

CITY OF NEWBURGH, NEW YORK

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2011

WITH INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

To the Honorable Mayor and Members of the
City Council of the City of Newburgh, New York:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Newburgh, New York ("City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As more fully disclosed in Note 1A, the financial statements referred to above do not include financial data of the Industrial Development Agency or the Local Development Corporation, which should be included in order to conform with accounting principles generally accepted in the United State of America. The effect on the revenues, expenses, net assets, assets and liabilities is not known, since the financial statements are not available.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2011 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP

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In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress – Other Post Employment Benefits 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
April 18, 2012

**CITY OF NEWBURGH, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2011**

As management of the City of Newburgh, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City of Newburgh for the fiscal year ended December 31, 2011. Please read it in conjunction with the City financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at December 31, 2011 by \$38.2 million (net assets). The net assets at the end of 2011 include a negative \$23.8 million of unrestricted net assets to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$4,384,000 as a result of this year's operations. This compares with 2010 as follows:

	2011	2010	% Change
Total Expenses	\$ 57,943,129	\$ 59,708,414	(2.95%)
Total Revenues	62,327,097	58,887,980	5.84%
Change in Net Assets	\$ 4,383,968	\$ 820,434	434.0%
Incurred by:			
Governmental Activities	\$ (1,740,731)	\$ 2,752,417	(163.3%)
Business-type Activities	(2,643,237)	(1,931,983)	36.8%

- The General Fund reports an operating profit this year of \$1.1 million. The main reason was the City Council, Manager and all staff working together to reduce expenditures and increase collection of revenues.
- The City's total short-term outstanding obligations decreased by \$3.1 million (8%) to \$36.4 million during 2011. This decrease was principally due to required payments on short term issuances. The City's total long-term obligations increased from \$66.6 million to \$72.0 million. This increase is principally due to an increase in Other Post Employment Benefits by \$7.2 million in 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended as an introduction to the City's basic financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements - These Statements are designed to provide readers with a broad long-term overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets are changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in either positive or negative cash flows in future fiscal years (e.g., uncollected taxes and unearned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business activities*). The government activities of the City include general government, police, fire, transportation, highways and streets, economic development, and culture and recreation. The business-type activities of the City include water, sewer and sanitation operations. The water, sewer and sanitation operations function for all practical purposes as a department of the City and therefore have been included as an integral part of the primary government.

- The government-wide financial statements include only the City itself (known as the *primary government*), but excludes two legally separate entities for which the City is financially accountable. Financial information for these *component units*, if available, would be reported separately from the financial information presented for the primary government itself. For 2011 and 2010, two component units have been excluded because financial statements were not available in time for inclusion in this report. The operations of the Local Development Corporation have ceased and State legislation has been introduced to dissolve the Corporation.

The government-wide financial statements can be found immediately following the MD&A.

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 state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Funds of the City can be divided into three categories: governmental, proprietary, 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 outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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 near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues and expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Capital and Community Development funds, all of which are considered to be major funds. Data for the other two governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget. The City also adopts an annual appropriation budget for the Community Development Fund based on the approved grant award from the U.S Department of housing and Urban Renewal.

The financial statements for the governmental funds can be found immediately following the government-wide financial statements.

Proprietary funds - The City maintains *Enterprise funds* that are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and sanitation operations.

Proprietary funds present the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and sanitation operations, all of which are considered major funds of the City.

The proprietary fund financial statements can be found immediately following the fund financial statements.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the 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.

Required Supplementary Information - This section provides certain *required supplementary information* concerning the City. Required Supplementary information can be found immediately following the notes to the financial statements.

Combining and Individual Fund Financial Statements and Schedules - The financial statements for the major governmental funds showing comparison of 2011 to 2010 financial data can be found immediately following the combining statements. The combining statements referred to earlier in connection with non-major governmental funds are also presented in this section.

The individual fund financial statements tell how these services were financed in the short-term as well what remains for future spending. Fund financial statements also report the City operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$38.2 million at the end of 2011, compared to \$33.9 million at the end of 2010.

By far the largest portion of the City's \$38.2 million net assets reflects its investment of \$58.3 million in fixed assets (e.g., land, buildings, machinery and equipment) less related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets \$3.7 million represents resources that are subject to external restrictions on how they may be used. This includes revenues received restricted for specific purposes such as grants or capital projects.

The remaining *unrestricted net assets* (\$23.8) million represents a deficit, thus is unavailable to be used to meet the City's ongoing obligations to citizens and creditors. This deficit is net of a positive \$10.5 million from Business-type activities and a negative of (\$34.3) million from Governmental Activities.

Net Assets (\$ in millions)

	Governmental Activities		Business-type Activities		Total City	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 29.6	\$ 33.4	\$ 18.6	\$ 17.0	\$ 48.2	\$ 50.4
Capital Assets	56.8	54.6	47.1	44.4	103.9	99.0
Total Assets	<u>86.4</u>	<u>88.0</u>	<u>65.7</u>	<u>61.4</u>	<u>152.1</u>	<u>149.4</u>
Long-term debt obligations	56.5	51.2	15.5	15.5	72.0	66.7
Short-term debt obligations	26.5	31.9	9.9	7.6	36.4	39.5
Other Liabilities	4.6	7.9	0.9	1.5	5.5	9.4
Total Liabilities	<u>87.6</u>	<u>91.0</u>	<u>26.3</u>	<u>24.6</u>	<u>113.9</u>	<u>115.6</u>
Net Assets:						
Investment in capital assets, Net of debt	29.4	24.1	28.9	28.5	58.3	52.6
Restricted	3.7	3.4	-	-	3.7	3.4
Unrestricted (deficit)	(34.3)	(30.5)	10.5	8.3	(23.8)	(22.2)
Total Net Assets	<u>\$ (1.2)</u>	<u>\$ (3.0)</u>	<u>\$ 39.4</u>	<u>36.8</u>	<u>\$ 38.2</u>	<u>\$ 33.8</u>

The following schedule shows the comparison of 2011 versus 2010 Changes in Net Assets:

Changes in Net Assets
(\$ in millions)

	Governmental Activities		Business-type Activities		Total City	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 2.4	\$ 2.3	\$ 14.5	\$ 13.1	\$ 16.9	\$ 15.4
Operating grants and contributions	3.7	5.9	-	-	3.7	5.9
Capital grants and contributions	5.6	8.1	-	-	5.6	8.1
General Revenues:						
Property taxes	19.1	12.6	-	-	19.1	12.6
Other tax items	1.2	1.8	-	-	1.2	1.8
Non-property taxes	10.6	10.0	-	-	10.6	10.0
Grants and contributions not restricted to specific programs	5.1	4.9	-	-	5.1	4.9
Other		(0.4)	-	0.5	-	0.1
Total revenues	<u>47.7</u>	<u>45.2</u>	<u>14.5</u>	<u>13.6</u>	<u>62.2</u>	<u>58.8</u>
Expenses:						
General government	5.2	6.0	-	-	5.2	6.0
Public Safety	31.6	33.1	-	-	31.6	33.1
Transportation	3.1	3.5	-	-	3.1	3.5
Economic opportunity and development	-	0.6	-	-	-	0.6
Culture and recreation	1.8	1.9	-	-	1.8	1.9
Home and community services	1.2	0.5	-	-	1.2	0.5
Interest on debt	3.0	2.4	-	-	3.0	2.4
Water	-	-	4.3	4.4	4.3	4.4
Sewer	-	-	4.6	4.6	4.6	4.6
Sanitation	-	-	3.0	2.7	3.0	2.7
Total expenses	<u>45.9</u>	<u>48.0</u>	<u>11.9</u>	<u>11.7</u>	<u>57.8</u>	<u>59.7</u>
Change in Net Assets:						
Current year	1.8	(2.8)	2.6	1.9	4.4	(0.9)
Beginning of year	(3.0)	(0.2)	36.8	34.9	33.8	34.7
End of year	<u>\$ (1.2)</u>	<u>\$ (3.0)</u>	<u>\$ 39.4</u>	<u>\$ 36.8</u>	<u>\$ 38.2</u>	<u>\$ 33.8</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related requirements

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, *unreserved fund balance* may serve as a useful measurement of a government's net resources available for spending at the end of the year.

As of the end of 2011, the City's governmental funds reported combined ending fund balance deficit of \$5.4 million, a decrease in the deficit of \$3.8 million in comparison with the prior year. The total includes \$11.3 million negative *unassigned fund balance*. The remainder of the fund balance (\$5.9) million is either classified as nonspendable, restricted or assigned to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior year, 2) to pay general liability and worker's compensation claims and debt service, and 3) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City. The City's General Fund total fund balance increased by \$1.1 million, lowering the ending 2011 year with a total accumulated fund balance deficit to \$2.0 million. Key variances are set forth in Note 3 to the financial statements

The NFRA (Newburgh Fiscal Recovery Act) legislation requires City property tax revenues be deposited into a State maintained bank account to ensure payment of the City's general obligation indebtedness. The portion thereof determined by the Office of the State Comptroller not needed to ensure payment of debt service principal and interest payments as due is returned to the City. At December 31, 2011, the State held \$0.5 million of City funds in its account.

This legislation also provides for State Comptroller review and approval of future budgets and debt issuances by the City as long as the deficit bonds are outstanding. The legislation also requires the City to develop and maintain a four year financial plan as long as the deficit bonds are outstanding for how it will close the growing shortage of revenues to cover expenditures.

The Capital Projects Fund has a total negative fund balance of \$5.5 million. When bonds are issued to replace the bond anticipation notes (BANs) outstanding, this deficit should be substantially eliminated.

