

**CITY OF PORT JERVIS, NEW YORK**

**Financial Statements as of  
December 31, 2019  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## CONTENTS

|   |    |
|---|----|
| <b>INDEPENDENT AUDITOR’S REPORT</b> .....   | 1  |
| <b>MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)</b> .....   | 3  |
| <b>BASIC FINANCIAL STATEMENTS:</b>  |    |
| Government-Wide Financial Statements:   |    |
| Statement of Net Position .....   | 10 |
| Statement of Activities.....  | 11 |
| Fund Financial Statements:  |    |
| Balance Sheet - Governmental Funds .....  | 12 |
| Reconciliation of Governmental Funds Balance Sheet to the Governmental-Wide<br>Statement of Net Position .....                                      | 13 |
| Statement of Revenues, Expenditures and Changes in Fund Balance -<br>Governmental Funds .....   | 14 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund<br>Balance of Governmental Funds to the Statement of Activities ..... | 15 |
| Balance Sheet - Fiduciary Fund .....  | 16 |
| Notes to Financial Statements.....  | 17 |
| <b>REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)</b>   |    |
| Statement of Revenues, Expenditures and Change in Fund Balances-<br>Budget and Actual – General Fund.....   | 46 |
| Statement of Revenues, Expenditures and Change in Fund Balances-<br>Budget and Actual – Water Fund.....   | 47 |
| Statement of Revenues, Expenditures and Change in Fund Balances-<br>Budget and Actual – Sewer Fund.....   | 48 |
| Schedule of changes in total OPEB liability and related ratios.....   | 49 |
| Schedule of Proportionate Share of Net Pension Liability (Asset).....   | 50 |
| Schedule of Contributions – Pension Plans.....  | 51 |

**INDEPENDENT AUDITOR'S REPORT**

August 20, 2020

The Honorable Mayor and City Council of the  
City of Port Jervis, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Port Jervis, New York (City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City'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. 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.

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(Continued)

## INDEPENDENT AUDITOR'S REPORT (Continued)

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Port Jervis, New York as of December 31, 2019, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of changes in total other post-employment benefits liability and related ratios, proportionate share of net pension liability and contributions-pension plans 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.

*Bonadio & Co., LLP*

## **CITY OF PORT JERVIS, NEW YORK**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2019**

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#### **INTRODUCTION**

The following Management Discussion and Analysis (MD&A) of the City of Port Jervis, New York's (City) financial statement provides an overview of the financial activities for the year ended December 31, 2019. Please read it in conjunction with the basic financial statements and the accompanying notes to those statements that follow this section.

#### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2019 are as follows:

- On the government-wide financial statements, the net position of the City at December 31, 2019 was \$6,617 as compared to (\$14,069,485) in 2018. This increase reflects a positive change in overall operations.
- The City's total fund balance at the end of the year was \$5,845,507, which represents a decrease from the prior year of \$724,242. The decrease was due to the large expenditures in the Capital Fund for a FEMA project to rebuild the canal spillway and three major NYSDOT projects for a bridge replacement, road widening, traffic flow improvements and sidewalk replacements. All other funds without the impact of the capital expenditures had a net gain of \$692,986. The primary operational funds of the City are the General, Water and Sewer Funds. The General Fund had a fund balance increase of \$286,729, the Water Fund had an increase of \$96,974, and the Sewer Fund had an increase of \$234,515.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,884,187 or 13.8% of total General Fund expenditures. It should also be noted that the restricted fund balance of \$190,815 is restricted to use by the resolution of the Common Council not by law and as such could be made available for use as well. The restricted fund balance for the Water Fund is \$1,564,475. The fund balance position in the Water Fund is necessary to provide a positive cash position due to excessive amounts of uncollected water rents, and building the strength of this fund, as it desires continuing to improve the water system. The sewer fund has been established to segregate sewer revenues with much the same purpose as the water fund with the goal of major infrastructure replacements in the future. NYS funding sources have indicated to the City the need to raise revenues in this area as a requirement to qualify for state assistance for infrastructure repairs and replacements. The Capital fund is experiencing multiple major projects for which the capital fund has prepared over the years and has also done short term borrowing for to meet the cash flow needs of projects which are projected to cost approximately \$25 million dollars in total while the City processes payments and receives reimbursements.
- The City at the end of this fiscal year had a temporary borrowing (BAN) of 5 million dollars to be able to provide the cash flow necessary to complete the large capital projects. It is anticipated that this temporary borrowing will be reduced in 2021 to reflect the 10% of the projects that the NYSDOT will not provide payment for until final signoffs on the projects have occurred and also any budget overruns. The City plans to convert the balance of required City share of the projects not already funded through previous serial bonds along with any other unfunded costs by NYS into a permanent serial bond for final funding of the project upon closeout. This may occur in late 2021 or 2022.

## FINANCIAL HIGHLIGHTS (Continued)

### Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements.

#### *Government-Wide Financial Statements*

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's financial position in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows/inflows or resources, and liabilities, with the difference between these four categories reported as *net position*. Over time increases or decreases in net position may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information reflecting how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as underlying events giving rise to changes occur, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal periods.

Both the statement of net position and statement of activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include general governmental support, public safety, transportation, economic opportunity and development, culture and recreation, home and community services and interest.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements

#### *Fund Financial Statements*

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City like other local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and fiduciary funds.

*Governmental funds* - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and out flows of expendable resources*, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

## **FINANCIAL HIGHLIGHTS (Continued)**

### *Fund Financial Statements – (Continued)*

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General, Community Development, Section 8 Housing Assistance Payment Program, Water, Sewer, and Capital Projects funds, all of which are considered to be major funds.

The City adopts an annual appropriated budget for its General, Community Development (as proposed by the Community Development management), Water and Sewer funds. A budgetary comparison statement has been provided for these funds within the basic financial statements to demonstrate compliance with these budgets.

The financial statements for the governmental funds can be found in the basic financial statements section of this report.

*Fiduciary Funds* - The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The City maintains only one type of fiduciary fund that is known as an Agency Fund. Resources are held in this fund by the City purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment and remittance of resources to the appropriate individual, organization or government.

The financial statements for the Fiduciary Fund can be found in the basic financial statements section of this report.

*Notes to financial statements* - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located following the basic financial statements section of this report.

**FINANCIAL HIGHLIGHTS (Continued)**

**Table A-1 – Summary Statement of Net Position**

One of the components of the City's net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens and these assets cannot be used to liquidate debt.

| Governmental Activities          | <u>2019</u>         | <u>2018</u>            | <u>% Change</u> |
|----------------------------------|---------------------|------------------------|-----------------|
| Current Assets                   | \$ 16,207,140       | \$ 17,759,008          | -8.7%           |
| Capital Assets, Net              | <u>54,001,806</u>   | <u>36,067,162</u>      | 49.7%           |
| Total Assets                     | <u>70,208,946</u>   | <u>53,826,170</u>      | 30.4%           |
| Deferred Outflows of Resources   | 6,607,072           | 3,626,123              | 82.2%           |
| Current Liabilities              | 9,365,728           | 8,277,159              | 13.2%           |
| Non-current Liabilities          | <u>60,977,416</u>   | <u>56,442,557</u>      | 8.0%            |
| Total Liabilities                | <u>70,343,144</u>   | <u>64,719,716</u>      | 8.7%            |
| Deferred Inflows of Resources    | 6,466,257           | 6,802,062              | -4.9%           |
| Net Position                     |                     |                        |                 |
| Net investment in capital assets | 33,795,682          | 20,284,688             | 66.6%           |
| Other                            | <u>(33,789,065)</u> | <u>(34,354,173)</u>    | -1.6%           |
| Total Net Position               | <u>\$ 6,617</u>     | <u>\$ (14,069,485)</u> | 100.0%          |

The decrease in deferred outflows is due to the City recording its proportionate share flowing through from participation in NYS ERS and PFRS. Capital assets increased due to the construction in process and/or completed on a FEMA project to rebuild the canal spillway and three major NYSDOT projects for a bridge replacement, road widening, traffic flow improvements and sidewalk replacements.

## FINANCIAL HIGHLIGHTS (Continued)

**Table A-2 – Comparative Statement of Activities**

| <u>Governmental Activities</u>             | <u>2019</u>          | <u>2018</u>       | <u>% Change</u> |
|--|----------------------|-------------------|-----------------|
| Program Revenue:                           |                      |                   |                 |
| Charges for services                       | \$ 3,225,528         | \$ 4,616,819      | -30.1%          |
| Operating grants and contributions         | 3,690,710            | 3,653,908         | 1.0%            |
| Capital grants and contributions           | 18,378,535           | 2,670,833         | 588.1%          |
| General Revenue:                           |                      |                   |                 |
| Real property taxes                        | 6,188,076            | 6,024,225         | 2.7%            |
| Other tax and non tax items                | 4,366,394            | 4,242,182         | 2.9%            |
| Use of money and property                  | 89,095               | 226,117           | -60.6%          |
| Sale of property and compensation for loss | (157,345)            | (38,724)          | 306.3%          |
| Miscellaneous                              | 204,732              | 108,303           | 89.0%           |
| <b>Total Revenues</b>                      | <b>35,985,725</b>    | <b>21,503,663</b> | <b>67.3%</b>    |
| Expenses:                                  |                      |                   |                 |
| General government support                 | 2,561,267            | 2,509,433         | 2.1%            |
| Public safety                              | 9,340,094            | 8,918,028         | 4.7%            |
| Health                                     | 612                  | 7,015             | -91.3%          |
| Transportation                             | 1,894,691            | 1,593,377         | 18.9%           |
| Economic opportunity and development       | 290,228              | 570,836           | -49.2%          |
| Culture and recreation                     | 713,089              | 556,509           | 28.1%           |
| Home and community services                | 6,571,935            | 6,626,553         | -0.8%           |
| Debt service interest                      | 537,707              | 443,576           | 21.2%           |
| <b>Total Expenses</b>                      | <b>21,909,623</b>    | <b>21,225,327</b> | <b>3.2%</b>     |
| <b>Change in Net Position</b>              | <b>\$ 14,076,102</b> | <b>\$ 278,336</b> |                 |

The City has continued its “clean-up” of properties acquired through the delinquent tax lien process through sale of properties at a loss where rehabilitation is possible thus increasing future taxability. This property strategy while providing an up-front loss to the City should provide long-term gains through rehabilitation. This was accomplished through a commercial property auction in 2019 and while this effort has been stalled somewhat in 2020 by the restrictions of the COVID-19 pandemic it will continue in 2021. The City had employed this strategy with its downtown commercial revitalization efforts as well with moderate success which again has been stalled by the restrictions of the pandemic but will continue in 2021 with several projects currently in the planning phase. The City has also begun the process of a possible annexation of properties from the Town of Deerpark for the purpose of both industrial and commercial development in 2021 if successful.

