Net Pension Liability-					
Proportionate Share	1,943,506	1,000,905	1,247,737	1,696,674	0
Other Postemployment Benefits	<u>48,559,092</u>	<u>6,212,450</u>	<u>1,065,667</u>	<u>53,705,875</u>	<u>0</u>
Total Other Liabilities	<u>51,437,196</u>	<u>7,559,198</u>	<u>2,313,404</u>	<u>56,682,990</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 52,052,196</u>	<u>\$ 23,934,198</u>	<u>\$ 2,428,404</u>	<u>\$ 73,557,990</u>	<u>\$ 1,585,000</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

Existing serial bond and installment purchase obligations are as follows:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance
Serial Bond	06/16/21	06/15/36	2.0%	\$ 16,375,000
Serial Bond	11/14/13	11/01/24	1.5% - 3%	<u>500,000</u>
				<u>\$ 16,875,000</u>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. LONG-TERM LIABILITIES. (Continued)

The following is a summary of maturing debt service requirements:

<u>For the Year Ended June 30,</u>	<u>Bonds and Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,585,000	\$ 339,178
2023	1,645,000	307,569
2024	1,100,000	273,575
2025	1,125,000	250,250
2026	1,060,000	228,400
2027 - 2036	<u>10,360,000</u>	<u>1,102,300</u>
TOTAL	<u>\$ 16,875,000</u>	<u>\$ 2,501,272</u>

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

Interest paid	\$ 15,381
Less: Interest accrued in the prior year	(2,719)
Plus: Interest accrued in the current year	<u>14,823</u>
Total interest expense	<u>\$ 27,485</u>

NOTE 9. PENSION PLANS.

Employees' Retirement System Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2018, he was elected for a new term commencing January 1, 2019. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. Separately issued financial statements for the System can be accessed on the Comptroller's website at [www.osc.state.ny.us/retire/about\\_us/financial\\_statements\\_index.php](http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php).

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)

Teachers' Retirement System Plan Description

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

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

ERS Benefits Provided

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

*Tiers 1 and 2*

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

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional ERS Benefits Provided (Continued)

month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

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

*Tiers 3, 4, and 5*

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

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

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

*Tier 6*

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

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

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

*Special Plans*

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

*Disability Retirement Benefits*

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

*Ordinary Death Benefits*

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

*Post-Retirement Benefit Increases*

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

TRS Benefits Provided

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

*Tier 1*

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

*Tier 2*

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

*Tier 3*

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

*Tier 4*

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

*Tier 5*

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



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

*Tier 6*

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

*Service Retirements*

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credit service times final average salary.

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

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

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

*Vested Benefits*

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

*Disability Retirement*

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

*Death Benefits*

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

*Prior Service*

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)

*Tier Reinstatement*

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

*Permanent Cost of Living Adjustment (COLA)*

Section 532-a of the Education Law provides a permanent cost-of-living benefit to both current and future retired members. This benefit will be paid commencing September of each year to retired members who have attained age 62 and have been retired for 5 years or attained age 55 and have been retired for 10 years. Disability retirees must have been retired for 5 years, regardless of age, to be eligible. The annual COLA percentage is equal to 50% of the increase in the consumer price index not to exceed 3% nor be lower than 1%. It is applied to the \$18,000 of the annual benefit. The applicable percentage payable beginning September 2019 is 1.0%.

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

Contributions

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier 6 vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year and each of the two preceding years. These contributions were as follows:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2020 - 2021	\$ 977,373	\$ 349,335
2019 - 2020	1,000,484	309,685
2018 - 2019	1,063,105	312,176

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)

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

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

At March 31, 2021, the District's proportion of the ERS net pension liability/(asset) was 0.0076187%, which was a decrease of .0002793% from its proportion measured as March 31, 2020.