The Community Development Fund has a total fund balance of \$2.1 million all of which is assigned for future use as permitted by U.S Department of Housing and Urban Renewal grant provisions.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water fund at the end of 2011 amounted to \$2.5 million compared to \$0.8 million at the end of 2010. The sewer fund amounted to a positive \$7.9 million at the end of 2011 compared to \$7.3 million at the end of 2010. The sanitation fund ended 2011 with a positive fund balance of \$0.1 million compared to \$0.2 million at the end of 2010. The total increase in net assets for these funds was \$2.6 million.

General Fund Budgetary Highlights

During 2011 there was a \$193,000 increase in appropriations between the original adopted budget of \$39.8 million and the final amended budget. The major component of that increase was \$0.2 million in salaries due to retirements and buyouts.

A detail comparison of revenues and expenditures compared to budget is included in the individual fund financial statement section of this report.

Capital Assets and Debt Administration

Capital Assets - The City's investment in capital assets for the government and business-type activities as of December 31, 2011, amounts to \$103.9 million (net of accumulated depreciation). This investment in capital assets includes land buildings, improvements, other than buildings, machinery and equipment, and infrastructure such as roads, bridges, and water and sewer lines. The total increase in the City's investment in capital assets for 2011 was 4.8 percent (a 4 percent increase for governmental activities and a 5.8 percent increase for business-type activities).

Capital Assets at Year-end (Net of Depreciation, in Millions)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 4.4	\$ 4.4	\$ 10.2	\$ 10.2	\$ 14.6	\$ 14.6
Buildings	25.9	26.3	1.1	1.1	27.0	27.4
Improvements, other than buildings	0.6	0.7	0.1	0.1	0.7	0.8
Machinery & Equipment	2.1	2.2	1.3	1.5	3.4	3.7
Infrastructure	13.7	14.1	31.0	22.0	44.7	36.1
Construction-in-progress	10.1	6.9	3.4	9.6	13.5	16.5
Total	\$ 56.8	\$ 54.6	\$ 47.1	\$ 44.5	\$ 103.9	\$ 99.1

Major capital asset event during 2011 was the following:

- Robinson Avenue Reconstruction Project (still in progress)
- ERP – Provan Project

Additional information on the City's capital assets can be found in the notes to the financial statements

Debt Administration - Total outstanding obligations at the end of 2011 totaled \$108.5 million compared to \$108.4 million at the end of 2010.

At the end of 2011, the City had general obligation bonds, bond anticipation, tax anticipation and deficit financing notes outstanding totaling \$60.4 million backed by the full faith and credit of the City. The rest of the City's debt represents other unsecured obligations.

**Outstanding Obligations
(\$ in Millions)**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
SHORT-TERM						
Bond anticipation notes	\$ 21.5	\$ 26.7	\$ 9.9	\$ 9.9	\$ 31.4	\$ 36.6
Tax anticipation notes	5.1	5.2	-	-	5.1	5.2
LONG-TERM						
General obligation bonds	18.9	19.9	5.0	5.4	23.9	25.3
Loans	0.4	1.3	7.6	7.9	8.0	9.2
Capital leases	0.1	0.1	-	-	0.1	0.1
Retirement incentive	0.5	-	-	-	0.5	-
Energy performance contract	1.4	1.5	-	-	1.4	1.5
Self-Insurance claims and tax certiorari settlements	3.2	3.8	-	-	3.2	3.8
Compensated absences	4.6	3.6	0.4	0.4	5.0	4.0
Other post employment benefits	27.4	20.9	2.5	1.8	29.9	22.7
Total obligations	\$ 83.1	\$ 83.0	\$ 25.4	\$ 25.4	\$ 108.5	\$ 108.4

The City's total outstanding obligations increased by \$0.1 million during 2011. The other post employment benefits accounted for the majority of this increase.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven percent of the total assessed valuation of property in the City. The current debt limitation margin for the City is \$83.1 million, which is in excess of the City's outstanding general obligation debt subject to the limitation.

The City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 45 beginning 2008, resulting in a cumulative liability at the end of 2011 of \$29.9 million for other post employment benefits (OPEB). The City has no current plans to begin funding this obligation. The City's total OPEB unfunded actuarial accrued liability is \$126 million at December 31, 2011 compared to \$115 million at the end of 2010. Further details regarding OPEB are included in the Notes to the financial statements.

Additional information on all the City's debt obligations can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's taxable property at 100% of assessed valuation is decreasing. The 2012 property tax levy is \$19.5 million (3.5%) higher than in 2011.

The City's revenue base is contracting and increasing cost for labor, materials and supplies are putting a strain on the City's ability to finance City services. Revenues are generated in part from federal and

state aid provided to the City. In 2012, Local Aid, State Aid and federal grants comprised 12.7 percent of the City's revenues. Federal and State governments do not assure this aid will continue.

The Newburgh Fiscal Recovery Act requires the City Manager to prepare an annual proposed budget, a three-year financial plan covering the next succeeding fiscal year and the two fiscal years thereafter, which would at a minimum contain: projected employment levels; projected annual expenditures; reserve fund amounts; estimated annual revenues; and the proposed use of onetime revenue sources. In addition, the financial plan would identify actions necessary to achieve and maintain long-term fiscal stability, including, but not limited to, improved management practices, initiatives to minimize or reduce operating expenses, and potential shared services agreements with other municipalities. The City Manager is required to update the financial plan consistent with the adopted budget and quarterly budget reports.

In December 2012, the City Manager submitted the required report that projected budgets for 2013 and 2014. The projected budgets were based on the assumption the City would be able to limit growth in all expenditure categories except for employee health benefits that are projected to increase ten percent each year and increases in NYS retirement system rates. These factors alone were projected to be more than the 2% tax cap levy required by New York State legislation in 2013 and 2014.

These plans and future quarterly updates to the multi-year plans can be found on the City's website: <http://www.cityofnewburgh-ny.gov>.

The November 2011 election brought a majority change to the City Council and also affirmed a redistricting and starting with the 2013 election's will add 2 more members to the city council. In addition, negotiations are still underway with the Civil Service Employees Association (CSEA) union whose agreement expired December 31, 2010, the Patrolmen's Benevolent Association (PBA) signed a 4 year contract that covers the period of 2009-2012, the Police Superior Officers Association (PSOA) union, whose agreements expired December 31, 2008 signed a MOA for the 2012 year that included givebacks to assist the city reaching a balanced budget. Both the PBA & PSOA's work with the City Manager Richard Herbek on reaching mutual agreements prevented the layoffs of uniformed employees. The proposed contract given to the CSEA was declined by the membership on December 29, 2011. This contract would have prevented the layoff of 2 employees. The City and Union have agreed to further negotiations during the 2012 year.

The City has started down the road towards achieving fiscal recovery but the end is not yet in sight. It will have to do the same for the next several years with no available fund balance, reserves to call upon, or any known projected one-time revenues. If General Fund was to generate a positive fund balance in the next few years, use of those funds should be restricted until a significant fund balance has been accumulated to return the City's rating to investment grade.

The City bond rating although below investment grade was reaffirmed by Moody's with a positive outlook. Moody's has agreed to review our rating prior to our issue of a Bond in June to convert the city's outstanding BAN's.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and individual investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it received. If you have any questions about this report or need additional financial information, contact the City Comptroller's Office, City of Newburgh, 83 Broadway, City of Newburgh, New York 12550.

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CITY OF NEWBURGH, NEW YORK

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 15,256,350	\$ 10,948,457	\$ 26,204,807
Receivables:			
Taxes, net	5,471,444	-	5,471,444
Accounts, net	897,287	5,418,527	6,315,814
Due from other governments, net	7,252,353	1,276,807	8,529,160
Loans, net	701,622	-	701,622
Due from component unit	22,746	-	22,746
Prepaid expenses	930,109	98,357	1,028,466
Internal balances	(902,521)	902,521	-
Capital Assets:			
Not being depreciated	14,534,446	13,632,560	28,167,006
Being depreciated, net	42,237,054	33,507,776	75,744,830
Total Assets	86,400,890	65,785,005	152,185,895
LIABILITIES			
Accounts payable	1,652,667	233,321	1,885,988
Retainages payable	45,687	-	45,687
Accrued interest payable	697,992	163,750	861,742
Due to component unit	460,475	-	460,475
Due to other governments	112,431	-	112,431
Due to school districts	934,209	-	934,209
Bond anticipation notes payable	21,501,244	9,880,460	31,381,704
Tax anticipation notes payable	5,062,824	-	5,062,824
Overpayments	115,196	-	115,196
Unearned revenues	484,273	532,640	1,016,913
Non-current liabilities:			
Due within one year	2,331,194	717,009	3,048,203
Due in more than one year	54,217,233	14,795,311	69,012,544
Total Liabilities	87,615,425	26,322,491	113,937,916
NET ASSETS (DEFICITS)			
Invested in capital assets, net of related debt	29,402,032	28,948,825	58,350,857
Restricted for:			
Community development	3,593,665	-	3,593,665
Trusts	28,568	-	28,568
Debt Service	90,920	-	90,920
Unrestricted (Deficits)	(34,329,720)	10,513,689	(23,816,031)
Total Net Assets (Deficits)	\$ (1,214,535)	\$ 39,462,514	\$ 38,247,979

The notes to the financial statements are an integral part of this statement.