The incongruity in Capital Grant and contributions is caused by the fact that revenue for the large capital projects is recognized at government wide level, but the expenditures get capitalized.

**FINANCIAL HIGHLIGHTS (Continued)**

Table A-3 presents the cost of each of the City’s governmental programs and each program’s net cost of services (total cost less revenue generated by activities). The net cost shows the financial burden that was placed on the city’s taxpayers by each of these functions.

|                                   | In millions               |                         |                           |                         |
|-----------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
|                                   | Total Cost<br>of Services | Net Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services |
|                                   | <u>2019</u>               | <u>2019</u>             | <u>2018</u>               | <u>2018</u>             |
| General Government Support        | \$ 2.6                    | \$ 0.4                  | \$ 2.5                    | \$ 0.5                  |
| Public safety                     | 9.3                       | 8.5                     | 8.9                       | 8.1                     |
| Transportation                    | 1.9                       | 1.8                     | 1.6                       | 1.4                     |
| Economic Opportunity & Assistance | 0.3                       | 0.3                     | 0.6                       | 0.6                     |
| Culture and Recreation            | 0.7                       | 0.7                     | 0.6                       | 0.5                     |
| Home and Community Services       | 6.6                       | (15.6)                  | 6.6                       | (1.3)                   |
| Interest                          | 0.5                       | 0.5                     | 0.4                       | 0.4                     |
|                                   | <u>\$ 21.9</u>            | <u>\$ (3.4)</u>         | <u>\$ 21.2</u>            | <u>\$ 10.2</u>          |

The incongruity in Home and Community Services is caused by the fact that revenue for the large capital projects is recognized at government wide level, but the expenditures get capitalized.

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

**Governmental Funds:**

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported a combined ending fund balance of \$5,845,507 as compared to \$6,569,749 in 2018, a decrease of \$724,242 from the prior year. This is due to the large expenditure of funds on NYSDOT projects in Capital Fund and not indicative of general operations. This trend may recur until projects are all completed in 2021.

The General, Water and Sewer Funds are the primary operating funds of the City. At the end of the current fiscal year, the total fund balance of the General, Water and Sewer funds was \$4,374,906 as compared to 2018 at \$3,756,688. Demonstrating the performance of operations without the capital expenditures and the City growing its resources in the water and sewer fund to accommodate future improvements.

The results for these funds do not include the expense charges for change in other post-employment benefits as it does not use current funds.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)**

**CAPITAL ASSETS, NET**

The City's investment in capital assets for its government activities as of December 31, 2019 is \$54,001,806 (net of accumulated depreciation) which is an increase from 2018 as the City continues to perform infrastructure capital projects. A complete inventory of the infrastructure and associated reporting of values was completed in 2006 and full depreciation schedules are maintained.

**Table A-4: Schedule of Capital Assets, Net**

|                                | December 31,<br><u>2019</u> | December 31,<br><u>2018</u> |
|--------------------------------|-----------------------------|-----------------------------|
| Construction in progress       | \$ 25,974,816               | \$ 7,224,722                |
| Land                           | 781,035                     | 781,035                     |
| Land improvements              | 4,592,606                   | 4,540,981                   |
| Buildings and improvements     | 12,409,198                  | 12,409,198                  |
| Machinery and equipment        | 12,440,394                  | 12,093,976                  |
| Infrastructure                 | <u>38,559,304</u>           | <u>38,030,386</u>           |
| Total                          | 94,757,353                  | 75,080,298                  |
| Less: Accumulated depreciation | <u>40,755,547</u>           | <u>39,013,136</u>           |
| Capital assets, net            | <u>\$ 54,001,806</u>        | <u>\$ 36,067,162</u>        |

**LONG-TERM DEBT**

At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,336,000. This represents a decrease of \$763,000 as the City paid down its outstanding bonds. The City maintains a 5-year needs assessment and long-term borrowing plan which it will be revising in the upcoming year to plan any future issuances. All bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City.

**Table A-5: Outstanding Long-Term Debt**

|  | December 31,<br><u>2019</u> | December 31,<br><u>2018</u> |
|--|-----------------------------|-----------------------------|
| General obligation bonds (including unamortized premium) | \$ 12,346,737               | \$ 13,112,189               |
| Compensated absences                                     | 1,774,692                   | 1,792,010                   |
| Net pension liability                                    | 2,185,753                   | 1,187,311                   |
| Other long-term debt                                     | <u>1,168,246</u>            | <u>1,456,393</u>            |
| Total  | <u>\$ 17,475,428</u>        | <u>\$ 17,547,903</u>        |

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

City Clerk/Treasurer  
City of Port Jervis  
PO Box 1002  
Port Jervis, New York, 12771

**CITY OF PORT JERVIS, NEW YORK**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

|  | Primary<br>Government      | Component<br>Unit                   |
|--|----------------------------|-------------------------------------|
|  | Governmental<br>Activities | Industrial<br>Development<br>Agency |
| <b>ASSETS</b>  |                            |                                     |
| Cash and equivalents   | \$ 4,960,880               | \$ 26,742                           |
| Cash - restricted  | 84,400                     | -                                   |
| Receivables:   |                            |                                     |
| Taxes, net   | 1,595,400                  | -                                   |
| Accounts   | 1,624,042                  | -                                   |
| Due from other governments                                     | 1,300,813                  | -                                   |
| State and Federal aid  | 6,102,960                  | -                                   |
| Loans  | 191,712                    | -                                   |
| Due from fiduciary fund  | 15,329                     | -                                   |
| Prepaid expenses   | 331,604                    | -                                   |
| Capital assets, net  | 54,001,806                 | -                                   |
| Total Assets   | <u>70,208,946</u>          | <u>26,742</u>                       |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                          |                            |                                     |
| Deferred amounts on refunding bonds                            | 69,742                     | -                                   |
| Deferred outflows of resources - pensions                      | 2,217,279                  | -                                   |
| Deferred outflows of resources - other postemployment benefits | 4,320,051                  | -                                   |
| Total Deferred Outflows  | <u>6,607,072</u>           | <u>-</u>                            |
| Total Assets and Deferred Outflows of Resources                | <u>76,816,018</u>          | <u>26,742</u>                       |
| <b>LIABILITIES</b>   |                            |                                     |
| Accounts payable and accruals                                  | 3,168,429                  | -                                   |
| Due to school district   | 727,294                    | -                                   |
| Unearned revenues  | 390,224                    | 2,500                               |
| Short term notes payable                                       | 5,079,781                  | -                                   |
| Non-current liabilities:                                       |                            |                                     |
| Net pension liability  | 2,185,754                  | -                                   |
| Other postemployment benefits liability                        | 43,501,988                 | -                                   |
| Due within one year  | 1,190,161                  | -                                   |
| Due in more than one year                                      | 14,099,513                 | -                                   |
| Total Liabilities  | <u>70,343,144</u>          | <u>2,500</u>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                           |                            |                                     |
| Deferred inflows of resources - pensions                       | 774,982                    | -                                   |
| Deferred inflows of resources - other postemployment benefits  | 5,691,275                  | -                                   |
| Total Deferred Inflows   | <u>6,466,257</u>           | <u>-</u>                            |
| Total Liabilities and Deferred Inflows of Resources            | <u>76,809,401</u>          | <u>2,500</u>                        |
| <b>NET POSITION</b>  |                            |                                     |
| Net investment in capital assets                               | 33,795,682                 | -                                   |
| Restricted   | 3,629,716                  | -                                   |
| Unrestricted   | <u>(37,418,781)</u>        | <u>24,242</u>                       |
| Total Net Position   | <u>\$ 6,617</u>            | <u>\$ 24,242</u>                    |

The notes are an integral part of these financial statements.

CITY OF PORT JERVIS, NEW YORK

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

| Functions/Programs                         | Program Revenues |                         |  |  | Net (Expense) Revenue and<br>Change in Net Position |                   |
|--|------------------|-------------------------|--|--|---|-------------------|
|  | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary<br>Government                               |                   |
|  |                  |                         |  |  | Governmental<br>Activities                          | Component<br>Unit |
| Primary government                         |                  |                         |  |  |   |                   |
| Government activities                      |                  |                         |  |  |   |                   |
| General government support                 | \$ 2,561,267     | 620,600                 | \$ 1,554,183                             | \$ -                                   | \$ (386,484)  | \$ -              |
| Public safety                              | 9,340,094        | 794,764                 | 48,959                                   | -                                      | (8,496,371)   | -                 |
| Health                                     | 612              | -                       | -  | -                                      | (612)   | -                 |
| Transportation                             | 1,894,691        | -                       | 119,385                                  | -                                      | (1,775,306)   | -                 |
| Economic opportunity and assistance        | 290,228          | -                       | -  | -                                      | (290,228)   | -                 |
| Culture and recreation                     | 713,089          | 3,050                   | 11,307                                   | -                                      | (698,732)   | -                 |
| Home and community services                | 6,571,935        | 1,807,114               | 1,956,876                                | 18,378,535                             | 15,570,590  | -                 |
| Interest                                   | 537,707          | -                       | -  | -                                      | (537,707)   | -                 |
| Total Governmental Activities              | \$ 21,909,623    | \$ 3,225,528            | \$ 3,690,710                             | \$ 18,378,535                          | \$ 3,385,150  | \$ -              |
| Component unit                             |                  |                         |  |  |   |                   |
| Industrial Development Agency              | \$ -             | \$ -                    | \$ -                                     | \$ -                                   | \$ -  | \$ -              |
| General revenues:                          |                  |                         |  |  |   |                   |
| Real property taxes                        |                  |                         |  |  | 6,188,076   | -                 |
| Other tax and non tax items                |                  |                         |  |  | 4,366,394   | -                 |
| Use of money and property                  |                  |                         |  |  | 89,095  | -                 |
| Sale of property and compensation for loss |                  |                         |  |  | (157,345)   | -                 |
| Miscellaneous                              |                  |                         |  |  | 204,732   | 227               |
| Total General Revenues                     |                  |                         |  |  | 10,690,952  | 227               |
| Change in Net Position                     |                  |                         |  |  | 14,076,102  | 227               |
| Net Position - beginning of year           |                  |                         |  |  | (14,069,485)  | 24,015            |
| Net Position - end of year                 |                  |                         |  |  | \$ 6,617  | \$ 24,242         |

The notes are an integral part of these financial statements.