At June 30, 2020, the District's proportion of the TRS net pension liability/(asset) was 0.061126%, which was an increase of .001145% from its proportion measured as June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$202,205 for ERS and \$2,241,610 for TRS. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	ERS	TRS	Total	ERS	TRS	Total
Differences between expected and actual experience	\$ 92,648	\$ 1,479,979	\$ 1,572,627	\$ 26,307	\$ 86,563	\$ 112,870
Changes of Assumptions	1,394,858	2,136,303	3,531,161	0	761,481	761,481
Net difference between projected and actual earnings on pension plan investments	0	1,103,123	1,103,123	2,179,204	0	2,179,204
Changes in proportion and difference between the District's contributions and proportionate share of contributions	75,327	72,411	147,738	8,071	177,973	186,044
District's contributions subsequent to the measurement date	112,200	982,943	1,095,143	0	0	0
Total	<u>\$ 1,675,033</u>	<u>\$ 5,774,759</u>	<u>\$ 7,449,792</u>	<u>\$ 2,213,582</u>	<u>\$ 1,026,017</u>	<u>\$ 3,239,599</u>

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)

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

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	<u>ERS</u>	<u>TRS</u>
2021	\$ 0	\$ 626,023
2022	(106,977)	1,296,295
2023	(29,038)	1,076,284
2024	(104,265)	669,876
2025	(410,473)	28,448
Thereafter	0	68,875

Actuarial Assumptions

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

Significant actuarial assumptions used in the actuarial valuations referred to above were as follows:

	<u>ERS</u>	<u>TRS</u>										
Inflation Rate	2.7%	2.20%										
Projected Salary Increases	4.4%	Rates of increase differ based on age and gender. Calculations have been based upon recent NYSTRS member experience										
		<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Service</u></th> <th style="text-align: center;"><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">4.72%</td> </tr> <tr> <td style="text-align: center;">15</td> <td style="text-align: center;">3.46%</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">2.37%</td> </tr> <tr> <td style="text-align: center;">35</td> <td style="text-align: center;">1.90%</td> </tr> </tbody> </table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>											
5	4.72%											
15	3.46%											
25	2.37%											
35	1.90%											
Projected Cost of Living Adjustments	1.4%	1.3% Compounded annually										
Investment Rate of Return	5.90% compounded annually, net of pension plan investment expense including inflation	7.10% compounded annually, net of pension plan investment expense including inflation										
Decrement Tables	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2009 - June 30, 2014 System's Experience										
Mortality Improvement	Society of Actuaries Scale MP-2020	Society of Actuaries Scale MP-2019										

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)

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

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

The real rate of return is net of the long-term inflation assumption of 2.00%.

\* Real rates of return are net of a long-term inflation assumption of 2.2%.

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. PENSION PLANS. (Continued)  
Discount Rate (Continued)

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

	1% Decrease	Current Assumption	1% Increase
<u>ERS</u>	<u>4.90%</u>	<u>5.90%</u>	<u>6.90%</u>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (2,105,648)	\$ (7,586)	\$ 1,927,317
<u>TRS</u>	<u>6.10%</u>	<u>7.10%</u>	<u>8.10%</u>
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (10,669,388)	\$ (1,689,088)	\$ 5,847,659

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2021	June 30, 2020
Employers' total pension asset/(liability)	\$ (220,680,157)	\$ (123,242,776)
Plan net position	<u>220,580,583</u>	<u>120,479,505</u>
Employer's net pension asset/(liability)	<u>\$ (99,574)</u>	<u>\$ (2,763,271)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	99.95%	97.76%

Payables to the Pension Plan

For ERS, employer contributions are paid annually in December based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contributions for the period of April 1, 2021 through June 30, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$112,200 of employer contributions. Employee contributions are remitted monthly.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021. Employer contributions are based on paid TRS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$1,137,293.





HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

General Information about the OPEB Plan (Continued)

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

Age	Blended Premium	
	Retiree	Spouse
50	\$ 12,132	\$ 15,240
55	12,132	15,240
60	12,132	15,240
65	7,236	7,872
70	7,236	7,872
75	7,236	7,872
80	7,236	7,872
85	7,236	7,872
90	7,236	7,872

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

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The District's total OPEB liability of \$53,705,875 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

Total OPEB Liability (Continued)

Discount Rate	2.21%
Healthcare Cost Trend Rates	Pre-65: 7.69% for 2020, decreasing to an ultimate rate of 4.5% for 2029 and later years
	Post-65: 8.68% for 2020, decreasing to an ultimate rate of 4.5% for 2029 and later years
Current Retirees' Share of Benefit Related Costs	Retirees pay 0% - 50% of the cost of single coverage and 50% - 65% for the spouse/family based on years of service with the District.
Future Retirees' Share of Benefit Related Costs	Retirees pay 0% - 50% of the cost of single coverage and 50% - 65% for the spouse/family based on years of service with the District.