CITY OF NEWBURGH, NEW YORK
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2011

Functions/ Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government support	\$ 5,161,179	\$ 1,018,338	\$ 401,201	\$ -
Public safety	31,603,661	935,756	957,561	-
Transportation	3,076,560	84,717	331,844	5,588,790
Economic opportunity and development	148	-	-	-
Culture and recreation	1,826,384	72,654	876,376	-
Home and community services	1,267,227	293,281	1,231,556	-
Interest	3,047,801	-	-	-
Total Governmental Activities	45,982,960	2,404,746	3,798,538	5,588,790
Business-type activities:				
Water Fund	4,373,885	6,089,248	-	-
Sewer Fund	4,594,423	5,585,577	-	-
Sanitation Fund	2,991,861	2,901,675	-	-
Total Business-type Activities	11,960,169	14,576,500	-	-
Total	\$ 57,943,129	\$ 16,981,246	\$ 3,798,538	\$ 5,588,790

General Revenues:
 Real property taxes
 Other tax items:
 Gain on sale of tax acquired property
 Payments in lieu of taxes
 Interest and penalties on real property taxes
 Non-property taxes:
 Non-property tax distribution from County
 Utilities gross receipts taxes
 Franchise fees
 Unrestricted use of money and property
 Unrestricted State aid
 Miscellaneous
 Insurance recoveries

Total General Revenues

Change in Net Assets

Net Assets (Deficits) - Beginning of Year

Net Assets (Deficits) - End of Year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,741,640)	\$ -	\$ (3,741,640)
(29,710,344)	-	(29,710,344)
2,928,791	-	2,928,791
(148)	-	(148)
(877,354)	-	(877,354)
257,610	-	257,610
(3,047,801)	-	(3,047,801)
<u>(34,190,886)</u>	<u>-</u>	<u>(34,190,886)</u>
-	1,715,363	1,715,363
-	991,154	991,154
-	(90,186)	(90,186)
<u>-</u>	<u>2,616,331</u>	<u>2,616,331</u>
<u>(34,190,886)</u>	<u>2,616,331</u>	<u>(31,574,555)</u>
19,095,732	-	19,095,732
81,682	-	81,682
205,917	-	205,917
871,658	-	871,658
9,019,275	-	9,019,275
1,400,534	-	1,400,534
176,334	-	176,334
26,770	26,906	53,676
4,584,102	-	4,584,102
307,923	-	307,923
161,690	-	161,690
<u>35,931,617</u>	<u>26,906</u>	<u>35,958,523</u>
1,740,731	2,643,237	4,383,968
<u>(2,955,266)</u>	<u>36,819,277</u>	<u>33,864,011</u>
<u>\$ (1,214,535)</u>	<u>\$ 39,462,514</u>	<u>\$ 38,247,979</u>

CITY OF NEWBURGH, NEW YORK

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Capital Projects	Community Development
ASSETS			
Cash and Equivalents	\$ 7,434,999	\$ 5,661,043	\$ 1,664,962
Taxes Receivable, net	5,471,444	-	-
Other Receivables:			
Accounts, net	897,287	-	-
Due from other governments, net	3,140,584	2,404,838	1,228,255
Loans, net	-	-	701,622
Due from component unit	22,746	-	-
Due from other funds	1,157,023	-	1,026,629
	<u>5,217,640</u>	<u>2,404,838</u>	<u>2,956,506</u>
Prepaid Expenditures	930,109	-	-
Total Assets	<u>\$ 19,054,192</u>	<u>\$ 8,065,881</u>	<u>\$ 4,621,468</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
Liabilities:			
Accounts payable	\$ 754,304	\$ 436,697	\$ 390,511
Retainages payable	-	45,687	-
Due to component unit	460,475	-	-
Due to other governments	1,274	-	111,157
Due to school districts	934,209	-	-
Due to other funds	-	2,100,002	116,872
Bond anticipation notes payable	10,558,000	10,943,244	-
Tax anticipation notes payable	5,062,824	-	-
Overpayments	115,196	-	-
Deferred tax revenues	2,289,195	-	-
Deferred revenues	899,804	-	1,919,650
Total Liabilities	<u>21,075,281</u>	<u>13,525,630</u>	<u>2,538,190</u>
Fund Balances (Deficits):			
Nonspendable	3,730,841	-	-
Restricted	90,920	-	-
Assigned	-	-	2,083,278
Unassigned	(5,842,850)	(5,459,749)	-
Total Fund Balances (Deficits)	<u>(2,021,089)</u>	<u>(5,459,749)</u>	<u>2,083,278</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 19,054,192</u>	<u>\$ 8,065,881</u>	<u>\$ 4,621,468</u>

The notes to the financial statements are an integral part of this statement.

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 495,346	\$ 15,256,350
-	5,471,444
-	897,287
478,676	7,252,353
-	701,622
-	22,746
10,419	2,194,071
489,095	11,068,079
-	930,109
<u>\$ 984,441</u>	<u>\$ 32,725,982</u>
\$ 71,155	\$ 1,652,667
-	45,687
-	460,475
-	112,431
-	934,209
879,718	3,096,592
-	21,501,244
-	5,062,824
-	115,196
-	2,289,195
5,000	2,824,454
955,873	38,094,974
-	3,730,841
28,568	119,488
-	2,083,278
-	(11,302,599)
28,568	(5,368,992)
<u>\$ 984,441</u>	<u>\$ 32,725,982</u>

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CITY OF NEWBURGH, NEW YORK

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT - WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Fund Balances - Total Governmental Funds	\$ (5,368,992)
Amounts reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>56,771,500</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Real property taxes	2,289,195
Deferred revenues	420,531
Long-term loans	<u>1,919,650</u>
	<u>4,629,376</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(697,992)
Bonds payable	(18,862,690)
Loans payable	(350,000)
Capital leases payable	(89,161)
Retirement incentive payable	(531,143)
Energy performance contract payable	(1,399,868)
Claims payable	(3,279,331)
Compensated absences	(4,615,023)
Other post employment benefit obligations payable	<u>(27,421,211)</u>
	<u>(57,246,419)</u>
Net Assets of Governmental Activities	<u>\$ (1,214,535)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NEWBURGH, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Community Development</u>
REVENUES			
Real property taxes	\$ 18,034,246	\$ -	\$ -
Other tax items	1,159,257	-	-
Non-property taxes	10,596,143	-	-
Departmental income	1,006,048	-	68,945
Intragovernmental charges	2,063,996	-	-
Intergovernmental charges	263,548	-	-
Use of money and property	111,280	19,949	5,198
Licenses and permits	195,084	-	-
Fines and forfeitures	605,370	-	-
State aid	4,960,866	687,333	390,437
Federal aid	33,452	4,881,508	695,105
Miscellaneous	413,470	-	30,816
	<u>39,442,760</u>	<u>5,588,790</u>	<u>1,190,501</u>
EXPENDITURES			
Current:			
General government support	5,815,322	-	-
Public safety	21,996,405	-	-
Transportation	2,460,520	-	-
Economic opportunity and development	148	-	-
Culture and recreation	731,773	-	-
Home and community services	280,464	-	982,412
Employee benefits	1,574,265	-	-
Debt service:			
Principal	1,178,849	-	955,000
Interest	2,911,370	-	87,777
Capital outlay	-	3,530,834	-
	<u>36,949,116</u>	<u>3,530,834</u>	<u>2,025,189</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,493,644</u>	<u>2,057,956</u>	<u>(834,688)</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	161,690	-	-
Transfers in	-	1,385,917	-
Transfers out	(1,470,718)	-	(22,416)
	<u>(1,309,028)</u>	<u>1,385,917</u>	<u>(22,416)</u>
Net Change in Fund Balances	1,184,616	3,443,873	(857,104)
Fund Balances (Deficits) - Beginning of Year	<u>(3,205,705)</u>	<u>(8,903,622)</u>	<u>2,940,382</u>
Fund Balances (Deficits) - End of Year	<u>\$ (2,021,089)</u>	<u>\$ (5,459,749)</u>	<u>\$ 2,083,278</u>

The notes to the financial statements are an integral part of this statement.

Other Governmental	Total Governmental Funds
\$ -	\$ 18,034,246
-	1,159,257
-	10,596,143
-	1,074,993
-	2,063,996
-	263,548
242	136,669
-	195,084
-	605,370
377,529	6,416,165
1,644,676	7,254,741
65,489	509,775
<u>2,087,936</u>	<u>48,309,987</u>
44,650	5,859,972
976,431	22,972,836
309,113	2,769,633
-	148
871,745	1,603,518
-	1,262,876
-	1,574,265
-	2,133,849
-	2,999,147
-	3,530,834
<u>2,201,939</u>	<u>44,707,078</u>
<u>(114,003)</u>	<u>3,602,909</u>
-	161,690
107,217	1,493,134
-	(1,493,134)
<u>107,217</u>	<u>161,690</u>
(6,786)	3,764,599
<u>35,354</u>	<u>(9,133,591)</u>
<u>\$ 28,568</u>	<u>\$ (5,368,992)</u>

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CITY OF NEWBURGH, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 3,764,599</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. This amount may be less than the total capital outlay since capital outlay includes amounts that are under the capitalization threshold.</p>	
Capital outlay expenditures	3,884,274
Depreciation expense	<u>(1,714,888)</u>
	<u>2,169,386</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Real property taxes	1,061,486
Departmental income	221,037
Sales of real property subject to mortgage and other payment provisions	<u>(30,000)</u>
	<u>1,252,523</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Principal paid on bonds	1,043,910
Principal paid on loans	955,000
Principal paid on capital leases	44,760
Principal paid on energy performance contract	<u>90,179</u>
	<u>2,133,849</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Accrued interest	(48,654)
Retirement incentives	(531,143)
Claims	472,710
Compensated absences	(959,255)
Other post employment benefit obligations	<u>(6,513,284)</u>
	<u>(7,579,626)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,740,731</u>

The notes to the financial statements are an integral part of this statement.