CITY OF PORT JERVIS, NEW YORK

BALANCE SHEET GOVERNMENTAL FUNDS  
DECEMBER 31, 2019

|   | General      | Section 8<br>Housing<br>Assistance<br>Payment<br>Program | Small Cities | Water        | Capital<br>Projects | Sewer      | Total<br>Governmental<br>Funds |
|---|--------------|--|--------------|--------------|---------------------|------------|--------------------------------|
| <b>ASSETS</b>   |              |  |              |              |                     |            |                                |
| Cash and equivalents  | \$ 591,699   | \$ 279,067   | \$ 1,190,893 | \$ 755,895   | \$ 1,803,090        | \$ 340,236 | \$ 4,960,860                   |
| Cash - restricted   | -            | 23,979   | -            | 60,421       | -                   | -          | 84,400                         |
| Taxes receivable, net   | 1,595,400    | -  | -            | -            | -                   | -          | 1,595,400                      |
| Other receivables   |              |  |              |              |                     |            |                                |
| Accounts  | 396,746      | 10,824   | 7,620        | -            | -                   | 1,128      | 416,318                        |
| Water rents   | -            | -  | -            | 887,869      | -                   | -          | 887,869                        |
| Sewer rents   | -            | -  | -            | -            | -                   | 319,855    | 319,855                        |
| Due from other governments  | 1,300,813    | -  | -            | -            | -                   | -          | 1,300,813                      |
| State and Federal aid   | 86,959       | -  | -            | -            | 6,016,001           | -          | 6,102,960                      |
| Due from other funds  | 1,645,986    | -  | -            | -            | 119,550             | -          | 1,765,536                      |
| Loans   | -            | -  | 191,712      | -            | -                   | -          | 191,712                        |
| Prepaid expenditures  | 238,034      | -  | -            | 60,444       | 18,112              | 17,014     | 331,604                        |
| Total Assets  | \$ 5,853,637 | \$ 313,870   | \$ 1,390,225 | \$ 1,764,629 | \$ 7,968,753        | \$ 678,233 | \$ 17,957,347                  |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCE</b> |              |  |              |              |                     |            |                                |
| <b>Liabilities</b>  |              |  |              |              |                     |            |                                |
| Accounts payable  | \$ (281)     | \$ 36,107  | \$ 13,864    | \$ 154       | \$ 1,797,323        | \$ -       | \$ 1,846,967                   |
| Accrued liabilities   | 1,149,326    | -  | -            | 130,889      | -                   | 41,167     | 1,321,382                      |
| Due to other funds  | 639,285      | -  | -            | 8,667        | 1,102,255           | -          | 1,750,207                      |
| Due to other governments  | -            | -  | -            | -            | -                   | 80         | 80                             |
| Due to school district  | 727,294      | -  | -            | -            | -                   | -          | 727,294                        |
| Unearned revenues   | 179,572      | -  | -            | -            | 21,610              | 198,036    | 399,217                        |
| Short term notes payable  | 79,781       | -  | -            | -            | 5,000,000           | -          | 5,079,781                      |
| Compensated absences  | -            | 3,114  | 18,357       | -            | -                   | -          | 21,471                         |
| Total Liabilities   | 2,774,977    | 39,221   | 32,021       | 139,710      | 7,921,188           | 239,282    | 11,146,399                     |
| <b>Deferred inflows of resources</b>                                    |              |  |              |              |                     |            |                                |
| Loans   | -            | -  | 191,724      | -            | -                   | -          | 191,724                        |
| Prepaid HUD annual contribution   | -            | 6,093  | -            | -            | -                   | -          | 6,093                          |
| Property taxes  | 767,624      | -  | -            | -            | -                   | -          | 767,624                        |
| Total Deferred Inflows of Resources                                     | 767,624      | 6,093  | 191,724      | -            | -                   | -          | 965,441                        |
| Total Liabilities and<br>Deferred Inflows of Resources                  | \$ 3,542,601 | \$ 45,314  | \$ 223,745   | \$ 139,710   | \$ 7,921,188        | \$ 239,282 | \$ 12,111,840                  |
| <b>Fund balance</b>   |              |  |              |              |                     |            |                                |
| Nonspendable  | 238,034      | -  | -            | 60,444       | 18,112              | 17,014     | 331,604                        |
| Restricted  | 190,815      | 268,556  | 1,166,480    | 1,564,475    | 17,453              | 421,937    | 3,629,716                      |
| Unassigned  | 1,884,187    | -  | -            | -            | -                   | -          | 1,884,187                      |
| Total Fund Balance  | 2,311,036    | 268,556  | 1,166,480    | 1,624,919    | 35,565              | 438,951    | 5,845,507                      |
| Total Liabilities, Deferred Inflows of<br>Resources, and Fund Balance   | \$ 5,853,637 | \$ 313,870   | \$ 1,390,225 | \$ 1,764,629 | \$ 7,968,753        | \$ 678,233 | \$ 17,957,347                  |

The notes are an integral part of these financial statements  
12

## CITY OF PORT JERVIS, NEW YORK

### RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENTAL - WIDE STATEMENT OF NET POSITION

December 31, 2019

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|  |                 |
|--|-----------------|
| Fund Balance-Governmental Funds  | \$ 5,845,507    |
| Amounts reported for governmental activities in the statement of net position are different because:   |                 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 54,001,806      |
| Deferral of income earned in the current year is recognized as revenue under the the accrual basis of accounting:  |                 |
| Real property taxes  | 767,624         |
| Unearned revenues on loans and prepaid HUD annual contributions  | 206,810         |
| Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. |                 |
| Deferred amounts on bond refunding   | 69,742          |
| Deferred outflows of resources related to pensions are applicable to future periods and therefore not reported in the fund   | 2,217,279       |
| Deferred outflows of resources related to other post employment benefits are applicable to future periods and therefore not reported in the fund   | 4,320,051       |
| Deferred inflows of resources related to pensions are applicable to future periods and therefore not reported in the fund  | (774,982)       |
| Deferred inflows of resources related to other post employment benefits are applicable to future periods and therefore not reported in the fund  | (5,691,275)     |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds  | (60,977,416)    |
| Other  | <u>21,471</u>   |
| Net Position of Governmental Activities  | <u>\$ 6,617</u> |

The notes are an integral part of these financial statements

CITY OF PORT JERVIS, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

|  | General             | Section 8<br>Housing<br>Assistance<br>Payment<br>Program | Small Cities        | Water               | Capital<br>Projects | Sewer             | Total<br>Governmental<br>Funds |
|--|---------------------|--|---------------------|---------------------|---------------------|-------------------|--------------------------------|
| <b>REVENUES</b>                                      |                     |  |                     |                     |                     |                   |                                |
| Real property taxes                                  | \$ 6,459,239        | \$ -   | \$ -                | \$ -                | \$ -                | \$ -              | \$ 6,459,239                   |
| Other tax items                                      | 283,305             | -  | -                   | -                   | -                   | -                 | 283,305                        |
| Non-property taxes                                   | 4,083,089           | -  | -                   | -                   | -                   | -                 | 4,083,089                      |
| Departmental income                                  | 988,932             | -  | 149,989             | 2,510,106           | -                   | 759,741           | 4,408,748                      |
| Intergovernmental charges                            | 90,333              | -  | -                   | -                   | -                   | -                 | 90,333                         |
| Use of money and property                            | 89,260              | -  | (165)               | -                   | -                   | -                 | 89,095                         |
| Licenses and permits                                 | 191,213             | -  | -                   | -                   | -                   | -                 | 191,213                        |
| Fines and forfeitures                                | 156,333             | -  | -                   | -                   | -                   | -                 | 156,333                        |
| Sale of property and compensation for loss           | (157,345)           | -  | -                   | -                   | -                   | -                 | (157,345)                      |
| State aid  | 1,727,569           | -  | -                   | -                   | 3,697,935           | -                 | 5,425,504                      |
| Federal aid  | 6,265               | 1,898,388  | 58,490              | -                   | 14,680,600          | -                 | 16,643,741                     |
| Miscellaneous  | 40,032              | 14,505   | 158,066             | 8,834               | -                   | -                 | 219,237                        |
| <b>Total Revenues</b>                                | <b>13,958,225</b>   | <b>1,912,891</b>   | <b>368,360</b>      | <b>2,518,740</b>    | <b>18,378,535</b>   | <b>759,741</b>    | <b>37,892,492</b>              |
| <b>EXPENDITURES</b>                                  |                     |  |                     |                     |                     |                   |                                |
| General government support                           | \$ 1,435,506        | \$ -   | \$ -                | \$ 131,916          | \$ -                | \$ 26,746         | \$ 1,594,168                   |
| Public safety  | 5,005,806           | -  | -                   | -                   | -                   | -                 | 5,005,806                      |
| Health   | 612                 | -  | -                   | -                   | -                   | -                 | 612                            |
| Transportation                                       | 961,863             | -  | -                   | -                   | -                   | -                 | 961,863                        |
| Economic opportunity and development                 | 70,445              | -  | 142,012             | -                   | -                   | -                 | 212,457                        |
| Culture and recreation                               | 337,570             | -  | -                   | -                   | -                   | -                 | 337,570                        |
| Home and community services                          | 852,946             | 1,736,326  | -                   | 922,887             | -                   | 288,646           | 3,800,805                      |
| Employee benefits                                    | 4,102,553           | -  | -                   | 646,175             | -                   | 167,435           | 4,916,163                      |
| Capital outlays                                      | -                   | -  | -                   | -                   | 20,241,908          | -                 | 20,241,908                     |
| Debt service:  |                     |  |                     |                     |                     |                   |                                |
| Principal  | 564,744             | -  | -                   | 541,413             | -                   | 33,013            | 1,139,170                      |
| Interest   | 339,451             | -  | -                   | 177,375             | -                   | 9,386             | 526,212                        |
| <b>Total Expenditures</b>                            | <b>13,671,496</b>   | <b>1,736,326</b>   | <b>142,012</b>      | <b>2,419,766</b>    | <b>20,241,908</b>   | <b>525,226</b>    | <b>38,736,734</b>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 286,729             | 176,565  | 224,348             | 96,974              | (1,863,373)         | 234,515           | (844,242)                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |  |                     |                     |                     |                   |                                |
| Proceeds from issuance of debt                       | -                   | -  | -                   | -                   | 120,000             | -                 | 120,000                        |
| Operating transfers - in                             | -                   | -  | -                   | -                   | 326,145             | -                 | 326,145                        |
| Operating transfers - out                            | -                   | -  | (326,145)           | -                   | -                   | -                 | (326,145)                      |
| <b>Total other financing sources (uses)</b>          | <b>-</b>            | <b>-</b>   | <b>(326,145)</b>    | <b>-</b>            | <b>446,145</b>      | <b>-</b>          | <b>120,000</b>                 |
| <b>Net Change in Fund Balance</b>                    | <b>286,729</b>      | <b>176,565</b>   | <b>(101,797)</b>    | <b>96,974</b>       | <b>(1,417,228)</b>  | <b>234,515</b>    | <b>(724,242)</b>               |
| <b>Fund balance - Beginning of Year</b>              | <b>2,024,307</b>    | <b>91,991</b>  | <b>1,268,277</b>    | <b>1,527,945</b>    | <b>1,452,793</b>    | <b>204,436</b>    | <b>6,569,749</b>               |
| <b>Fund balance - End of Year</b>                    | <b>\$ 2,311,036</b> | <b>\$ 268,556</b>  | <b>\$ 1,166,480</b> | <b>\$ 1,624,919</b> | <b>\$ 35,565</b>    | <b>\$ 438,951</b> | <b>\$ 5,845,507</b>            |

The notes are an integral part of these financial statements.