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

Mortality rates were based on the SOA Pub-2010 Headcount Weighted Mortality Table projected generationally with MP-2018 to MP-2020, adjusted for COVID-19 Slow Recovery.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period April 1, 2015 through March 31, 2020 for ERS participants and July 1, 2009 through June 30, 2014 for TRS participants.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$ 46,943,576</u>
<u>Changes for the Year:</u>	
Service cost	2,161,351
Interest	1,705,042
Differences between expected and actual experience	(773,854)
Changes in assumptions or other inputs	4,984,831
Benefit payments	<u>(1,065,667)</u>
Net Changes	<u>6,762,299</u>
 Balance at June 30, 2021	 <u><u>\$ 53,705,875</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current discount rate:

	1% Decrease <u>(1.21%)</u>	Current Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Total OPEB Liability	\$ 64,420,011	\$ 53,705,875	\$ 45,288,973

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

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 44,050,882	\$ 53,705,875	\$ 66,646,745

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS. (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$3,581,323. At June 30, 2021, the District reported the following deferred outflows of resources and deferred inflows of resources related to OPEB.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,408,045	\$ 2,426,845
Changes of assumptions or other inputs	0	2,910,672
District's contributions subsequent to the measurement date	<u>1,170,151</u>	<u>0</u>
Total	<u>\$ 7,578,196</u>	<u>\$ 5,337,517</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. Other amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$ (285,070)
2023	(285,070)
2024	(285,070)
2025	(111,240)
2026	554,141
Thereafter	1,482,837

NOTE 12. RISK MANAGEMENT.

General Information

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 12. RISK MANAGEMENT. (Continued)

Consortium

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

NOTE 13. COMMITMENTS AND CONTINGENCIES.

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

NOTE 14. ENCUMBRANCES.

Encumbrances represent contracts, purchase orders, payroll commitments, tax payables, or legal penalties that are chargeable to an account. They cease to be encumbrances when paid or when the actual liability amount is determined and recorded as an expenditure. As discussed in Note 1, Encumbrances of appropriations of budgets for the year ended June 30, 2021 have been included in the assigned fund balances of the following funds as of June 30, 2021:

General Fund	\$ 367,304
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NOTE 15. OPERATING LEASES.

The District leases equipment and property under operating leases. Rental expense for the year ended June 30, 2021 was \$2,626.

Minimum annual rentals for the remaining lease is:

For the Year Ended June 30,	Amount
2022	\$ 2,626
2023	1,532

NOTE 16. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through October 15, 2021 the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 17. RESTATEMENT OF NET POSITION AND FUND BALANCE.

For the fiscal year ended June 30, 2021, the District implemented GASB Statement 84, *Fiduciary Activities*. GASB Statement 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes. An activity meeting this criteria should be reported in a fiduciary fund in the basic financial statements.

The implementation of this statement has resulted in changing the presentation of the scholarship funds and the extraclassroom activities in the financial statements. These activities were previously reported as fiduciary activities. The District determined that it has administrative involvement in scholarship funds held for the benefit of individuals. These scholarship funds are not held in a trust or equivalent arrangement. Under the criteria established for GASB Statement 84, the scholarship fund activity is a governmental activity and is reported by the District in the Miscellaneous Special Revenue Fund. The District also determined that it has administrative involvement in extraclassroom activity funds held for the benefit of its students. Under the criteria established for GASB Statement 84, the extraclassroom activities are governmental activity and are also reported by the District in the Miscellaneous Special Revenue Fund. The District's beginning net position and fund balance has been restated as follows:

	<u>Governmental Activities</u>
Net Position, Beginning of Year, as Previously Reported:	\$ (15,923,888)
Change in Accounting Principles, Restricted for Scholarships	18,334
Change in Accounting Principles, Restricted for Extraclassroom Activities	88,175
Net Position, Beginning of Year, as Restated:	<u>\$ (15,817,379)</u>
	<u>Governmental Funds</u>
	<u>Miscellaneous Special Revenue Fund</u>
Fund Balance, Beginning of Year, as Previously Reported:	\$ 0
Change in Accounting Principles, Restricted for Scholarships	18,334
Change in Accounting Principles, Restricted for Extraclassroom Activities	88,175
Fund Balance, Beginning of Year, as Restated:	<u>\$ 106,509</u>
	<u>Fiduciary Funds</u>
	<u>Private Purpose Trust Fund</u>
Net Position, Beginning of Year, as Previously Reported:	\$ 106,509
Change in Accounting Principles, Restricted for Scholarships	(106,509)
Net Position, Beginning of Year, as Restated:	<u>\$ 0</u>

SUPPLEMENTAL SCHEDULE #1

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Total OPEB Liability</u>				
Service cost	\$ 2,161,351	\$ 1,874,338	\$ 1,689,780	\$ 2,050,973
Interest	1,705,042	1,671,126	1,558,482	1,351,506
Changes of benefit terms	(249,404)	0	0	0
Differences between expected and actual experience	(773,854)	(104,682)	(2,718,364)	0
Changes in assumptions or other inputs	4,984,831	2,694,522	(99,982)	(5,872,418)
Benefit payments	<u>(1,065,667)</u>	<u>(988,521)</u>	<u>(944,434)</u>	<u>(1,169,827)</u>
Net change in total OPEB liability	6,762,299	5,146,783	(514,518)	(3,639,766)
Total OPEB liability-beginning	<u>46,943,576</u>	<u>41,796,793</u>	<u>42,311,311</u>	<u>45,951,077</u>
Total OPEB liability-ending	<u>\$ 53,705,875</u>	<u>\$ 46,943,576</u>	<u>\$ 41,796,793</u>	<u>\$ 42,311,311</u>
Covered-employee payroll	\$ 11,798,385	\$ 12,433,818	\$ 10,754,307	\$ 10,373,328
Total OPEB liability as a percentage of covered-employee payroll	455.20%	377.55%	388.65%	407.89%

Notes to Schedule:

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

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

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

SUPPLEMENTAL SCHEDULE #2

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

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

	ORIGINAL BUDGET	FINAL BUDGET	CURRENT YEAR'S REVENUES	OVER (UNDER) REVISED BUDGET
<b>REVENUES</b>				
<b>LOCAL SOURCES:</b>				
Real Property Taxes	\$ 10,579,012	\$ 10,579,012	\$ 10,582,219	\$ 3,207
Other Tax Items	726,940	726,940	726,940	0
Charges for Services	7,058,852	7,058,852	6,789,387	(269,465)
Use of Money & Property	20,000	20,000	8,020	(11,980)
Sale of Property & Compensation for Loss	2,000	2,000	48,156	46,156
Miscellaneous	313,166	313,166	752,253	439,087
<b>STATE SOURCES</b>	10,570,058	10,570,058	10,517,076	(52,982)
<b>FEDERAL SOURCES</b>	3,481,694	3,637,907	3,603,553	(34,354)
<b>TOTAL REVENUES</b>	32,751,722	32,907,935	\$ 33,027,604	\$ 119,669
<b>APPROPRIATED FUND BALANCE</b>	898,597	898,597		
<b>TOTAL REVENUES &amp; APPROPRIATED FUND BALANCE</b>	\$ 33,650,319	\$ 33,806,532		