CITY OF NEWBURGH, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND
 COMMUNITY DEVELOPMENT FUNDS
 YEAR ENDED DECEMBER 31, 2011

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Real property taxes	\$ 18,807,484	\$ 18,807,484	\$ 18,034,246	\$ (773,238)
Other tax items	1,126,999	1,126,999	1,159,257	32,258
Non-property taxes	9,938,000	9,938,000	10,596,143	658,143
Departmental income	817,000	993,083	1,006,048	12,965
Intragovernmental charges	2,211,058	2,211,058	2,063,996	(147,062)
Intergovernmental charges	308,000	308,000	263,548	(44,452)
Use of money and property	79,359	79,361	111,280	31,919
Licenses and permits	262,750	262,750	195,084	(67,666)
Fines and forfeitures	580,000	580,000	605,370	25,370
State aid	5,422,711	5,422,711	4,960,866	(461,845)
Federal aid	-	-	33,452	33,452
Miscellaneous	274,750	299,750	413,470	113,720
Total Revenues	39,828,111	40,029,196	39,442,760	(586,436)
Expenditures:				
Current:				
General government support	7,211,292	6,803,307	5,815,322	987,985
Public safety	22,486,437	22,652,311	21,996,405	655,906
Transportation	2,575,163	2,759,255	2,460,520	298,735
Economic opportunity and development	-	-	148	(148)
Culture and recreation	628,030	735,483	731,773	3,710
Home and community services	260,838	264,538	280,464	(15,926)
Employee benefits	1,707,000	1,847,000	1,574,265	272,735
Debt service:				
Principal	1,178,936	1,178,936	1,178,849	87
Interest	2,864,536	2,864,536	2,911,370	(46,834)
Total Expenditures	38,912,232	39,105,366	36,949,116	2,156,250
Excess (Deficiency) of Revenues Over Expenditures	915,879	923,830	2,493,644	1,569,814
Other Financing Sources (Uses):				
Insurance recoveries	1,000	1,000	161,690	160,690
Transfers out	(951,753)	(956,916)	(1,470,718)	(513,802)
Total Other Financing Uses	(950,753)	(955,916)	(1,309,028)	(353,112)
Net Change in Fund Balances	(34,874)	(32,086)	1,184,616	1,216,702
Fund Balances (Deficits) - Beginning of Year	34,874	32,086	(3,205,705)	(3,237,791)
Fund Balances (Deficits) - End of Year	\$ -	\$ -	\$ (2,021,089)	\$ (2,021,089)

The notes to the financial statements are an integral part of this statement.

Community Development Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	68,945	68,945
-	-	-	-
-	-	5,198	5,198
-	-	-	-
390,437	390,437	390,437	-
768,205	768,205	695,105	(73,100)
-	-	30,816	30,816
<u>1,158,642</u>	<u>1,158,642</u>	<u>1,190,501</u>	<u>31,859</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,158,642	1,158,642	982,412	176,230
-	-	-	-
-	-	955,000	(955,000)
-	-	87,777	(87,777)
<u>1,158,642</u>	<u>1,158,642</u>	<u>2,025,189</u>	<u>(866,547)</u>
-	-	(834,688)	(834,688)
-	-	-	-
-	-	(22,416)	(22,416)
-	-	(22,416)	(22,416)
-	-	(857,104)	(857,104)
-	-	2,940,382	2,940,382
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,083,278</u>	<u>\$ 2,083,278</u>

CITY OF NEWBURGH, NEW YORK

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	Water Fund	Sewer Fund	Sanitation Fund	Totals
ASSETS				
Current Assets:				
Cash and equivalents	\$ 4,254,616	\$ 6,344,387	\$ 349,454	\$ 10,948,457
Receivables:				
Accounts	2,291,948	2,149,423	977,156	5,418,527
Due from other governments	235,312	1,041,495	-	1,276,807
Due from other funds	-	1,467,022	-	1,467,022
Prepaid expenses	42,574	16,858	38,925	98,357
Total Current Assets	6,824,450	11,019,185	1,365,535	19,209,170
Noncurrent Assets:				
Capital assets:				
Land	7,248,449	3,001,193	-	10,249,642
Construction-in-progress	2,811,251	571,667	-	3,382,918
Buildings and improvements	935,688	451,554	-	1,387,242
Improvements other than buildings	404,164	11,558	-	415,722
Machinery and equipment	1,930,697	778,235	566,062	3,274,994
Infrastructure	21,320,310	28,519,209	-	49,839,519
	34,650,559	33,333,416	566,062	68,550,037
Less - Accumulated depreciation	(10,005,662)	(10,853,963)	(550,076)	(21,409,701)
Total Capital Assets, net of accumulated depreciation	24,644,897	22,479,453	15,986	47,140,336
Total Assets	31,469,347	33,498,638	1,381,521	66,349,506
LIABILITIES				
Current Liabilities:				
Accounts payable	98,560	50,823	83,938	233,321
Accrued interest payable	116,793	46,957	-	163,750
Due to other funds	229,684	-	334,817	564,501
Deferred revenues	-	532,640	-	532,640
Bond anticipation notes payable	4,660,667	4,999,793	220,000	9,880,460
Current maturities of bonds payable	239,393	115,394	-	354,787
Current maturities of loans payable	323,622	-	-	323,622
Current portion of compensated absences	21,000	6,600	11,000	38,600
Total Current Liabilities	5,689,719	5,752,207	649,755	12,091,681
Noncurrent Liabilities:				
Bonds payable, less current maturities	4,226,911	485,612	-	4,712,523
Loans payable, less current maturities	7,262,156	-	-	7,262,156
Compensated absences, less current portion	192,092	59,382	90,589	342,063
Other post employment benefit obligations payable	1,501,604	444,556	532,409	2,478,569
Total Noncurrent Liabilities	13,182,763	989,550	622,998	14,795,311
Total Liabilities	18,872,482	6,741,757	1,272,753	26,886,992
NET ASSETS				
Invested in Capital Assets, net of related debt	10,139,957	18,792,882	15,986	28,948,825
Unrestricted	2,456,908	7,963,999	92,782	10,513,689
Total Net Assets	\$ 12,596,865	\$ 26,756,881	\$ 108,768	\$ 39,462,514

The notes to the financial statements are an integral part of this statement.

CITY OF NEWBURGH, NEW YORK

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011

	Water Fund	Sewer Fund	Sanitation Fund	Totals
Operating Revenues				
Metered sales	\$ 5,983,865	\$ 5,336,850	\$ -	\$ 11,320,715
Fees	-	-	2,882,955	2,882,955
Penalty income	44,574	40,633	-	85,207
Miscellaneous	60,809	208,094	18,720	287,623
Total Operating Revenues	6,089,248	5,585,577	2,901,675	14,576,500
Operating Expenses				
Personal services	969,675	356,578	830,898	2,157,151
Depreciation	372,391	476,042	11,990	860,423
Supplies	262,874	18,275	77,935	359,084
Utilities	173,238	132,836	-	306,074
Insurance	206,625	206,625	82,650	495,900
Contractual	544,239	1,991,216	862,153	3,397,608
Fees for services	474,415	748,426	245,651	1,468,492
Employee benefits	1,003,847	318,251	880,584	2,202,682
Total Operating Expenses	4,007,304	4,248,249	2,991,861	11,247,414
Income (Loss) from Operations	2,081,944	1,337,328	(90,186)	3,329,086
Non-Operating Revenues (Expenses)				
Interest income	6,078	19,558	1,270	26,906
Interest expense	(366,581)	(346,174)	-	(712,755)
Total Non-Operating Revenues (Expenses)	(360,503)	(326,616)	1,270	(685,849)
Change in Net Assets before Transfers	1,721,441	1,010,712	(88,916)	2,643,237
Transfers				
Transfers in	137,620	-	-	137,620
Transfers out	-	(137,620)	-	(137,620)
Total Transfers	137,620	(137,620)	-	-
Change in Net Assets	1,859,061	873,092	(88,916)	2,643,237
Net Assets - Beginning of Year	10,737,804	25,883,789	197,684	36,819,277
Net Assets - End of Year	\$ 12,596,865	\$ 26,756,881	\$ 108,768	\$ 39,462,514

The notes to the financial statements are an integral part of this statement.

CITY OF NEWBURGH, NEW YORK

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2011

	Water Fund	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from metered sales, penalties and other	\$ 6,003,478	\$ 5,144,689
Cash received from fees from customers	-	-
Cash payments for goods and services	(1,530,834)	(3,572,762)
Cash payments to employees	(1,682,155)	(557,165)
Net Cash Provided by Operating Activities	<u>2,790,489</u>	<u>1,014,762</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Due from other funds	424,881	363,083
Due to other funds	-	-
Transfers in	137,620	-
Transfers out	-	(137,620)
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>562,501</u>	<u>225,463</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,851,377)	(685,993)
Proceeds from debt	2,500,000	-
Principal paid on debt	(667,915)	(442,437)
Interest paid on debt	(337,379)	(312,228)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,356,671)</u>	<u>(1,440,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	6,078	19,558
Net Increase (Decrease) in Cash and Equivalents	2,002,397	(180,875)
Cash and Equivalents - Beginning of Year	<u>2,252,219</u>	<u>6,525,262</u>
Cash and Equivalents - End of Year	<u>\$ 4,254,616</u>	<u>\$ 6,344,387</u>
Reconciliation of Income (Loss) from Operations to Net Cash Provided by Operating Activities:		
Income (loss) from operations	\$ 2,081,944	\$ 1,337,328
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	372,391	476,042
Changes in assets and liabilities:		
Accounts receivable	(150,458)	(110,569)
Due from other governments	64,688	(299,069)
Prepaid expenses	(7,664)	(4,270)
Accounts payable	(91,463)	(471,114)
Due to other funds	229,684	-
Deferred revenues	(37,145)	(31,250)
Compensated absences	328,512	(2,049)
Other post employment benefit obligations payable	-	119,713
Net Cash Provided by Operating Activities	<u>\$ 2,790,489</u>	<u>\$ 1,014,762</u>

The notes to the financial statements are an integral part of this statement.