**CITY OF PORT JERVIS, NEW YORK**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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|   |                      |
|---|----------------------|
| Net change in fund balance  | \$ (724,242)         |
| Capital outlays, net of disposals, are expenditures in governmental funds,<br>but are capitalized in the statement of net position  | 19,677,055           |
| Depreciation is not recorded as an expenditures in the governmental funds,<br>but is recorded in the statement of activities  | (1,742,411)          |
| Pension expense resulting from the GASB 68 related actuary reporting is not recorded as<br>an expenditure in the government funds but is recorded in the statement of activities          | (335,479)            |
| Repayments of long-term debt are recorded as expenditures in the governmental funds,<br>but are recorded as payments of liabilities in the statement of net position                      | 1,139,170            |
| Amortization of deferred amount from bond refunding is not recognized as expenditures<br>in governmental funds, but is an expense in the statement of activities                          | (13,947)             |
| Proceeds from the issuance of long-term debt is recognized as revenue in the governmental<br>funds, but is recorded as a liability in the statement of net position                       | (120,000)            |
| Other post-employment benefits do not require the expenditure of current resources<br>and are therefore, not reported as expenditures in the governmental funds                           | (1,939,597)          |
| Compensated absences do not require the expenditure of current resources and are<br>therefore, not reported as expenditures in the governmental funds                                     | 7,890                |
| Property tax revenue is recorded to the extent it is received within 60 days of year-end<br>for governmental funds, but in the statement of activities, the revenue is recorded as earned | (285,668)            |
| Deferred income adjustment pertaining to long term loans receivable   | (1,621,099)          |
| Other adjustments   | <u>34,430</u>        |
| Change in Net Position of Governmental Activities   | <u>\$ 14,076,102</u> |

**CITY OF PORT JERVIS, NEW YORK**

**BALANCE SHEET - FIDUCIARY FUND  
DECEMBER 31, 2019**

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|                    | <u>Agency</u>     |
|--------------------|-------------------|
| <b>ASSETS</b>      |                   |
| Cash               | \$ 414,142        |
| <br>               |                   |
| Total Assets       | <u>\$ 414,142</u> |
| <br>               |                   |
| <b>LIABILITIES</b> |                   |
| Other liabilities  | 398,813           |
| Due to other funds | <u>15,329</u>     |
| <br>               |                   |
| Total Liabilities  | <u>\$ 414,142</u> |

The notes are an integral part of these statements

**CITY OF PORT JERVIS, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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**NOTE 1 – NATURE OF OPERATIONS**

The City of Port Jervis, New York (City) was incorporated in 1907 and operates in accordance with its Charter and various other applicable laws of the State of New York. The City operates under a Mayor/Council form of government. The City Council is the legislative body responsible for overall operation. The Mayor serves as the chief executive officer and the City Treasurer serves as the chief financial officer. The City provides the following services to its residents: public safety, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

**A. Financial Reporting Entity**

The financial reporting entity consists of a) the primary government which is the City, b) organizations for which the City is financially accountable and c) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the City's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, the following individual component unit is included in the City's reporting entity because of its operational relationship with the City.

The Port Jervis Industrial Development Agency (Agency) is a public benefit corporation created by State legislation to promote the economic welfare, recreation opportunities and prosperity of the City's inhabitants. Members of the Agency are appointed by the City Council. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The City is not liable for Agency bonds or notes. The governing board of the Agency serves at the pleasure of the City Council and therefore the City is considered able to impose its will on the Agency. Since the Agency does not provide services entirely or almost entirely to the City, the financial statements of the Agency have been reflected as a discretely presented component unit. Complete financial statements may be obtained from the City of Port Jervis, Municipal Building, 14-20 Hammond Street, P.O. Box 1002, Port Jervis, and NY 12771.

## **CITY OF PORT JERVIS, NEW YORK**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **B. Government-Wide Financial Statements**

The government-wide financial statements (Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. The effect of interfund activity has been removed from these statements, except for interfund services provided and used.

The Statement of Net Position presents the financial position of the City at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The City does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **C. Fund Financial Statements**

The accounts of the City are organized and operated as funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The City maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in authoritative pronouncements. Each major fund is presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Because the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

## CITY OF PORT JERVIS, NEW YORK

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Fund Financial Statements (Continued)

The City's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

##### Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the City's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue funds of the City are as follows:

Section 8 Housing Assistance Payment Program Fund - The Section 8 Housing Assistance Payment Program Fund is provided to account for resources received and used for housing assistance payment purposes. The major revenue of this fund is departmental Federal aid.

Small Cities Fund - The Small Cities Fund is used to account for projects financed by entitlements from the U.S. Department of Housing and Urban Development. The major revenue of this fund is the repayment of loans that originated from Federal aid.

Water Fund - The Water Fund is used to record the water utility operations of the City, which render services to the general public. The major revenue of this fund is departmental income.

Sewer Fund - The Sewer Fund is used to record the sewer operations of the City. The major revenue of this fund is departmental income.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Financial Statements (Continued)**

**Fund Categories – (Continued)**

- b. Fiduciary Funds (Not included in Government-Wide Financial Statements) - are used to account for assets held by the City in an agency capacity on behalf of others. These include Agency Funds. The City's Agency Fund is primarily utilized to account for various deposits that are payable to other jurisdictions or individuals.

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The 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 (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety-day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, retirement incentives and other pension obligations and other post-employment benefit obligations are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance**

Deposits and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The City's investment policies are governed by State statutes. The City has adopted a written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The City is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies repurchase agreements and obligations of New York State or its political subdivisions.

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

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the City's name. The City's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2019.

The City was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

**Taxes Receivable** - Real property taxes attach as an enforceable lien on real property and are levied on January 1st. The City collects City, County and school district taxes. City taxes are payable in two installments, with the first installment payable until April 30th and the second installment due by June 30th. County taxes are due January 1st and are payable without penalty until January 31st. School district taxes for the period July 1st through June 30th are collected by the City School District through November 1st at which time the City assumes the responsibility for the collection of the taxes. The City guarantees the full payment of the school district tax levy in November of the following year. The City also has the responsibility for conducting in-rem foreclosure proceedings.

## CITY OF PORT JERVIS, NEW YORK

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. **Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance** (Continued)

The City functions in both a fiduciary and guarantor relationship with the County of Orange and the City School District with respect to the collection and payment of real property taxes levied by such jurisdictions. County taxes are payable in accordance with the tax calendar disclosed above. School district taxes are levied on July 1st and are due on September 1st, payable without penalty until September 30th. The City remits to the respective jurisdictions all taxes as collected. County taxes which are uncollected at September 30th are funded by tax anticipation notes. The proceeds from the notes are used to satisfy the City's obligation to the County. In January, the amount of the tax anticipation note is added to the County's tax levy. The City, during the subsequent County collection period, retains sufficient amounts to redeem the tax anticipation note. With respect to school district taxes, the City is required to satisfy the warrant in November of the next succeeding year. Thus, the City retains a fiduciary relationship with the City School District for fourteen months, at which time the City must satisfy the warrant. The collection of school district taxes is deemed a financing transaction until the warrant is satisfied.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the City. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due from/To Other Funds - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2019, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Loans Receivable - Loans receivable consist of residential and commercial loans made by the City through the Community Development Program. The loans have varying interest rates and maturities.

Inventories - There are no inventory values presented in the balance sheets of the respective funds of the City. Purchases of inventoriable items at various locations are recorded as expenditures at the time of purchase and year-end balances at these locations are not material.

Prepaid Expenses/Prepaid Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method the government-wide and fund financial statements. Prepaid expenses/expenditures consist of employee retirement costs, which have been satisfied prior to the end of the fiscal year but represent items which have been provided for in the subsequent year's budget and will benefit such periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance in the fund financial statements which indicates that these amounts do not constitute available spendable resources even though they are a component of current assets.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, machinery and equipment, and infrastructure of the City are depreciated using the straight line method over the following estimated useful lives.

| <u>Class</u>              | <u>Life in Years</u> |
|---------------------------|----------------------|
| Land improvements         | 20                   |
| Building and improvements | 20-50                |
| Machinery and equipment   | 5-20                 |
| Infrastructure            | 15-40                |

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In government-wide financial statements, unearned revenues consist of amounts received in advance and/or grants received before the eligibility requirements have been met. Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City has reported unearned revenues of \$399,217 for amounts received in advance in the governmental activities. Such amounts have been deemed to be measurable but not available pursuant to accounting principles generally accepted in the United States of America.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reported deferred outflows of resources of \$69,742 for a deferred loss on refunding of bonds and Statement of Net Position. This amount resulted from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The City has reported deferred inflows of resources of \$767,624 for real property taxes in the General Fund, \$6,093 of prepaid annual contribution in the Section 8 Housing Assistance Program Fund, and \$191,724 unearned revenues on outstanding loans. These amounts are deferred and recognized as revenue in the period that the amount becomes available.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as General, Water, Sewer or Capital Projects funds expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated sick leave upon separation of service. The liability for such accumulated leave is reflected in the government-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

## CITY OF PORT JERVIS, NEW YORK

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for debt service and special revenue funds. The balance is classified as unrestricted.

#### Equity Classifications – Government Wide Statements

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations for other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - all other net position that do not meet the definition of restricted or invested in capital assets.

The City's policy is to use restricted resources prior to utilizing unrestricted funds.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (prepaid amounts) or they are legally or contractually required to be maintained intact.

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The City Council is the highest level of decision making authority for the City that can, by adoption of a resolution prior to end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the City removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the City's board.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)**

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the City Council for amounts assigned for balancing the subsequent year's budget or the City Treasurer for amounts assigned as encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund.

Assigned fund balance in all other governmental funds represents any positive remaining amounts after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: committed, assigned, and unassigned.

**F. Encumbrances**

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General and Water funds. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

**G. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### **NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Data**

The City generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

- a) Prior to October 1st, the head of each administrative unit shall submit to the budget officer an estimate of expenditures for such administrative unit for the ensuing year.
- b) The budget officer, upon completion of the review of the estimates, shall prepare a tentative budget and file such budget in the office of the Mayor on or before October 15th.
- c) The Mayor shall review the tentative budget and may make such changes, alterations and revisions as are considered advisable and which are consistent with law. Upon completion of such review, the tentative budget and any modifications as approved by the Mayor shall become the preliminary budget.
- d) On or before November 15th, the Mayor shall present to the City Council a preliminary budget.
- e) On or before November 30th, a public hearing shall be held on the preliminary budget.
- f) After the public hearing, the City Council may further change, alter and revise the preliminary budget subject to provisions of the law.
- g) The preliminary budget as submitted or amended shall be adopted by resolution not later than December 31st.
- h) Formal budgetary integration is employed during the year as a management control device for General Water Sewer funds.
- i) Budgets for General, Water and Sewer funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are not adopted by the City Council for the Community Development Fund and the Section 8 Housing Assistance Payment Program Fund.
- j) The City Council has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the City Council. Any modification to appropriations resulting from an increase in revenue estimates or supplemental reserve appropriations also require a majority vote by the City Council.