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



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

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

	ORIGINAL BUDGET	FINAL BUDGET	CURRENT YEAR'S EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCE
<b>EXPENDITURES</b>					
<b>GENERAL SUPPORT:</b>					
Board of Education	\$ 83,461	\$ 70,161	\$ 31,017	\$ 0	\$ 39,144
Central Administration	282,546	281,245	270,804	0	10,441
Finance	469,487	526,653	481,555	30,959	14,139
Staff	141,438	149,610	133,808	0	15,802
Central Services	2,782,087	3,337,300	3,124,965	50,490	161,845
Special Items	350,400	339,400	329,987	0	9,413
<b>INSTRUCTIONAL:</b>					
Instruction, Administration & Improvement	1,005,030	1,005,766	943,036	4,250	58,480
Teaching - Regular School	8,130,198	7,895,843	7,512,734	780	382,329
Programs for Children with Handicapping Conditions	6,335,519	5,966,385	5,673,888	0	292,497
Occupational Education	472,240	390,881	318,762	0	72,119
Teaching - Special Schools	3,500	3,500	244	0	3,256
Instructional Media	961,581	1,537,183	1,196,756	260,927	79,500
Pupil Services	1,703,783	1,713,607	1,450,024	19,898	243,685
<b>PUPIL TRANSPORTATION</b>	<b>2,682,893</b>	<b>2,172,209</b>	<b>1,697,923</b>	<b>0</b>	<b>474,286</b>
<b>EMPLOYEE BENEFITS</b>	<b>6,678,830</b>	<b>6,347,463</b>	<b>6,004,661</b>	<b>0</b>	<b>342,802</b>
<b>DEBT SERVICE:</b>					
Debt Service - Principal	980,000	1,855,603	1,855,000	0	603
Debt Service - Interest	525,326	151,723	235,568	0	(83,845)
<b>TOTAL EXPENDITURES</b>	<b>33,588,319</b>	<b>33,744,532</b>	<b>31,260,732</b>	<b>367,304</b>	<b>2,116,496</b>
<b>OTHER USES:</b>					
Operating Transfers Out	62,000	62,000	52,781	0	9,219
<b>TOTAL EXPENDITURES &amp; OTHER USES</b>	<b>\$ 33,650,319</b>	<b>\$ 33,806,532</b>	<b>31,313,513</b>	<b>\$ 367,304</b>	<b>\$ 2,125,715</b>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER EXPENDITURES &amp; OTHER USES</b>					
			<b>\$ 1,714,091</b>		

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2021

	NYSERS Pension Plan Last 10 Fiscal Years*									
	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014		
District's proportion of the net pension asset/(liability)	0.0076187%	0.0073394%	0.0072717%	0.0075748%	0.0077075%	0.0075474%	0.0076673%	0.0076673%		0.0076673%
District's proportionate share of the net pension asset/(liability)	\$ (7,586)	\$ (1,943,506)	\$ (515,221)	\$ (244,473)	\$ (1,355,260)	\$ (1,211,379)	\$ (259,021)	\$ (346,476)		\$ (346,476)
District's covered-employee payroll	\$ 2,455,984	\$ 2,304,800	\$ 2,163,435	\$ 2,305,416	\$ 1,961,614	\$ 1,971,916	\$ 1,971,916	\$ 1,897,530		\$ 1,897,530
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-0.31%	-84.32%	-23.81%	-10.60%	-69.09%	-61.43%	-13.14%	-18.26%		
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.95%	97.15%		97.15%
	NYSTRS Pension Plan Last 10 Fiscal Years*									
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013		
District's proportion of the net pension asset/(liability)	0.061126%	0.0599810%	0.060868%	0.060202%	0.058919%	0.056317%	0.058346%	0.058739%		0.058739%
District's proportionate share of the net pension asset/(liability)	\$ (1,689,088)	\$ 1,558,302	\$ 1,100,652	\$ 457,595	\$ (631,047)	\$ 5,849,561	\$ 1,100,652	\$ 386,653		\$ 386,653
District's covered-employee payroll	\$ 10,375,089	\$ 10,462,332	\$ 10,193,936	\$ 9,932,139	\$ 9,537,527	\$ 8,459,606	\$ 8,618,572	\$ 8,632,407		\$ 8,632,407
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-16.28%	14.89%	10.80%	4.61%	-6.62%	69.15%	12.77%	4.48%		4.48%
Plan fiduciary net position as a percentage of the total pension liability	97.76%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%		100.70%

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 FOR THE YEAR ENDED JUNE 30, 2021