Sanitation Fund	Totals
\$ -	\$ 11,148,167
2,832,224	2,832,224
(1,310,243)	(6,413,839)
<u>(1,425,320)</u>	<u>(3,664,640)</u>
96,661	3,901,912
-	787,964
(591,646)	(591,646)
-	137,620
-	<u>(137,620)</u>
<u>(591,646)</u>	<u>196,318</u>
-	(3,537,370)
220,000	2,720,000
-	(1,110,352)
-	<u>(649,607)</u>
<u>220,000</u>	<u>(2,577,329)</u>
1,270	26,906
(273,715)	1,547,807
<u>623,169</u>	<u>9,400,650</u>
<u>349,454</u>	<u>\$ 10,948,457</u>
\$ (90,186)	\$ 3,329,086
11,990	860,423
(69,451)	(330,478)
-	(234,381)
(9,597)	(21,531)
(32,257)	(594,834)
-	229,684
-	(68,395)
14,207	340,670
<u>271,955</u>	<u>391,668</u>
<u>\$ 96,661</u>	<u>\$ 3,901,912</u>

CITY OF NEWBURGH, NEW YORK

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2011

	<u>Agency</u>
ASSETS	
Cash - Demand deposits	\$ 507,085
Accounts Receivable	<u>60,902</u>
 Total Assets	 <u>\$ 567,987</u>
 LIABILITIES	
Accounts Payable	\$ 261,115
Employee Payroll Deductions	100,375
Deposits	<u>206,497</u>
 Total Liabilities	 <u>\$ 567,987</u>

The notes to the financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The City of Newburgh, New York ("City") was incorporated in 1865 and operates in accordance with its Charter and applicable laws of the State of New York. The City operates under a Council (5 members)/City Manager form of government. The City Council is the legislative body responsible for overall operations. The City Manager serves as chief executive and the City Director of Finance serves as the chief financial officer. The City provides public safety, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support services to its residents.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments. The following is a summary of the most significant accounting policies:

A. Financial Reporting Entity

This report includes all funds, departments, agencies, boards and commissions, and other organizational units that are administrated by the City Manager and/or controlled by or dependent upon the City Council as set forth in the City Charter. The City, a primary government, has also considered for inclusion all potential component units for which it may be financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. GASB Statement No. 14: The Financial Reporting Entity sets forth criteria to be considered in determining financial accountability.

These criteria include appointing voting majority of an organization's governing body and (1) the ability of the City to impose its will on the organization; or (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

Component Units: The City has identified as its component units certain legally separate organizations for which the City is financially accountable or for which a significant relationship with the City exists such that exclusion would cause the City's financial statements to be misleading or incomplete.

The *Newburgh Community Development Agency* (formerly the Newburgh Urban Renewal Agency) is a body corporate and politic, created under Title 32, Article 15B of the General Municipal Law of the State of New York. Its principal responsibility is to manage the City's receipt and expenditure of Federal funds received from the U.S. Department of Housing and Urban Renewal. Members of the Agency are the members of the City Council. The operations of this entity have been concluded and State legislation has been introduced to dissolve this Agency.

The City also has the following two component units that should be included in the City's financial statements as discretely presented component units, but since current financial statements are not available for these entities their financial activities are not included therein.

Note 1 - Summary of Significant Accounting Policies (Continued)

The *City of Newburgh Industrial Development Agency* ("Agency") is a public benefit corporation created under Title 2, Article 18-A of the General Municipal Law of the State of New York 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.

The *City of Newburgh Local Development Corporation* ("Corporation") is a not-for-profit corporation created for the purpose of providing loans to assist in relieving and reducing unemployment and promoting and providing for additional and maximum employment in the City. The governing body consists of the Mayor, the City Manager, two members of the Board of the Industrial Development Agency and a fifth member chosen by the governing board of the Corporation. The City is considered able to impose its will on the Corporation.

The following organizations are located in the City but are not considered component units. The City does not exercise influence in their management or operations and is not financially accountable for their actions. Accordingly, their financial statements are not included in the City's financial statements.

The *Newburgh Municipal Housing Authority* was established by an act of the New York State legislature to provide quality and safe housing including managing public housing projects in the City for low income families and senior citizens under the Federal Housing Act of 1936, as amended. The Housing Authority was established by an act of the New York State Legislature which designated the housing authority board as the governing authority. Five members of the housing authority board are appointed by the City and two representatives are elected by the tenants. The City exercises no oversight over or has any financial responsibility for housing authority operations. However the City has provided the housing authority technical and financial support through its Community Development Program.

The *Newburgh Enlarged City School District* provides the K-12 educational programs for children in the City and several surrounding towns. The School District was established by an act of the New York State Legislature which designated the school board as the governing authority. Members of the school board are elected directly by the public. The City exercises no oversight over or has any financial responsibility for school district operations. Pursuant to a State statute, unpaid school tax levies are relieved and collected by the City. Collection of the unpaid school tax levies are 100 percent guaranteed by the City.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole and its component unit. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets 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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Enterprise Funds are charges to customers for services. Operating expenses for the Enterprise Funds include the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

C. Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, liabilities, fund balances/net assets, 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 professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since 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 on the page following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The City's resources are reflected in the fund financial statements in three 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 is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds. The principal source of financing is from the sale of bonds or bond anticipation notes.

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 fund of the City is as follows:

Community Development Fund - The Community Development Fund is used to account for projects and subsidies financed by entitlements from the U.S. Department of Housing and Urban Development.

The City also reports the following non-major governmental funds.

Special Revenue Funds:

Special Purpose Fund - The Special Purpose Fund is provided to account for assets held by the City in accordance with the term of a trust agreement.

Grant Fund - The Grant Fund is used to account for financial resources received from Federal and State agencies for specific operations where separate accountability for those funds is a requirement of the grantor agency.

- b. Proprietary Funds - Proprietary funds are used to account for enterprise activities of the City that provide services to the public similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound financial management. The City has three enterprise fund operations as follows:

Water Fund - Established to account for revenues derived from charges for water consumption and benefit assessments and the application of such revenues towards related operating expenses and debt retirement.

Sewer Fund - Established to account for revenues derived from sewer rents and benefit assessments and used for related operating expenses and debt retirement.

Sanitation Fund - Established to account for the fee revenues and expenses for the City refuse collection services.

- c. Fiduciary Funds - Fiduciary funds are used to account for assets held by the City in a trustee or custodial capacity on behalf of others as follows:

Agency Funds - Used for resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 reports.

The government-wide financial statements and the proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 investments, certain claims and other post employment benefit obligations payable are recorded only when payment is due. General 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.

E. Assets, Liabilities and Net Assets or Fund Balance

Deposits and Risk Disclosure

Cash and Cash Equivalents - Cash and cash 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 overall investment policies are governed by State statutes. The City has adopted its own written investment policy that 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 102% 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, 2011.

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

Receivables - Receivables are stated net of estimated allowances for uncollectible amounts, which are determined, based on past collection experience and current economic conditions except for certain long-term receivables which are reported as nonspendable fund balance because they are not considered a current financial resource available for expenditure. Receivables include:

Taxes Receivable - Real property taxes attach as an enforceable lien on real property and are levied on January 1st. The City is responsible for the collection of its own taxes and for the collection of County of Orange taxes for taxes levied on property located within the City. In addition, the City levies on January 1st delinquent water, sewer and sanitation bills. The City also has the responsibility for conducting judicial in-rem foreclosure proceedings.

The City and County taxes are levied simultaneously, payable in four installments. The first installment is due February 4th, the second installment is due April 6th, the third installment is due June 7th and the fourth installment is due August 5th. If an installment is not paid in full by the due date, there is a 5% penalty added.

School District taxes levied for the period July 1st to June 30th are collected by the School District through March 31st at which time the City guarantees full payment thereof. Delinquent County and School District taxes are paid to the County and School District, respectively, as collected or prior to foreclosure. The City is required to pay the School District in full within two years after the return of the statement of unpaid taxes. The City is only required to pay delinquent taxes to the County as October 30th each year.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances.

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/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Prepaid expenses/expenditures consist of costs which have been satisfied prior to the end of the fiscal year, but represent items which have even provided for in the subsequent year's budget and/or will benefit such periods. Reported amounts in governmental funds are equally offset by nonspendable 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.

Capital Assets - Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items). 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 market 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 used 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.

Capital assets are reported in the applicable governmental or business-type column in the citywide financial statements, and in the proprietary fund statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

<u>Class</u>	<u>Life in Years</u>
Buildings	50 - 75
Improvements other than buildings	15 - 20
Machinery and equipment	2 - 15
Infrastructure	15 - 40

Unearned/Deferred Revenues - Unearned/deferred or 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.

Deferred revenues in the fund financial statements are those whose asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City has reported deferred revenues of \$2,289,195 for real property taxes and \$899,804 for monies received in advance in the General Fund. The City has also reported deferred revenues of \$1,919,650 and \$5,000 for grants received in advance in the Community Development Fund and Grant Fund, respectively.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, 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 amortized over the term of the related debt.

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 Capital Projects funds expenditures.

Compensated Absences - City employees may accumulate earned leave benefits (vacation, sick and compensated absences) at various rates within limits specified in collective bargaining agreements. For all funds, this liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment, and reasonably estimated in conformity with GASB Statement No. 16 Accounting for Compensated Absences.