Appropriations in the General, Water and Sewer funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the City Council. The City legally approves the general, water and sewer fund budgets.

### **NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

#### **B. Property Tax Limitation**

The City is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five year average full valuation of taxable real estate located within the City, exclusive of the amount raised for the payment of interest on and redemption of long-term debt. The City Council has further restricted this limit to 1.5%.

On June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This applies to all local governments.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a City in a particular year, beginning with the 2012 year. It was set to expire on June 16, 2016, but in June 2015, it was extended four more years.

The following is a brief summary of certain relevant provisions of the Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implementations thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the City to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) The average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places.

The City is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the City, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the City. The City Council may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the City Council first enacts, by a vote of at least sixty percent of the total voting power of the City Council, a local law to override such limit for such coming fiscal year.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 4 - CASH**

**A. Cash**

At December 31, 2019, all of the City's cash balances were either insured or collateralized with securities held by the pledging financial institutions' trust department in the City's name.

|   | <u>Bank Balance</u> | <u>Carrying<br/>Amount</u> |
|---|---------------------|----------------------------|
| Cash, including trust funds   | \$ 5,791,571        | \$ 5,459,422               |
| Collateralized with securities held by the<br>financial institution's trust department or<br>agent in the City's name | \$ 4,791,571        |                            |
| Covered by FDIC insurance   | <u>1,000,000</u>    |                            |
| Total   | <u>\$ 5,791,571</u> |                            |

**NOTE 5 – TAXES RECIEVABLE**

**A. Taxes Receivable**

Taxes receivable at December 31, 2019, consisted of the following:

|   |                     |
|---|---------------------|
| City and County taxes - Current and overdue | 456,473             |
| School District taxes - Current and overdue | 727,294             |
| Tax Liens                                   | 535,920             |
| Property acquired for taxes                 | <u>417,701</u>      |
|   | 2,137,388           |
| Allowance for uncollectible taxes           | <u>(541,988)</u>    |
|   | <u>\$ 1,595,400</u> |

School district taxes are offset by liabilities to the school district, which will be satisfied in a subsequent period. In the governmental funds taxes receivable are also partially offset by unearned tax revenues of \$767,624, which represents an estimate of the taxes receivable which will not be collected within the first sixty days of the subsequent year.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 6 – INTERFUND TRANSACTIONS**

Interfund transactions for the period ended December 31, 2019 were as follows:

| Fund             | Interfund Activity  |                     |                   |                   |
|------------------|---------------------|---------------------|-------------------|-------------------|
|                  | Due From            | Due To              | Revenue           | Expenditures      |
| General          | \$ 1,645,986        | \$ 639,285          | \$ -              | \$ -              |
| Water            | -                   | 8,667               | -                 | -                 |
| Capital Projects | 119,550             | 1,102,255           | 326,145           | -                 |
| Small Cities     | -                   | -                   | -                 | 326,145           |
| Trust and Agency | -                   | 15,329              | -                 | -                 |
|                  | <u>\$ 1,765,536</u> | <u>\$ 1,765,536</u> | <u>\$ 326,145</u> | <u>\$ 326,145</u> |

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

**NOTE 7– CAPITAL ASSETS**

Changes in the City's capital assets are as follows:

| Governmental Activities                      | January 1,           |                      |             | December 31,         |
|--|----------------------|----------------------|-------------|----------------------|
|  | 2019                 | Additions            | Deletions   | 2019                 |
|  | Balance              |                      |             | Balance              |
| <b>Capital Assets, not being depreciated</b> |                      |                      |             |                      |
| Land   | \$ 781,035           | \$ -                 | \$ -        | \$ 781,035           |
| Construction-in-progress                     | 7,224,722            | 18,750,094           | -           | 25,974,816           |
| Total Capital Assets not being depreciated   | <u>8,005,757</u>     | <u>18,750,094</u>    | <u>-</u>    | <u>26,755,851</u>    |
| <b>Capital Assets, being depreciated</b>     |                      |                      |             |                      |
| Land improvements                            | 4,540,981            | 51,625               | -           | 4,592,606            |
| Buildings and improvements                   | 12,409,198           | -                    | -           | 12,409,198           |
| Machinery and equipment                      | 12,093,976           | 346,418              | -           | 12,440,394           |
| Infrastructure                               | 38,030,386           | 528,918              | -           | 38,559,304           |
| Total Capital Assets being depreciated       | <u>67,074,541</u>    | <u>926,961</u>       | <u>-</u>    | <u>68,001,502</u>    |
| <b>Less Accumulated Depreciation:</b>        |                      |                      |             |                      |
| Land Improvements                            | 1,712,810            | 267,031              | -           | 1,979,841            |
| Buildings and improvements                   | 5,473,194            | 221,669              | -           | 5,694,863            |
| Machinery and equipment                      | 8,116,566            | 657,691              | -           | 8,774,257            |
| Infrastructure                               | 23,710,566           | 596,020              | -           | 24,306,586           |
| Total Accumulated Depreciation               | <u>39,013,136</u>    | <u>1,742,411</u>     | <u>-</u>    | <u>40,755,547</u>    |
| Total Capital Assets, net                    | <u>\$ 36,067,162</u> | <u>\$ 17,934,644</u> | <u>\$ -</u> | <u>\$ 54,001,806</u> |

## CITY OF PORT JERVIS, NEW YORK

### NOTE 8 – PENSION PLANS

#### Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (Systems). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

#### Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of membership and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3% of their salary for the entire length of service.

For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013, and then contribute 3% to 6% of their salary throughout their active membership. Under the authority of the NYSRSSL, the Comptroller certifies annually the rates expressed as proportions of payroll of members, which is used in computing the contributions required to be made by employers to the pension accumulation fund.

The City is required to contribute at an actuarially determined rate. The required contributions for the Plan's current fiscal year and the two preceding years were:

|      | <u>ERS</u> | <u>PFRS</u> |
|------|------------|-------------|
| 2019 | 466,373    | 747,186     |
| 2018 | 472,575    | 739,900     |
| 2017 | 468,249    | 739,826     |

These contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 8 – PENSION PLANS (Continued)**

This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System’s fiscal years ended March 31, 2005 through 2008. The City did not elect to amortize any amounts under this law.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees’ covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System’s average rate and the previous graded rate.
- For subsequent State fiscal years in which the System’s average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System’s fiscal years when the local employer opts to participate in the program. The total unpaid liability at the end of the fiscal year was \$127,903, which is reported in the Statement of Net Position as a long-term liability.

|      | Original<br>Amount<br><u>Amortized</u> | Balance at<br><u>January 1, 2019</u> | <u>Payments</u>  | Balance at<br><u>December 31, 2019</u> | Due in<br><u>One Year</u> |
|------|--|--------------------------------------|------------------|--|---------------------------|
| ERS  | \$ 189,188                             | \$ 94,593                            | \$ 18,919        | \$ 75,674                              | \$ 18,919                 |
| PFRS | <u>130,576</u>                         | <u>65,287</u>                        | <u>13,058</u>    | <u>52,229</u>                          | <u>13,058</u>             |
|      | <u>\$ 319,764</u>                      | <u>\$ 159,880</u>                    | <u>\$ 31,977</u> | <u>\$ 127,903</u>                      | <u>\$ 31,977</u>          |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 8 – PENSION PLANS (Continued)**

New York State Employee Retirement System

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

At December 31, 2019, the City reported a liability of \$748,018 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2019, the City's proportion was 0.0105573 percent, which was a decrease of 0.0006569 percent from its proportion measured December 31, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$492,836. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows<br>of<br>Resources | Deferred<br>Inflows<br>of<br>Resources |
|---|---|--|
| Differences between expected and actual experience  | \$ 147,300                              | \$ 50,213                              |
| Changes of Assumptions  | 188,021                                 | -                                      |
| Net difference between projected and actual earnings on pension plan investments                                    | -                                       | 191,983                                |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 29,331                                  | 49,417                                 |
| Contributions subsequent to the measurement date  | 349,780                                 | -                                      |
| Total   | <u>\$ 714,432</u>                       | <u>\$ 291,613</u>                      |

\$349,780 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

|                              |            |                  |
|------------------------------|------------|------------------|
| Plan's Year Ending March 31, | 2020       | \$ 145,394       |
|                              | 2021       | (149,437)        |
|                              | 2022       | (18,837)         |
|                              | 2023       | 95,919           |
|                              | 2024       | -                |
|                              | Thereafter | -                |
|                              |            | <u>\$ 73,039</u> |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 8 – PENSION PLANS (Continued)**

New York State Employee Retirement System (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

|   |   |
|---|---|
| Actuarial cost method                             | Entry age normal  |
| Inflation   | 2.50%   |
| Salary scale                                      | 4.2% in ERS, indexed by service   |
| Investment Rate of Return,<br>including inflation | 7.0% compounded annually, net of investment expenses  |
| Cost of living adjustments                        | 1.3% annually   |
| Decrements  | Developed from the Plan's 2015 experience study of the<br>period April 1, 2010 through March 31, 2015 |
| Mortality improvement                             | Society of Actuaries Scale MP-2014  |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic of real rates of return for each major asset class are summarized as of March 31, 2019 in the following table:

| <u>Asset Type</u>          | <u>Target<br/>Allocations<br/>in %</u> | <u>Long-Term<br/>expected real<br/>rate of return in %</u> |
|----------------------------|--|--|
| Domestic Equity            | 36                                     | 4.55   |
| International Equity       | 14                                     | 6.35   |
| Private Equity             | 10                                     | 7.50   |
| Real Estate                | 10                                     | 5.55   |
| Absolute Return Strategies | 2                                      | 3.75   |
| Opportunistic Portfolio    | 3                                      | 5.68   |
| Real Assets                | 3                                      | 5.29   |
| Bonds & Mortgages          | 17                                     | 1.31   |
| Cash                       | 1                                      | -0.25  |
| Inflation-Indexed Bonds    | 4                                      | 1.25   |
|                            | <u>100%</u>                            |  |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 8 – PENSION PLANS (Continued)**

New York State Employee Retirement System (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate:

|  | 1 % Decrease<br>(6.0%) | Current<br>Assumption (7.0%) | 1% Increase<br>(8.0%) |
|--|------------------------|------------------------------|-----------------------|
| Proportionate Share of Net Pension liability (asset) | \$ 3,270,453           | \$ 748,018                   | \$ (1,371,007)        |