	NYSERS Pension Plan Last 10 Fiscal Years*									
	3/31/2021	3/31/2020	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014		
Contractually required contribution	\$ 328,504	\$ 310,594	\$ 313,812	\$ 330,477	\$ 312,093	\$ 333,615	\$ 376,327	\$ 406,205		
Contributions in relation to the contractually required contribution	328,504	310,594	313,812	330,477	312,093	333,615	376,327	406,205		
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
Covered Employee Payroll	\$ 2,455,984	\$ 2,278,137	\$ 2,304,800	\$ 2,163,435	\$ 2,305,416	\$ 1,961,614	\$ 1,971,916	\$ 1,897,530		
Contributions as a percentage of its covered-employee payroll	13.38%	13.63%	13.62%	15.28%	13.54%	17.01%	19.08%	21.41%		
	NYSTRS Pension Plan Last 10 Fiscal Years*									
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013		
Contractually required contribution	\$ 919,233	\$ 1,063,248	\$ 971,640	\$ 1,153,421	\$ 1,205,572	\$ 1,482,969	\$ 1,400,518	\$ 1,022,077		
Contributions in relation to the contractually required contribution	919,233	1,063,248	971,640	1,153,421	1,205,572	1,482,969	1,400,518	1,022,077		
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
Covered Employee Payroll	\$ 10,375,089	\$10,462,332	\$ 10,193,936	\$ 9,932,139	\$ 9,537,527	\$ 8,459,606	\$ 8,618,572	\$ 8,632,407		
Contributions as a percentage of its covered-employee payroll	8.86%	10.16%	9.53%	11.61%	12.64%	17.53%	16.25%	11.84%		

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND THE REAL PROPERTY TAX LIMIT - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

CHANGE FROM ADOPTED TO FINAL BUDGET

ADOPTED BUDGET	\$ 33,251,722
ADDITIONS:	
Encumbrances from Prior Year	<u>398,597</u>
ORIGINAL BUDGET	33,650,319
BUDGET REVISIONS:	
Budget Amendments for Grants:	
Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act	<u>156,213</u>
FINAL BUDGET	<u><u>\$ 33,806,532</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-2022 Voter-Approved Expenditure Budget Maximum Allowed ( 4% of 2021-2022 budget of \$34,573,467 )	\$ 1,382,939
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 367,304
Unassigned Fund Balance	<u>7,463,456</u>
Total Unrestricted Fund Balance	<u>7,830,760</u>
Less:	
Appropriated Fund Balance	-
Encumbrances Included in Committed and Assigned Fund Balance	<u>367,304</u>
Total Adjustments	<u>367,304</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 7,463,456</u></u>
Actual Percentage	21.59%

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

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

SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES  
FOR THE YEAR ENDED JUNE 30, 2021

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES & TRANSFERS TO DATE		UNEXPENDED BALANCE
			PRIOR YEARS	CURRENT YEAR	
HFIS Playground	\$ 145,000	\$ 145,000	\$ 121,122	\$ 23,878	\$ 145,000
Community Capital Assistance Prg	125,000	125,000	82,983	42,017	125,000
James O'Neill High School	21,475,612	22,221,965	14,936,919	6,685,863	21,622,782
Concession Building	376,919	668,483	581,421	12,288	593,709
Pole Barn	239,259	311,596	253,984	19,321	273,305
Pressbox	99,759	197,956	122,697	60,264	182,961
Smart Schools Bond Act	0	295,942	0	295,942	295,942
	\$ 22,461,549	\$ 23,965,942	\$ 16,099,126	\$ 7,139,573	\$ 23,238,699
					\$ 727,243

	METHODS OF FINANCING			TOTAL	FUND BALANCE JUNE 30, 2021
	PROCEEDS FROM DEBT	STATE AID	LOCAL SOURCES		
HFIS Playground	\$ 0	\$ 145,000	\$ 0	\$ 145,000	\$ 0
Community Capital Assistance Prg	0	125,000	0	125,000	0
James O'Neill High School	15,279,892	0	7,025,000	22,304,892	682,110
Concession Building	621,426	0	0	621,426	27,717
Pole Barn	289,661	0	0	289,661	16,356
Pressbox	184,021	0	0	184,021	1,060
Smart Schools Bond Act	0	295,942	0	295,942	0
	\$ 16,375,000	\$ 565,942	\$ 7,025,000	\$ 23,965,942	\$ 727,243