Compensated absences liabilities are accrued when incurred in the government-wide and proprietary financial statements. No expenditure is reported in the governmental funds for compensated absences until the payment is made. No liability is recorded for

Note 1 - Summary of Significant Accounting Policies (Continued)

non-vesting, accumulated sick leave benefits. Compensated absences liabilities are determined based on current year rates of pay.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets on the Statement of Net Assets include, invested in capital assets, net of related debt, restricted for community development, trusts and debt service. The balance is classified as unrestricted.

Fund Balances - Generally, fund balance represents the difference between current assets and current liabilities. 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 (inventories, prepaid amounts, long-term receivables, advances) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be 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. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law.

Committed fund balance will be 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. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount 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

Note 1 - Summary of Significant Accounting Policies (Continued)

governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

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 Fund. 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 18, 2012.

Note 2 - Stewardship, Compliance and Accountability

A. Budgets

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

- a) The budget process begins mid-year at which time department heads prepare estimates of revenues and expenditures for the following year. Department estimates must be submitted to the City Manager on or about August 15th. The City Manager reviews each department's request, conducts meetings with department personnel and assembles the preliminary budget.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- b) The preliminary budget is submitted to the Mayor and City Council, no later the second Tuesday in October. Upon receipt, the City Council shall order a copy to be filed in the City Clerk's office, who shall publish a notice in the official newspaper of the City of Newburgh, New York to the effect that the City Council will hold public sessions on the preliminary budget during the months of October and November.
- c) The budget estimate may be inspected at any time during office hours and prior to the second Monday in November in the Office of the City Clerk.
- d) A formal public hearing is held by the City Council on the budget in November. Members of the public may express their views; however, there is no formal vote on the budget at this meeting.
- e) Not later than at its regular meeting on the fourth Monday in November, the Comptroller receives the revised budget from the City Council and prepares the final version for adoption. In amending the preliminary budget, the City Council may increase or decrease or reject any item contained in the budget estimate except for items relating to indebtedness, fixed charges or estimated revenues.
- f) On or before the last Monday in November, the operating budgets are legally enacted through adoption of an ordinance by the City Council. The budget is not subject to referendum.
- g) If, not later than at its meeting on the fourth Monday in November, the City Council does not adopt or amend to adopt the preliminary budget as submitted by the City Manager, it shall be deemed to have been adopted unchanged as submitted by the City Manager.

Formal budgetary integration is employed during the year as a management control device for General and Community Development Funds.

Budgets for General and Community Development funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The City does not adopt an annual budget for the Special Purpose Fund or Grants Fund.

Once the budget has been approved, in order to amend the budget during the year the following procedures are authorized:

- a) Transfers of budget appropriations within each department with the approval of the City Manager.
- b) Transfers of budget appropriations between departments with the approval of the City Council.
- c) All increases in budgeted revenues and related expenditures by resolution approved by the City Council.

The Comptroller may not disburse money in excess of appropriated amounts.

Budgeted amounts are as adopted and as amended.

Note 2 - 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. In accordance with this definition, the maximum limit for the levy for 2011 was \$27,066,366, which exceeded the actual levy by \$8,258,822. (See Note 5.)

C. Application of Accounting Standards

For the year ended December 31, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54"). GASB 54 changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than the availability for appropriations. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

D. Excess of Actual Expenditures Over Budget

The following categories of expenditures in the General Fund and Community Development Fund exceeded their budgetary provisions by the amounts indicated:

General Fund:	
General Government Support -	
Costs of debt issuance	\$ 338,027
Public Safety - Public Pound	5,450
Transportation:	
Police garage	22,584
Street lighting	33,654
Economic Opportunity and Development -	
Community action neighborhood center	148
Culture and Recreation:	
Parks	21,226
Recreation	13,274
Summer playgrounds on wheels	11,592
Summer youth camp services	16,322
Home and Community Services -	
Planning and management development	22,754
Debt Service - Interest:	
Capital Leases	82
School District - Property taxes	105,949
Other Financing Uses - Transfers out -	
Grants Fund	79,638
Capital Projects Fund	434,164
Community Development Fund:	
Debt Service -	
Principal	955,000
Interest	87,777
Other Financing Uses - Transfers out	22,416

Note 2 - Stewardship, Compliance and Accountability (Continued)

E. Fund Deficits

The General Fund has an unassigned deficit of \$5,842,850.

F. Capital Projects Fund Deficit

The unassigned deficit in the Capital Projects Fund of \$5,459,749 arises in-part because of the application of generally accepted accounting principles to the financial reporting of such funds. The proceeds of bond anticipation notes issued to finance construction of capital projects are not recognized as an "other financing source". Liabilities for bond anticipation notes are accounted for in the Capital Projects Fund. Bond anticipation notes are recognized as revenue only to the extent that they are redeemed. These deficits will be reduced and eliminated as bond anticipation notes are redeemed from interfund transfers from other governmental funds or converted to permanent financing. Other deficits, where no bond anticipation notes were issued or outstanding to the extent of the project deficits, arise because of expenditures exceeding current financing on the projects. These deficits will be eliminated with the subsequent receipt or issuance of authorized financing.

Note 3 - Detailed Notes on All Funds

A. Taxes Receivable

Taxes receivable at December 31, 2011 consisted of the following:

	<u>2011</u>
City, County and School District taxes -	
Current and overdue	\$ 5,559,768
Property acquired for taxes	<u>1,975,028</u>
Subtotal	7,534,796
Less: Allowance for uncollectible amounts	<u>(2,063,352)</u>
Net Taxes Receivable	<u>\$ 5,471,444</u>

Taxes receivable are partially offset by deferred tax revenues of \$2,289,195, which represents the portion of the receivable which will not be collected within the first sixty days of the subsequent year. Interest expenditures/expenses of \$240,949 were recorded in the fund financial statements in the General Fund and in the government-wide financial statements as a result of a 1% per month penalty for amounts not paid when due to the school district by the City.

NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011**Note 3 - Detailed Notes on All Funds (Continued)****B. Due From/To Other Funds**

Interfund transactions resulting in receivables and payables due between funds are as follows:

Funds	Due From	Due To
General	\$ 1,157,023	\$ -
Capital Projects	-	2,100,002
Community Development	1,026,629	116,872
Non-Major Governmental	10,419	879,718
Water	-	229,684
Sewer	1,467,022	-
Sanitation	-	334,817
	\$ 3,661,093	\$ 3,661,093

The above interfund receivables/payables are due to lags between the dates that interfund goods and services are provided, transactions are recorded in the accounting system and payments are made.

C. Capital Assets

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

Class	Balance January 1, 2011	Additions	Transfers/ Deletions	Balance December 31, 2011
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 4,421,627	\$ -	\$ -	\$ 4,421,627
Construction-in-progress	6,905,132	3,440,920	(233,233)	10,112,819
Total Capital Assets, not being depreciated	\$ 11,326,759	\$ 3,440,920	\$ (233,233)	\$ 14,534,446
Capital Assets, being depreciated:				
Buildings	\$ 30,620,077	\$ -	\$ -	\$ 30,620,077
Improvements other than buildings	100,929,954	45,100	-	100,975,054
Machinery and equipment	9,735,767	507,442	-	10,243,209
Infrastructure	22,891,515	124,045	-	23,015,560
Total Capital Assets, being depreciated	164,177,313	676,587	-	164,853,900

CITY OF NEWBURGH, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011**Note 3 - Detailed Notes on All Funds (Continued)**

Class	Balance January 1, 2011	Additions	Transfers/ Deletions	Balance December 31, 2011
Less Accumulated Depreciation for:				
Buildings	\$ 4,267,245	\$ 470,536	\$ -	\$ 4,737,781
Improvements other than buildings	100,298,400	170,994	-	100,469,394
Machinery and equipment	7,538,457	613,878	-	8,152,335
Infrastructure	8,797,856	459,480	-	9,257,336
Total Accumulated Depreciation	120,901,958	1,714,888	-	122,616,846
Total Capital Assets, being depreciated, net	\$ 43,275,355	\$ (1,038,301)	\$ -	\$ 42,237,054
Governmental Activities				
Capital Assets, net	\$ 54,602,114	\$ 2,402,619	\$ (233,233)	\$ 56,771,500
Class	Balance January 1, 2011	Additions	Transfers	Balance December 31, 2011
Business-type Activities:				
Capital Assets, not being depreciated:				
Land	\$ 10,249,642	\$ -	\$ -	\$ 10,249,642
Construction-in-progress	9,608,476	3,201,522	(9,427,080)	3,382,918
Total Capital Assets, not being depreciated	\$ 19,858,118	\$ 3,201,522	\$ (9,427,080)	\$ 13,632,560
Capital Assets, being depreciated:				
Buildings	\$ 1,387,242	\$ -	\$ -	\$ 1,387,242
Improvements other than buildings	415,722	-	-	415,722
Machinery and equipment	3,234,868	40,126	-	3,274,994
Infrastructure	40,116,717	9,722,802	-	49,839,519
Total Capital Assets, being depreciated	45,154,549	9,762,928	-	54,917,477
Less Accumulated Depreciation for:				
Buildings	273,864	13,261	-	287,125
Improvements other than buildings	290,464	36,842	-	327,306
Machinery and equipment	1,850,646	196,642	-	2,047,288
Infrastructure	18,134,304	613,678	-	18,747,982
Total Accumulated Depreciation	20,549,278	860,423	-	21,409,701
Total Capital Assets, being depreciated, net	\$ 24,605,271	\$ 8,902,505	\$ -	\$ 33,507,776
Business-type Activities				
Capital Assets, net	\$ 44,463,389	\$ 12,104,027	\$ (9,427,080)	\$ 47,140,336

Note 3 - Detailed Notes on All Funds (Continued)

Depreciation expense was charged to the City's functions and programs as follows:

Governmental Activities:	
General Government support	\$ 188,638
Public Safety	1,269,016
Transportation	68,596
Culture and Recreation	68,596
Home and Community Services	<u>120,042</u>
Total Depreciation Expense - Government Activities	<u>\$ 1,714,888</u>
Business-type Activities:	
Water Fund	\$ 372,391
Sewer Fund	476,042
Sanitation Fund	<u>11,990</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 860,423</u>

D. Short-Term Notes

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods that are equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

The Newburgh Fiscal Recovery Act (Chapter 223 of the Laws of 2010) authorizes the City to issue bonds on or before December 31, 2011 in an aggregate principal amount not to exceed \$15,000,000, for the purpose of liquidating actual deficits in its General Fund, Special Revenue Funds and Capital Projects Fund existing at the close of its 2010 fiscal year. The Act provides that the financing of the deficits is a purpose of the City for which indebtedness may be incurred, the period of probable usefulness of which would be fixed at 15 years.