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

|   | Pension Plan's<br>Fiduciary Net<br>Position | City's proportionate<br>share of Plan's<br>Fiduciary Net<br>Position | City's allocation<br>percentage as<br>determined by the<br>Plan |
|---|---|--|---|
| Total pension liability   | \$ 189,803,429                              | \$ 20,038  | 0.0105573%  |
| Net position  | (182,718,124)                               | (19,291)   | 0.0105573%  |
| Net pension liability (asset)                                     | \$ 7,085,305                                | \$ 747   | 0.0105573%  |
| Fiduciary net position as a percentage of total pension liability | 96.27%                                      | 96.27%   |   |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 8 – PENSION PLANS (Continued)**

New York State and Local Police and Fire Retirement System

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

At December 31, 2019, the City reported a liability of \$1,437,736 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2019, the City's proportion was 0.08572940 percent, which was an increase of 0.0040698 percent from its proportion measured December 31, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$968,015. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows<br>of<br>Resources | Deferred<br>Inflows<br>of<br>Resources |
|---|---|--|
| Differences between expected and actual experience  | \$ 349,266                              | \$ 153,502                             |
| Changes of Assumptions  | 522,368                                 | -                                      |
| Net difference between projected and actual earnings on pension plan investments                                    | -                                       | 287,943                                |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 70,833                                  | 41,924                                 |
| Contributions subsequent to the measurement date  | 560,380                                 | -                                      |
| Total   | \$ 1,502,847                            | \$ 483,369                             |

\$560,380 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

|                              |            |            |
|------------------------------|------------|------------|
| Plan's Year Ending March 31, | 2020       | \$ 313,657 |
|                              | 2021       | (56,045)   |
|                              | 2022       | 5,736      |
|                              | 2023       | 162,741    |
|                              | 2024       | 33,009     |
|                              | Thereafter | -          |
|                              |            | \$ 459,098 |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 8 – PENSION PLANS (Continued)**

New York State and Local Police and Fire Retirement System (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

|   |   |
|---|---|
| Actuarial cost method                             | Entry age normal  |
| Inflation   | 2.50%   |
| Salary scale                                      | 5.0% in PFRS, indexed by service  |
| Investment Rate of Return,<br>including inflation | 7.0% compounded annually, net of investment expenses  |
| Cost of living adjustments                        | 1.3% annually   |
| Decrements  | Developed from the Plan's 2015 experience study of the<br>period April 1, 2010 through March 31, 2015 |
| Mortality improvement                             | Society of Actuaries Scale MP-2014  |

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic of real rates of return for each major asset class are summarized as of March 31, 2019 in the following table:

| <u>Asset Type</u>          | <u>Target<br/>Allocations<br/>in %</u> | <u>Long-Term<br/>expected real<br/>rate of return in %</u> |
|----------------------------|--|--|
| Domestic Equity            | 36                                     | 4.55   |
| International Equity       | 14                                     | 6.35   |
| Private Equity             | 10                                     | 7.50   |
| Real Estate                | 10                                     | 5.55   |
| Absolute Return Strategies | 2                                      | 3.75   |
| Opportunistic Portfolio    | 3                                      | 5.68   |
| Real Assets                | 3                                      | 5.29   |
| Bonds & Mortgages          | 17                                     | 1.31   |
| Cash                       | 1                                      | -0.25  |
| Inflation-Indexed Bonds    | 4                                      | 1.25   |
|                            | <u>100%</u>                            |  |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 8 – PENSION PLANS (Continued)**

New York State and Local Police and Fire Retirement System (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Assumption

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate:

|  | 1 % Decrease<br>(6.0%) | Current<br>Assumption<br>(7.0%) | 1% Increase<br>(8.0%) |
|--|------------------------|---------------------------------|-----------------------|
| Proportionate Share of Net Pension liability (asset) | \$ 5,195,761           | \$ 1,437,736                    | \$ (1,700,652)        |

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

|   | Pension Plan's<br>Fiduciary Net<br>Position | City's proportionate<br>share of Plan's<br>Fiduciary Net<br>Position | City's allocation<br>percentage as<br>determined by the<br>Plan |
|---|---|--|---|
| Total pension liability   | \$ 34,128,100                               | \$ 29,258  | 0.0857294%  |
| Net position  | (32,451,037)                                | (27,821)   | 0.0857294%  |
| Net pension liability (asset)                                     | <u>\$ 1,677,063</u>                         | <u>\$ 1,437</u>  | 0.0857294%  |
| Fiduciary net position as a percentage of total pension liability | 95.09%                                      | 95.09%   |   |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 9 – SHORT-TERM BORROWINGS**

The schedule below details the changes in short-term borrowings:

|  | Balance<br><u>1/1/2019</u> | New Issues          | Redemptions         | Balance<br><u>12/31/2019</u> |
|--|----------------------------|---------------------|---------------------|------------------------------|
| Tax Anticipation Note - 4.35%, Due 1/31/2019   | \$ 86,961                  | \$ -                | \$ 86,961           | \$ -                         |
| Bond Anticipation Note - 3.00%, Due 10/10/2019 | 5,000,000                  | -                   | 5,000,000           | -                            |
| Tax Anticipation Note - 4.00%, Due 1/31/2020   | -                          | 79,781              | -                   | 79,781                       |
| Bond Anticipation Note - 2.00%, Due 10/9/2020  | -                          | 5,000,000           | -                   | 5,000,000                    |
|  | <u>\$ 5,086,961</u>        | <u>\$ 5,079,781</u> | <u>\$ 5,086,961</u> | <u>\$ 5,079,781</u>          |

The tax anticipation note was paid January 31, 2020.

**NOTE 10 - LONG-TERM LIABILITIES**

The following table summarizes changes in the City's long-term liabilities for the year ended December 31, 2019:

|  | Balance<br><u>January 1, 2019</u> | New issues<br><u>Additions</u> | Maturities and/or<br><u>Payments</u> | Balance<br><u>December 31, 2019</u> | Due within<br><u>One year</u> |
|--|-----------------------------------|--------------------------------|--------------------------------------|-------------------------------------|-------------------------------|
| Bonds Payable                                    | \$ 13,099,000                     | \$ -                           | \$ 763,000                           | \$ 12,336,000                       | \$ 783,000                    |
| Plus: Unamortized premium<br>on bonds            | 13,189                            | -                              | 2,452                                | 10,737                              | -                             |
| Total Bonds Payable                              | <u>13,112,189</u>                 | <u>-</u>                       | <u>765,452</u>                       | <u>12,346,737</u>                   | <u>783,000</u>                |
| State Loan Payable                               | 71,797                            | -                              | 71,797                               | -                                   | -                             |
| Capital Notes Payable                            | 155,412                           | 120,000                        | 105,412                              | 170,000                             | 170,000                       |
| Capital Lease                                    | 1,069,304                         | -                              | 198,961                              | 870,343                             | 205,185                       |
| Compensated Absences                             | 1,792,010                         | -                              | 17,318                               | 1,774,692                           | -                             |
| State Retirement Systems' Payable                | 159,880                           | -                              | 31,977                               | 127,903                             | 31,976                        |
| Net Pension Liability                            | <u>1,187,311</u>                  | <u>998,442</u>                 | <u>-</u>                             | <u>2,185,753</u>                    | <u>-</u>                      |
| Total Other Non- Current<br>Liabilities          | <u>4,435,714</u>                  | <u>1,118,442</u>               | <u>425,465</u>                       | <u>5,128,691</u>                    | <u>407,161</u>                |
| Government Activities<br>Long - Term liabilities | <u>\$ 17,547,903</u>              | <u>\$ 1,118,442</u>            | <u>\$ 1,190,917</u>                  | <u>\$ 17,475,428</u>                | <u>\$ 1,190,161</u>           |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

**Bonds Payable**

Bonds payable at December 31, 2019, are comprised of the following issues:

| Purpose             | Year of Issue | Original Issue Amount | Final Maturity | Interest Rate | Outstanding at December 31, 2019 |
|---------------------|---------------|-----------------------|----------------|---------------|----------------------------------|
| Refunding Bonds     | 2005          | 2,895,000             | 3/2024         | 4.10%         | \$ 1,140,000                     |
| Various Purposes    | 2009          | 1,408,320             | 9/2024         | 4.0-4.30%     | 600,000                          |
| Various Purposes    | 2013          | 3,185,433             | 9/2033         | 4.0-4.50%     | 2,535,000                        |
| Filtration Facility | 2016          | 4,120,000             | 6/2054         | 1.38%         | 3,796,000                        |
| Various Purposes    | 2017          | 4,694,285             | 9/2035         | 2.5-3.0%      | 4,265,000                        |
|                     |               |                       |                |               | <u>\$ 12,336,000</u>             |

Below are the future maturities for all of the serial bonds and capital leases outstanding at December 31, 2019:

| Year Ending December 31, | Bonds                |                     | Capital Leases    |                  |
|--------------------------|----------------------|---------------------|-------------------|------------------|
|                          | Principal            | Interest            | Principal         | Interest         |
| 2020                     | \$ 783,000           | \$ 342,244          | \$ 205,185        | \$ 27,989        |
| 2021                     | 813,000              | 316,548             | 178,374           | 20,959           |
| 2022                     | 828,000              | 289,915             | 183,785           | 14,968           |
| 2023                     | 858,000              | 262,351             | 88,834            | 8,785            |
| 2024                     | 883,000              | 233,621             | 69,204            | 6,107            |
| 2025-2029                | 2,730,000            | 900,234             | 144,961           | 6,161            |
| 2030-2034                | 2,930,000            | 461,919             | -                 | -                |
| 2035-2039                | 875,000              | 144,800             | -                 | -                |
| 2040-2044                | 540,000              | 97,625              | -                 | -                |
| 2045-2049                | 546,000              | 60,363              | -                 | -                |
| 2050-2054                | 550,000              | 22,688              | -                 | -                |
|                          | <u>\$ 12,336,000</u> | <u>\$ 3,132,308</u> | <u>\$ 870,343</u> | <u>\$ 84,969</u> |

The above general obligation bonds, loans, capital notes and capital leases are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the City.

The \$170,000 Capital note bears interest at 2.34% and matures May 22, 2020.

The City has five capital leases outstanding, with interest rates ranging from 2.67% to 4.48%.

## CITY OF PORT JERVIS, NEW YORK

### NOTE 10 - LONG-TERM LIABILITIES (Continued)

#### Compensated Absences

In accordance with existing collective bargaining agreements, all employees are entitled to accumulate a maximum of one hundred eighty days of sick leave. Upon retirement, death or permanent disability, employees will be compensated for accumulated leave at current pay rates. Employees will be compensated for vacation leave earned the year of retirement. The City's liability for accumulated sick and vacation leave has been reflected in the government-wide financial statements.