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021

CAPITAL ASSETS, NET		\$ 33,540,476
DEDUCTIONS:		
Bond Anticipation Note		
Short-term Portion of Bonds Payable	\$ 1,585,000	
Long-term Portion of Bonds Payable	<u>15,290,000</u>	
Total Bonds Payable	16,875,000	
Less: Unspent Bond Proceeds	<u>(727,243)</u>	
TOTAL DEDUCTIONS		<u>16,147,757</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 17,392,719</u></u>

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Highland Falls-Fort Montgomery Central School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Highland Falls-Fort Montgomery Central School District's basic financial statements and have issued our report thereon dated October 15, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Montgomery, New York  
October 15, 2021



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

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

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

We have audited Highland Falls-Fort Montgomery Central School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Highland Falls-Fort Montgomery Central School District's major federal programs for the year ended June 30, 2021. Highland Falls-Fort Montgomery Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

**Opinion on Each Major Federal Program**

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

**Report on Internal Control over Compliance**

Management of Highland Falls-Fort Montgomery Central 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 Highland Falls-Fort Montgomery Central School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Highland Falls-Fort Montgomery Central 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.

Montgomery, New York  
October 15, 2021

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL ASSISTANCE LISTING NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PASSED THROUGH TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed-through NYS Education Department:				
Child Nutrition Cluster:				
Cash Assistance				
Summer Food Service Program	10.559	N/A		\$ 197,654
Non-Cash Assistance (food distribution)				
National School Lunch Program	10.555	N/A		<u>13,375</u>
TOTAL U.S. DEPT. OF AGRICULTURE, CHILD NUTRITION CLUSTER				<u>211,029</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed-through NYS Education Department:				
Special Education Cluster:				
IDEA - Part B, Section 611	84.027	0032-21-0682	\$ 9,144	245,723
IDEA - Part B, Section 619	84.173	0033-21-0682	804	<u>4,825</u>
Total Special Education Cluster			<u>\$ 9,948</u>	250,548
Title I Parts A&D, Basic Program	84.010	0021-21-2250		138,213
Title II Part A, Teacher & Principal Training & Recruiting	84.367	0147-20-2250		9,788
Title II Part A, Teacher & Principal Training & Recruiting	84.367	0147-21-2250		12,905
Title IV A SSAE	84.424	0204-21-2250		<u>6,375</u>
Total Passed-through NYS Education Department				417,829
Education Stabilization Fund under the Coronavirus Aid, Relief, and Economic Security Act				
Governor's Emergency Education Relief (GEER) Fund	84.425C	5895-21-2250		22,638
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	5890-21-2250		<u>113,148</u>
				135,786
Direct Program:				
Impact Aid	84.041	N/A		<u>3,461,694</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>4,015,309</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 4,226,338</u>

The accompanying notes are an integral part of the schedule.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1. BASIS OF PRESENTATION.

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

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

NOTE 2. NON-CASH ASSISTANCE.

The District is the recipient of a federal award program that does not result in cash receipts or disbursements. The District was granted \$13,375 of commodities under the Commodity Supplemental Food Program (Federal Assistance Listing Number 10.555).

NOTE 3. OTHER DISCLOSURES.

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

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

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Internal Control over Financial Reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiencies identified? \_\_\_\_\_ Yes  X  None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

FEDERAL AWARDS

Internal Control over Major Programs:

Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiencies identified? \_\_\_\_\_ Yes  X  None Reported

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

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

IDENTIFICATION OF MAJOR PROGRAMS:

<u>FEDERAL ASSISTANCE LISTING NUMBER</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
84.041	Impact Aid
10.555, 10.559	Child Nutrition Cluster

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

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

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings relating to the financial statements which were required to be reported.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Significant Deficiencies in Internal Control

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

B. Compliance Findings

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the extraclassroom activity funds of the Highland Falls-Fort Montgomery Central School District as of June 30, 2021, and its receipts and disbursements for the year then ended, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Montgomery, New York  
October 15, 2021



HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
EXTRACLASROOM ACTIVITY FUND  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS  
JUNE 30, 2021

ASSETS

Cash		\$ 96,754
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FUND BALANCE

Fund Balance, Beginning of Year:		
High School Extraclassroom Activities	\$ 77,795	
Middle School Extraclassroom Activities	10,380	
Total Fund Balance, Beginning of Year		\$ 88,175
Excess of Receipts over Disbursements		
High School Extraclassroom Activities	\$ 7,785	
Middle School Extraclassroom Activities	794	
Total Excess of Receipts over Disbursements		8,579
Fund Balance, End of Year:		
High School Extraclassroom Activities	\$ 85,580	
Middle School Extraclassroom Activities	11,174	
Total Fund Balance, End of Year		\$ 96,754

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
EXTRACLASSROOM ACTIVITY FUND - HIGH SCHOOL  
STATEMENT OF RECEIPTS & DISBURSEMENTS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2021

	CASH BALANCE JUNE 30, 2020	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2021
Class of 2016	\$ 1,485	\$ 0	\$ 0	\$ 1,485
Class of 2019	141	0	0	141
Class of 2020	1,411	0	1,411	0
Class of 2021	2,079	8,987	8,400	2,666
Class of 2022	750	0	0	750
Anime Club	1,287	0	0	1,287
Band / Auditorium	2,350	0	0	2,350
Chorus	1,351	0	0	1,351
Crew Team	1,983	0	0	1,983
Drama	15,996	14,589	17,159	13,426
Environmental Science	1,304	0	0	1,304
Gay Straight Alliance	512	0	0	512
Girls Basketball	267	0	0	267
Girls Lacrosse	190	0	49	141
Interact	2,685	0	500	2,185
J.R.O.T.C.	6,992	16,907	12,000	11,899
Literacy Magazine	476	0	0	476
National Honor Society	1,584	0	0	1,584
Reading Buddies Club	430	0	0	430
Red Cross	620	289	500	409
Science	115	0	0	115
Science Buddies	162	0	0	162
Soccer (Boys)	190	0	0	190
Soccer (Varsity Girls)	2,134	0	0	2,134
Student Council	11,536	7,110	6,076	12,570
Student-to-Student	1,463	500	0	1,963
Track and Field	966	0	0	966
Varsity Baseball	1,395	0	367	1,028
Varsity Basketball	2,552	2,375	1,000	3,927
Volleyball	1,461	0	0	1,461
Yearbook	11,928	4,560	70	16,418
	<u>\$ 77,795</u>	<u>\$ 55,317</u>	<u>\$ 47,532</u>	<u>\$ 85,580</u>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
EXTRACLASSROOM ACTIVITY FUND - MIDDLE SCHOOL  
STATEMENT OF RECEIPTS & DISBURSEMENTS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2021

	CASH BALANCE JUNE 30, 2020	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2021
Grade 7	\$ 600	\$ 0	\$ 600	\$ 0
Grade 8	19	1,167	586	600
Drama Club	1,760	0	0	1,760
Junior Honor Society	462	0	0	462
Memory Book	4,130	810	0	4,940
Music Club	2,497	0	0	2,497
Student Council	912	3	0	915
	<u>\$ 10,380</u>	<u>\$ 1,980</u>	<u>\$ 1,186</u>	<u>\$ 11,174</u>

See notes to financial statement.

HIGHLAND FALLS-FORT MONTGOMERY CENTRAL SCHOOL DISTRICT  
HIGHLAND FALLS, NEW YORK  
EXTRAClassroom Activity Funds  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

- (a) The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Highland Falls-Fort Montgomery Central School District. We have included the Extraclassroom Activity Fund balances within the Miscellaneous Special Revenue Fund of the financial statements. The separate audit report of the Extraclassroom Activity Funds is required due to the fact that the transactions of this fund are controlled by student management.
- (b) The books and records of the Highland Falls-Fort Montgomery Central School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.
- (c) The Extraclassroom Activity Funds are used to record the activity of all student-related activities within the District. These funds are under the control of an appointed central treasurer who maintains cash receipts and cash disbursement books. All receipts are collected by the student activity treasurer and disbursements must be approved by the student management.