The Act also requires the City, upon the issuance of the deficit notes, to establish a Special Debt Service Fund with the State Comptroller for the purpose of paying City debt service due or becoming due in subsequent fiscal years. The State Comptroller is authorized to deposit State aid payable to the City and a portion of the City's property tax collections into the Special Debt Service Fund as necessary to ensure sufficient moneys are available to make scheduled debt service payments over the succeeding twelve month period after accounting for the City's receipt of taxes and State aid during such period. As soon as practicable thereafter, the State Comptroller is required to pay over to the City any remaining amounts of State aid and City property taxes that are not needed to reserve for debt service. At December 31, 2011, \$508,994 was held by the State in this Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011

Note 3 - Detailed Notes on All Funds (Continued)

The schedule below details the changes in short-term non-capital and capital borrowings.

Purpose	Year of Original Issue	Interest Rate	Balance January 1, 2011	New Issues	Maturities and/or Payments	Balance December 31, 2011
Governmental Type Activities:						
General Fund:						
Tax Anticipation Notes	2010	5.00 %	\$ 5,171,224	\$ 5,062,824	\$ 5,171,224	\$ 5,062,824
Bond Anticipation Notes -						
Claim Settlement	2010C	4.75	2,346,000	-	788,000	1,558,000
Deficit Financing Notes	2010B	3.71	12,000,000	-	3,000,000	9,000,000
Capital Projects Fund:						
Bond Anticipation Notes:						
Various Projects	2010A	3.71	5,233,868	-	118,868	5,115,000
Various Projects	2010C	4.75	7,143,465	-	1,315,221	5,828,244
Business Type Activities:						
Bond Anticipation Notes:						
Sewer Fund-						
Various Projects	2010C	4.75	5,326,836	-	327,043	4,999,793
Water Fund-						
Various Projects	2010C	4.75	2,276,229	2,500,000	115,562	4,660,667
Sanitation Fund-						
Various Projects	2011	4.75	-	220,000	-	220,000
			<u>\$ 39,497,622</u>	<u>\$ 7,782,824</u>	<u>\$ 10,835,918</u>	<u>\$ 36,444,528</u>

Bond anticipation note interest expense of \$1,387,312 was recorded in the governmental funds and \$1,437,100 was recorded in the government-wide financial statements for governmental activities. Interest expense of \$467,299 was recorded in the Enterprise Fund financial statements and in the government-wide financial statements for business-type activities.

Tax anticipation note interest expense of \$271,489 was recorded in the governmental funds and \$270,256 was recorded in the government-wide financial statements for governmental activities.

E. Long Term Obligations

The following table summarizes changes in the City's long-term obligations for the year ended December 31, 2011:

	Balance January 1, 2011	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2011	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 19,906,600	\$ -	\$ 1,043,910	\$ 18,862,690	\$ 960,213
Loans Payable	1,305,000	-	955,000	350,000	350,000

NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011**Note 3 - Detailed Notes on All Funds (Continued)**

	Balance January 1, 2011	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2011	Due Within One Year
Other Non-Current Liabilities:					
Capital Leases Payable	133,921	-	44,760	89,161	26,131
Retirement Incentive Payable	-	614,409	83,266	531,143	43,430
Energy Performance Contract Payable	1,490,047	-	90,179	1,399,868	94,087
Claims Payable	3,752,041	1,435,850	1,908,560	3,279,331	395,333
Compensated Absences	3,655,768	1,325,255	366,000	4,615,023	462,000
Other Post Employment Benefit Obligation Payable	20,907,927	9,644,048	3,130,764	27,421,211	-
Total Other Non-Current Liabilities	29,939,704	13,019,562	5,623,529	37,335,737	1,020,981
Governmental Activities - Long-Term Liabilities	\$ 51,151,304	\$ 13,019,562	\$ 7,622,439	\$ 56,548,427	\$ 2,331,194
Business-Type Activities:					
Bonds Payable	\$ 5,413,400	\$ -	\$ 346,090	\$ 5,067,310	\$ 354,787
Loans Payable	7,907,435	-	321,657	7,585,778	323,622
Compensated Absences	405,650	15,513	40,500	380,663	38,600
Other Post Employment Benefit Obligation Payable	1,758,389	1,028,075	307,895	2,478,569	-
Business-Type Activities - Long-Term Liabilities	\$ 15,484,874	\$ 1,043,588	\$ 1,016,142	\$ 15,512,320	\$ 717,009

Governmental fund liabilities for bonds, loans, capital leases, retirement incentives, claims and energy performance contracts are liquidated by the General and Community Development funds. Each governmental fund's liability for compensated absences and other post employment benefit obligations are liquidated by the General, Water and Sewer funds.

Bonds Payable

Bonds payable at December 31, 2011 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at December 31, 2011
Various Purposes	1999	\$ 7,195,000	May, 2019	4.77 %	\$ 3,835,000
Refunding Bonds	1999	2,650,000	September, 2014	4.7 - 4.75 %	485,000
Public Improvements	2003	1,000,000	December, 2023	4.69 %	700,000
Public Improvements	2008	9,043,100	July, 2033	4.0 - 5.25 %	7,385,000
Public Improvements	2008	12,210,000	September, 2036	4.0 - 5.50 %	11,525,000
		<u>\$ 32,098,100</u>			<u>\$ 23,930,000</u>

Interest expenditures of \$942,169 were recorded in the fund financial statements in the General Fund. Interest expense of \$971,565 was recorded in the government-wide financial statements for governmental activities. Interest expense of \$245,456 was recorded in the Enterprise Fund financial statements and in the government-wide financial statements for business-type activities.

Note 3 - Detailed Notes on All Funds (Continued)**Loans Payable**

The loans were advanced to the Community Development Fund under the Department of Housing and Urban Development's Section 108 Loan Guarantee Program. The loan proceeds were provided to local businesses within the City. The balance due at December 31, 2011 was \$350,000. The loans bear interest at rates ranging from 4.75% to 7.5%, depending upon maturity. Interest and principal are payable in quarterly installments. The loans mature through 2014.

Interest expenditures of \$87,777 were recorded in the fund financial statements in the Community Development Fund. Interest expense of \$58,480 was recorded in the government-wide financial statements for governmental activities.

The City, in 2001 and 2005, received loans from the New York State Environmental Facilities Corporation in the amounts of \$4,273,923 and \$5,674,277, respectively, to finance improvements to its drinking water systems. These interest free loans are due in annual installments through 2031 and 2035, respectively. The balance due at December 31, 2011 was \$7,585,778.

Capital Leases

The City has entered into five capital lease agreements to acquire computer equipment as follows:

<u>Year Entered</u>	<u>Lease For</u>	<u>Original Amount</u>	<u>Monthly Payments</u>	<u>Interest Rates</u>	<u>Outstanding December 31, 2011</u>	<u>Date Final Payment</u>
2010	Phone Sys.	<u>\$ 133,011</u>	<u>\$ 2,646</u>	7.30 %	<u>\$ 89,161</u>	February, 2015

Interest expenditures/expenses of \$7,867 were recorded in the fund financial statements in the General Fund and in the government-wide financial statements.

Energy Performance Contract

The City, during 2007, entered into a \$2,528,997 contractual agreement to install energy saving equipment and/or to upgrade existing facilities to enhance performance. The agreement provides for monthly payments ranging from \$12,038 to \$14,278, including interest at 4.25% through December 2022. The contract further provides that the savings in energy costs resulting from this modernization will equal or exceed the payment terms. Interest expenditures/expense of \$61,584 was recorded in the fund financial statements in the General Fund and in the government-wide financial statements. The balance due at December 31, 2011 was \$1,399,868.

Retirement Incentive and Other Pension Obligations

Section 384-d of the New York State Retirement and Social Security Law authorizes the granting of credit for previous services performed by a Police Officer or Firefighter. The aggregate cost of the program is \$614,409. The payment terms provide for repayment over a ten-year period with interest at 7.5%. The current year payment of \$83,266 has been charged to the

NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011**Note 3 - Detailed Notes on All Funds (Continued)**

General Fund. The remaining liability for this program is \$531,143 and is applicable to the General Fund.