### NOTE 11 – OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS

#### Plan Description

The City provides certain health care benefits for retired employees. The City administers the Retirement Benefits Plan (the Retirement Plan) as a single-employer defined benefit another Postemployment Benefit Plan (OPEB).

In general, the City provides medical and dental benefits for retirees. There were approximately 52 retired employees and spouses receiving benefits at December 31, 2019. Eligible employees must have had 5-20 years of service with the City depending on which contract each employee falls under and have been eligible for retirement pursuant to the System prior to the discontinuation of additional participants. The Retirement Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan in a trust that meet all of the criteria in GASB Statement No. 75, paragraph 4.

#### Benefits Provided

The obligations of the Retirement Plan are established by the action of the City. The City will pay 80-100% of the retiree's and covered spouse's medical benefits depending on the employee's date of hire and which contract each employee falls under. The City also reimburses the employee and dependent spouse for Medicare Part B based on enrollment date. The costs of administering the Retirement Plan are paid by the City. The City currently contributes enough money to the Retirement Plan to satisfy the current obligations on a pay-as-you-go basis to cover annual premiums. The amount paid during 2019 was approximately \$927,886.

#### Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

|   |            |
|---|------------|
| Inactive employees and spouses<br>or beneficiaries currently receiving benefits | 52         |
| Active employees  | 80         |
| Total participants  | <u>132</u> |

#### Net OPEB Liability

The City's net OPEB liability was measured as of December 31, 2019. The Total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

Actuarial Assumptions and Other Inputs

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

|                             |  |
|-----------------------------|--|
| Actuarial cost method       | Entry Age  |
| Inflation                   | 3.5 percent per year   |
| Payroll Growth              | 2.5 percent average  |
| Discount Rate               | 2.74 percent as of December 31, 2019   |
| Healthcare Cost Trend Rates | 7.5 percent in 2019, grading down by 0.5 percent per annum to an ultimate rate of 4.5 percent in years 2025 and later. |

The discount rate is based on the index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. To comply with this provision, the *Bond Buyer 20-Bond General Obligation Index* will be used.

Mortality rates are based on Society of Actuaries Mortality Projection Scale MP 2018.

Changes in the Total OPEB Liability

|  |                      |
|--|----------------------|
| Balance at January 1, 2019                         | <u>\$ 38,894,654</u> |
| Changes for the year-                              |                      |
| Service cost                                       | 1,225,623            |
| Interest   | 1,448,350            |
| Changes of benefit terms                           | 381,825              |
| Differences between expected and actual experience | (2,457,324)          |
| Changes in assumptions                             | 4,822,967            |
| Benefit payments                                   | <u>(814,107)</u>     |
| Net changes  | <u>4,607,334</u>     |
| Balance at December 31, 2019                       | <u>\$ 43,501,988</u> |

The healthcare cost trend was reset to 7.50% in 2019, trending down at .5% per annum to an ultimate rate of 4.5% in 2025 and thereafter.

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher (3.74%) than the current discount rate:

|                      | 1%<br>Decrease<br><u>(1.74%)</u> | Current<br>Discount<br><u>(2.74%)</u> | 1%<br>Increase<br><u>(3.74%)</u> |
|----------------------|----------------------------------|---------------------------------------|----------------------------------|
| Total OPEB Liability | <u>\$ 52,000,949</u>             | <u>\$ 43,501,988</u>                  | <u>\$ 36,854,029</u>             |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 11 – OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50%) or 1 percentage pointer higher (8.50%) than the current healthcare cost trend rate:

|                      | 1%<br>Decrease<br>(6.50%) | Current<br>Discount<br>(7.50%) | 1%<br>Increase<br>(8.50%) |
|----------------------|---------------------------|--------------------------------|---------------------------|
| Total OPEB Liability | \$ 35,845,661             | \$ 43,501,988                  | \$ 53,691,284             |

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$2,753,704. At December 31, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ -                                 | \$ 2,201,086                        |
| Changes in assumptions                             | <u>4,320,051</u>                     | <u>3,490,189</u>                    |
| Total  | <u>\$ 4,320,051</u>                  | <u>\$ 5,691,275</u>                 |

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

| <u>Fiscal Year Ending December</u> | <u>Amount</u>               |
|------------------------------------|-----------------------------|
| 2020                               | \$ (302,094)                |
| 2021                               | (302,094)                   |
| 2022                               | (302,094)                   |
| 2023                               | (302,094)                   |
| 2024                               | (302,094)                   |
| Thereafter                         | <u>139,246</u>              |
|                                    | <u><u>\$(1,371,224)</u></u> |

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

The City, in common with other municipalities, receives numerous notices of claims for money damages arising from false arrest, property damage or personal injury. Of the claims pending, none are expected to have a material effect on the City, if adversely settled.

The City is a defendant in pending certiorari proceedings, the results of which could require the payment of future tax refunds by the City, if existing assessment rolls are modified based on the outcome of the litigation proceedings. The amount of the possible refunds cannot be determined at the present time. Any payments pursuant to such judgments will be funded in the year in which the payment is made.

The City is party to threatened litigation as a result of a hazardous waste site identified on City owned property. The City's environmental engineering consultants and New York State Department of Environmental Conservation representatives have estimated that a final remediation of the property and DEC past remediation costs could cost up to \$7.5 million. Counsel cannot estimate the ultimate loss or the likelihood of a favorable outcome with regard to this matter.

In June 2014, the City signed an Order of Consent with the New York State Department of Environmental Conservation with regard to a sanitary sewer line break and release of sewage from the City's sewage collection system in February 2013. The City is required to complete an engineering study that includes prioritizing recommendations of corrective actions and a schedule for implementation. The ultimate cost of these improvements cannot be quantified at this time.

**B. Risk Management**

The City purchases various conventional liability insurance policies to provide against potential losses. The general liability policy provides coverage of \$1 million per occurrence and \$2 million in the aggregate. The police professional liability policy provides coverage of \$1 million per occurrence and the public officials and employee's liability policy provides coverage with limits up to \$1 million. The City also maintains an excess liability policy with an additional \$10 million of coverage. Conventional health and workers compensation insurance for City employees is provided by various carriers. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**C. Grants**

The City 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 City's management believes such amounts, if any, will be immaterial.

**CITY OF PORT JERVIS, NEW YORK**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)**

**D. Commitments**

The City has various commitments with contractors for the completion of capital projects.

**NOTE 13 – PROPERTY TAX ABATEMENT**

The City has four real property tax abatement agreements entered into by the City of Port Jervis IDA (IDA) under Article 18-A of the real property tax law. These agreements provide for abatement of real estate property taxes in exchange for a payment in lieu of taxes (PILOT) in compliance with the IDA’s Uniform Tax Exemption Policy. In accordance with the policy, the IDA grants PILOTs in accordance with various activities such as new construction, purchasing of an existing facility, or the improvement or expansion of an existing facility. The IDA also has policies for recapture of PILOTs should the applicant not meet certain criteria. All policies are available from the IDA.

The following information relates to the PILOT agreements entered into under the agreements for the year ended December 31, 2019:

| Start Date | Agreement            | Taxable Assessed Value | City Tax Rate | Tax Value | 485B Exemption | PILOT Received | City Tax Abated |
|------------|----------------------|------------------------|---------------|-----------|----------------|----------------|-----------------|
| 2008       | The Skydyne Company  | \$ 765,000             | 48.55343      | \$ 37,143 | \$ -           | \$ 8,995       | \$ 28,148       |
| 2011       | 3312 Group, LLC      | 1,046,500              | 48.55343      | 50,811    | 1,284          | 20,114         | 29,413          |
| 2015       | Waters Edge          | 3,650,900              | 48.55343      | 177,264   | -              | 35,600         | 141,664         |
|            | PJ Housing Authority | 1,554,100              | 48.55343      | 75,457    | -              | 18,527         | 56,930          |

**NOTE 14 – COVID 19 PANDEMIC**

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. Businesses throughout New York State remain closed or are operating significantly below their capacity. This reduced economic activity is having an adverse effect on sales and income tax revenue collected by New York State. If New York State is unable to meet its budgeted revenue expectations, it may need to reduce expenditures accordingly, which could result in the City receiving less New York State appropriations than expected. The City has also seen reduced sales tax collections. The City has taken some steps to defer expenditures to future years, but has so far not significantly reduced employment levels or made significant cuts to services. Future decisions will be made dependent upon sales tax rebounding as the economy re-opens and whether or not New York State reduces state aid. The passage of a federal stimulus act benefiting local governments may be necessary to prevent New York State from cutting aid. The City is closely monitoring this very fluid situation and is acting as proactively as it can.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

CITY OF PORT JERVIS, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>  |                     |                     |                     |   |
| Real property taxes  | \$ 6,177,448        | \$ 6,177,448        | \$ 6,459,239        | \$ 281,791  |
| Other tax items  | 194,200             | 204,200             | 283,305             | 79,105  |
| Non-property taxes   | 3,850,500           | 3,895,500           | 4,083,089           | 187,589   |
| Departmental income  | 945,500             | 973,049             | 988,932             | 15,883  |
| Intergovernmental charges  | 101,000             | 101,000             | 90,333              | (10,667)  |
| Use of money and property  | 100,580             | 100,580             | 89,260              | (11,320)  |
| Licenses and permits   | 58,800              | 173,800             | 191,213             | 17,413  |
| Fines and forfeitures  | 145,000             | 155,000             | 156,333             | 1,333   |
| Sale of property and compensation for loss                                     | 35,000              | (71,500)            | (157,345)           | (85,845)  |
| State aid  | 1,632,182           | 1,687,182           | 1,727,569           | 40,387  |
| Federal aid  | 63,000              | 63,000              | 6,265               | (56,735)  |
| Miscellaneous  | 6,550               | 36,550              | 40,032              | 3,482   |
| Total Revenues   | <u>13,309,760</u>   | <u>13,495,809</u>   | <u>13,958,225</u>   | <u>462,416</u>  |
| <b>EXPENDITURES</b>  |                     |                     |                     |   |
| General government support   | 1,507,518           | 1,566,268           | 1,435,506           | 130,762   |
| Public safety  | 4,651,033           | 4,848,532           | 5,005,806           | (157,274)   |
| Health   | 4,000               | 4,000               | 612                 | 3,388   |
| Transportation   | 925,592             | 996,892             | 961,863             | 35,029  |
| Economic opportunity and development   | 71,000              | 71,000              | 70,445              | 555   |
| Culture and recreation   | 315,928             | 316,428             | 337,570             | (21,142)  |
| Home and community services  | 871,840             | 701,840             | 852,946             | (151,106)   |
| Employee benefits  | 4,172,018           | 4,199,518           | 4,102,553           | 96,965  |
| Debt service   |                     |                     |                     |   |
| Principal  | 570,440             | 570,440             | 564,744             | 5,696   |
| Interest   | 220,391             | 220,891             | 339,451             | (118,560)   |
| Total Expenditures   | <u>13,309,760</u>   | <u>13,495,809</u>   | <u>13,671,496</u>   | <u>(175,687)</u>  |
| <b>Excess of revenues over expenditures and<br/>net change in fund balance</b> | <u>-</u>            | <u>-</u>            | <u>286,729</u>      | <u>286,729</u>  |
| <b>Fund balance - beginning of Year</b>  | <u>2,024,307</u>    | <u>2,024,307</u>    | <u>2,024,307</u>    | <u>-</u>  |
| <b>Fund balance - End of Year</b>  | <u>\$ 2,024,307</u> | <u>\$ 2,024,307</u> | <u>\$ 2,311,036</u> | <u>\$ 286,729</u>                                       |

**CITY OF PORT JERVIS, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL - WATER FUND (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>  |                     |                     |                     |   |
| Real property tax  | \$ 46,835           | \$ 46,835           | \$ -                | \$ (46,835)   |
| Departmental income  | 2,502,000           | 2,511,600           | 2,510,106           | (1,494)   |
| Miscellaneous  | -                   | -                   | 6,634               | 6,634   |
| <b>Total Revenues</b>  | <u>2,548,835</u>    | <u>2,558,435</u>    | <u>2,516,740</u>    | <u>(41,695)</u>   |
| <b>EXPENDITURES</b>  |                     |                     |                     |   |
| General government support   | 174,524             | 174,524             | 131,916             | 42,608  |
| Home and community services  | 1,004,966           | 985,425             | 922,887             | 62,538  |
| Employee benefits  | 648,264             | 648,264             | 646,175             | 2,089   |
| Debt service   |                     |                     |                     |   |
| Principal  | 539,231             | 567,550             | 541,413             | 26,137  |
| Interest   | 181,850             | 182,672             | 177,375             | 5,297   |
| <b>Total Expenditures</b>  | <u>2,548,835</u>    | <u>2,558,435</u>    | <u>2,419,766</u>    | <u>138,669</u>  |
| <b>Excess of revenues over expenditures and<br/>net change in fund balance</b> | <u>-</u>            | <u>-</u>            | <u>96,974</u>       | <u>96,974</u>   |
| Fund balance - beginning of Year   | <u>1,527,945</u>    | <u>1,527,945</u>    | <u>1,527,945</u>    | <u>-</u>  |
| Fund balance - End of Year   | <u>\$ 1,527,945</u> | <u>\$ 1,527,945</u> | <u>\$ 1,624,919</u> | <u>\$ 96,974</u>  |

**CITY OF PORT JERVIS, NEW YORK**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE  
IN FUND BALANCE - BUDGET AND ACTUAL - SEWER FUND (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

|  | Original<br>Budget | Final<br>Budget   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|-------------------|-------------------|---|
| <b>REVENUES</b>  |                    |                   |                   |   |
| Departmental income  | \$ 691,000         | \$ 721,000        | \$ 759,741        | \$ 38,741   |
| <b>EXPENDITURES</b>  |                    |                   |                   |   |
| General government support   | 25,838             | 25,838            | 26,746            | (908)   |
| Home and community services  | 424,302            | 449,337           | 288,646           | 160,691   |
| Employee benefits  | 201,655            | 201,655           | 167,435           | 34,220  |
| Debt service   |                    |                   |                   |   |
| Principal  | 30,181             | 35,012            | 33,013            | 1,999   |
| Interest   | 9,024              | 9,158             | 9,386             | (228)   |
| Total Expenditures   | <u>691,000</u>     | <u>721,000</u>    | <u>525,226</u>    | <u>195,774</u>  |
| <b>Excess of revenues over expenditures and<br/>net change in fund balance</b> | <u>-</u>           | <u>-</u>          | <u>234,515</u>    | <u>234,515</u>  |
| Fund balance - beginning of Year   | <u>204,436</u>     | <u>204,436</u>    | <u>204,436</u>    | <u>-</u>  |
| Fund balance - End of Year   | <u>\$ 204,436</u>  | <u>\$ 204,436</u> | <u>\$ 438,951</u> | <u>\$ 234,515</u>                                       |

**CITY OF PORT JERVIS, NEW YORK**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

|   | Last 10 Fiscal Years (Dollar amounts displayed in thousands) |                  |   |      |      |      |      |      |      |      |
|---|--|------------------|---|------|------|------|------|------|------|------|
|   | 2019   | 2018             | 2017  | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| <b>Total OPEB Liability</b>   |  |                  | Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available. |      |      |      |      |      |      |      |
| Service cost  | \$ 1,226   | \$ 1,750         |   |      |      |      |      |      |      |      |
| Interest  | 1,448  | 1,459            |   |      |      |      |      |      |      |      |
| Changes of benefit terms  | 382  | -                |   |      |      |      |      |      |      |      |
| Differences between expected and actual experience                      | (2,457)  | -                |   |      |      |      |      |      |      |      |
| Changes in assumptions  | 4,823  | (4,588)          |   |      |      |      |      |      |      |      |
| Benefit payments  | (814)  | (780)            |   |      |      |      |      |      |      |      |
| <b>Total change in total OPEB liability</b>                             | <u>4,607</u>   | <u>(2,160)</u>   |   |      |      |      |      |      |      |      |
| <b>Total OPEB liability - beginning</b>                                 | <u>38,895</u>  | <u>41,054</u>    |   |      |      |      |      |      |      |      |
| <b>Total OPEB liability - ending</b>                                    | <u>\$ 43,502</u>   | <u>\$ 38,895</u> |   |      |      |      |      |      |      |      |
| <b>Covered-employee payroll</b>   | \$ 3,853   | \$ 5,259         |   |      |      |      |      |      |      |      |
| <b>Total OPEB liability as a percentage of covered-employee payroll</b> | 1129.1%  | 739.5%           |   |      |      |      |      |      |      |      |

**Notes to schedule:**

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

| Discount rate | 2019  | 2018  |
|---------------|-------|-------|
|               | 2.74% | 4.10% |

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

**Changes of Assumptions**

The healthcare trend cost rates have been reset to an initial rate of 7.5% decreasing by 0.5% annually to an ultimate rate of 4.5% in 2025 and beyond, which caused a decrease in liabilities.

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

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

**CITY OF PORT JERVIS, NEW YORK**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

|   | Last 10 Fiscal Years (Dollar amounts displayed in thousands) |            |            |           |           |   |      |      |      |      |
|---|--|------------|------------|-----------|-----------|---|------|------|------|------|
|   | 2019   | 2018       | 2017       | 2016      | 2015      | 2014  | 2013 | 2012 | 2011 | 2010 |
| <b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b><br>(Thousands)                                      |  |            |            |           |           |   |      |      |      |      |
| Proportion of the net pension liability (asset)   | 0.0105573%   | 0.0112142% | 0.0108845% | 0.011003% | 0.011016% | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. |      |      |      |      |
| Proportionate share of the net pension liability (asset)  | \$748  | \$362      | \$1,023    | \$1,786   | \$372     |   |      |      |      |      |
| Covered-employee payroll  | \$3,073  | \$3,031    | \$3,047    | \$2,946   | \$2,754   |   |      |      |      |      |
| Proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 24.34%   | 11.94%     | 33.57%     | 59.95%    | 13.50%    |   |      |      |      |      |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                          | 86.3%  | 98.2%      | 94.7%      | 90.7%     | 97.9%     |   |      |      |      |      |

|   | Last 10 Fiscal Years (Dollar amounts displayed in thousands) |            |            |           |            |   |      |      |      |      |
|---|--|------------|------------|-----------|------------|---|------|------|------|------|
|   | 2019   | 2018       | 2017       | 2016      | 2015       | 2014  | 2013 | 2012 | 2011 | 2010 |
| <b>NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN</b><br>(Thousands)                                 |  |            |            |           |            |   |      |      |      |      |
| Proportion of the net pension liability (asset)   | 0.0857294%   | 0.0816596% | 0.0807322% | 0.080897% | 0.0828524% | Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available. |      |      |      |      |
| Proportionate share of the net pension liability (asset)  | \$1,438  | \$825      | \$1,673    | \$2,395   | \$228      |   |      |      |      |      |
| Covered-employee payroll  | \$3,278  | \$3,182    | \$3,182    | \$3,067   | \$2,873    |   |      |      |      |      |
| Proportionate share of the net pension liability (asset)<br>as a percentage of its covered-employee payroll | 43.86%   | 25.94%     | 52.59%     | 78.09%    | 7.94%      |   |      |      |      |      |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                          | 95.1%  | 96.9%      | 93.5%      | 90.2%     | 99.0%      |   |      |      |      |      |

**CITY OF PORT JERVIS, NEW YORK**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

|  | Last 10 Fiscal Years (Dollar amounts displayed in thousands) |          |          |          |          |      |      |      |      |      |
|--|--|----------|----------|----------|----------|------|------|------|------|------|
|  | 2019   | 2018     | 2017     | 2016     | 2015     | 2014 | 2013 | 2012 | 2011 | 2010 |
| <b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b><br>(Thousands) |  |          |          |          |          |      |      |      |      |      |
| Contractually required contribution                                    | \$ 466   | \$ 473   | \$ 468   | \$ 463   | \$ 569   |      |      |      |      |      |
| Contributions in relation to the contractually required contribution   | 466  | 473      | 468      | 463      | 569      |      |      |      |      |      |
| Contribution deficiency (excess)                                       | -  | -        | -        | -        | -        |      |      |      |      |      |
| Covered-employee payroll   | \$ 3,073   | \$ 3,031 | \$ 3,047 | \$ 2,946 | \$ 2,754 |      |      |      |      |      |
| Contributions as a percentage of covered-employee payroll              | 15.18%   | 15.59%   | 15.37%   | 15.73%   | 20.66%   |      |      |      |      |      |

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

|   | Last 10 Fiscal Years (Dollar amounts displayed in thousands) |          |          |          |          |      |      |      |      |      |
|---|--|----------|----------|----------|----------|------|------|------|------|------|
|   | 2019   | 2018     | 2017     | 2016     | 2015     | 2014 | 2013 | 2012 | 2011 | 2010 |
| <b>NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN</b><br>(Thousands) |  |          |          |          |          |      |      |      |      |      |
| Contractually required contribution   | \$ 747   | \$ 740   | \$ 740   | \$ 715   | \$ 811   |      |      |      |      |      |
| Contributions in relation to the contractually required contribution        | 747  | 740      | 740      | 715      | 811      |      |      |      |      |      |
| Contribution deficiency (excess)  | -  | -        | -        | -        | -        |      |      |      |      |      |
| Covered-employee payroll  | \$ 3,278   | \$ 3,182 | \$ 3,182 | \$ 3,067 | \$ 2,873 |      |      |      |      |      |
| Contributions as a percentage of covered-employee payroll                   | 22.79%   | 23.25%   | 23.26%   | 23.31%   | 28.25%   |      |      |      |      |      |

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