Payments to Maturity

The annual requirements to amortize all bonded, loans, capital lease, energy performance contract debt and retirement incentives outstanding as of December 31, 2011 including interest payments of \$12,900,300 are as follows:

Year Ending December 31,	Governmental Activities - Bonds		Business-Type Activities - Bonds		Governmental Activities - Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 960,213	\$ 886,511	\$ 354,787	\$ 234,373	\$ 350,000	\$ 17,465
2013	1,002,441	837,502	367,558	216,632	-	-
2014	999,177	786,778	375,823	198,137	-	-
2015	974,044	737,042	275,956	179,710	-	-
2016	1,014,423	688,341	290,577	166,018	-	-
2017-2021	4,672,392	2,691,229	1,272,609	623,905	-	-
2022-2026	3,000,000	1,853,778	890,000	394,278	-	-
2027-2031	2,755,000	1,245,344	870,000	204,631	-	-
2032-2036	3,485,000	534,600	370,000	25,669	-	-
	<u>\$ 18,862,690</u>	<u>\$ 10,261,125</u>	<u>\$ 5,067,310</u>	<u>\$ 2,243,353</u>	<u>\$ 350,000</u>	<u>\$ 17,465</u>

Year Ending December 31,	Business-Type Activities - Loans		Governmental Activities - Capital Lease		Governmental Activities - Energy Performance Contract	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 323,622	\$ -	\$ 26,131	\$ 5,616	\$ 94,087	\$ 57,676
2013	325,587	-	28,365	3,383	98,164	53,598
2014	327,552	-	30,127	1,620	102,418	49,344
2015	329,517	-	4,538	372	106,857	44,905
2016	331,482	-	-	-	111,488	40,275
2017-2021	1,686,883	-	-	-	719,403	117,688
2022-2026	1,736,005	-	-	-	167,451	3,880
2027-2031	1,785,130	-	-	-	-	-
2032-2036	740,000	-	-	-	-	-
	<u>\$ 7,585,778</u>	<u>\$ -</u>	<u>\$ 89,161</u>	<u>\$ 10,991</u>	<u>\$ 1,399,868</u>	<u>\$ 367,366</u>

Year Ending December 31,	Governmental Activities - Retirement Incentive Payable		Total City Combined Obligations		
	Principal	Interest	Principal	Interest	Total
2012	\$ 43,430	\$ 39,836	\$ 2,108,840	\$ 1,201,641	\$ 3,310,481
2013	46,687	36,579	1,822,115	1,111,115	2,933,230
2014	50,189	33,077	1,835,097	1,035,879	2,870,976
2015	53,953	29,313	1,690,912	962,029	2,652,941
2016	57,999	25,267	1,747,970	894,634	2,642,604
2017-2021	278,885	54,179	8,351,287	3,432,822	11,784,109
2022-2026	-	-	5,793,456	2,251,936	8,045,392
2027-2031	-	-	5,410,130	1,449,975	6,860,105
2032-2036	-	-	4,595,000	560,269	5,155,269
	<u>\$ 531,143</u>	<u>\$ 218,251</u>	<u>\$ 33,354,807</u>	<u>\$ 12,900,300</u>	<u>\$ 46,255,107</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
 DECEMBER 31, 2011

Note 3 - Detailed Notes on All Funds (Continued)

The above general obligation bonds, loans, capital leases, energy performance contract debt and retirement incentives 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.

Compensated Absences

In accordance with the City's collective bargaining agreements, all employees may accumulate sick leave based upon length of service. Upon retirement, employees are compensated for accumulated sick leave pursuant to contract provisions. Vacation time earned during the year is generally taken in the year earned, however, with permission; certain employees may carryover vacation leave to the following year. Police employees may accumulate compensatory time up to a maximum of 96 hours. In addition to the \$380,663 recorded in the Proprietary Funds, a \$4,615,023 liability for compensated absences at December 31, 2011 has been reflected in the government-wide financial statements for the governmental funds.

Claims Payable

The government-wide statements reflect workers' compensation benefit liabilities and general liability claims liabilities, which are based upon estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred but not reported (IBNR's). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience.

An analysis of the unpaid claim liabilities is as follows:

	Year Ended December 31, 2011		Year Ended December 31, 2010	
	Workers' Compensation	General Liability	Workers' Compensation	General Liability
Balance - Beginning of Year	\$ 2,648,952	\$ 1,103,089	\$ 2,040,728	\$ 1,718,441
Provision for Claims and Claims Adjustment Expenses	943,319	417,198	1,735,374	122,681
Claims and Claims Adjustment Expenses Paid	(1,322,652)	(585,908)	(1,127,150)	(738,033)
Balance - End of Year	\$ 2,269,619	\$ 934,379	\$ 2,648,952	\$ 1,103,089
Current Portion	\$ 227,000	\$ 93,000	\$ 265,000	\$ 97,000

Note 3 - Detailed Notes on All Funds (Continued)

At December 31, 2011, claims payable also included \$75,333 for tax certiorari judgements settled subsequent to year end.

Other Post Employment Benefit Obligations Payable

The GASB has issued Statement No. 45 – *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. Other post employment benefits (“OPEB”) includes any form of benefit offered to attract or retain the services of qualified employees that will be paid after the employee leaves employment (i.e. health insurance). This Statement requires that the projected costs of these benefits should be associated with the periods in which the employee is employed. Thus the City is required to record a current year expense and liability on the accrual basis in the City-wide financial statements and in the business type funds for the projected costs to be incurred after the employee leaves employment. Currently, the City only records the actual payments made for OPEB cost in the governmental funds. The City has recognized revenues and expenditures of \$95,224 for Medicare Part D payments made directly to its health insurance carrier on behalf of its retirees.

The City does provides certain health care benefits for retired employees as set forth in various collective bargaining agreements that stipulate the employees covered and the percentage of contribution. Contributions to be made by the City may vary according to length of service. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City.

The City's annual OPEB cost is calculated based on the annual required contribution, (“ARC”), an amount actuarially determined in accordance with the parameters of the GASB Statement. That Statement establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the “pay-as-you-go” approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a “normal cost”, an “actuarial accrued liability”, and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The City is required to accrue on the government-wide and proprietary fund financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the expected rate of return on the City's general assets. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011Note 3 - Detailed Notes on All Funds (Continued)

<u>Year Ended December 31,</u>	<u>Pre-65 Medical</u>	<u>Post-65 Medical</u>	<u>Prescription Drug</u>
2012	8.50 %	8.00 %	8.00 %
2013	7.50	7.50	7.50
2014	7.00	7.00	7.00
2015	6.50	6.50	6.50
2016	6.00	6.00	6.00
2017	5.50	5.50	5.50
2018+	5.00	5.00	5.00

The amortization basis is the level dollar method with an open amortization approach with 27 years remaining in the amortization period. The unit credit method was used to determine the actuarial value of the assets of the OPEB plan, however, the City currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit method.

The number of participants as of December 31, 2011 was as follows:

<u>2011</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Active Employees	233	47	280
Retired Employees	226	11	237
	<u>459</u>	<u>58</u>	<u>517</u>

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Amortization Component:			
Actuarial Accrued Liability as of 1/1/11	\$ 117,495,630	\$ 8,913,820	\$ 126,409,450
Assets at Market Value	-	-	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 117,495,630</u>	<u>\$ 8,913,820</u>	<u>\$ 126,409,450</u>
Funded Ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered Payroll (Active plan members)	<u>\$ 17,430,207</u>	<u>\$ 2,182,188</u>	<u>\$ 19,612,395</u>
UAAL as a Percentage of Covered Payroll	<u>674.09%</u>	<u>408.48%</u>	<u>644.54%</u>

NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011**Note 3 - Detailed Notes on All Funds (Continued)**

	Governmental Funds	Enterprise Funds	Total
Annual Required Contribution	\$ 10,016,839	\$ 1,059,427	\$ 11,076,266
Interest on Net OPEB Obligation	836,317	70,336	906,653
Adjustment to Annual Required Contribution	(1,209,108)	(101,688)	(1,310,796)
Annual OPEB Cost	9,644,048	1,028,075	10,672,123
Contributions Made	(3,130,764)	(307,895)	(3,438,659)
Increase in Net OPEB Obligation	6,513,284	720,180	7,233,464
Net OPEB Obligation - Beginning of Year	20,907,927	1,758,389	22,666,316
Net OPEB Obligation - End of Year	\$ 27,421,211	\$ 2,478,569	\$ 29,899,780

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding year is as follows:

Fiscal Year Ended December 31,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 10,672,123	32.22 %	\$ 29,899,780
2010	10,326,605	29.51 %	22,666,316
2009	10,483,706	25.52 %	15,387,618

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

D. Pension Plans

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 non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary and employees in tier 5 who also contribute 3% of their salary without regard to their years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution

Note 3 - Detailed Notes on All Funds (Continued)

rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and a regular pension contribution. Contribution rates for the plan year ended March 31, 2012 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	1 75I	21.5%
	2 75I	19.7
	3 A14	15.8
	4 A15	15.8
	5 A15	12.7
PFRS	1 384D	26.0%
	2 375I	14.6
	2 384D	20.9
	3 384	17.6

Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>
2011	\$ 1,190,488	\$ 2,052,935
2010	895,281	1,974,358
2009	640,009	1,849,118

The City's contributions made to the Systems were equal to 100% of the actuarially required contribution for each year.

The current ERS contribution for the City was charged to the funds identified below. The current PFRS contribution was charged to the General Fund.

<u>Fund</u>	<u>Amount</u>
General	\$ 746,870
Community Development	39,988
Grants	33,231
Water	162,052
Sewer	62,902
Sanitation	<u>145,445</u>
	<u>\$ 1,190,488</u>

E. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets such as cash or goods and services, without the equivalent flow of assets in return. The interfund transfers below have been reflected as transfers.

Note 3 - Detailed Notes on All Funds (Continued)

Fund	Transfers In	Transfers Out
General	\$ -	\$ 1,470,718
Capital Projects	1,385,917	-
Community Development	-	22,416
Non-Major Governmental - Grants	107,217	-
Water	137,620	-
Sewer	-	137,620
	\$ 1,630,754	\$ 1,630,754

Transfers are used to move amounts earmarked in the operating funds to fulfill commitments for Capital Projects, Non-Major and the Water funds.

F. Net Assets

The components of net assets are detailed below:

Invested in Capital Assets, net of Related Debt - the component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Community Development - the component of net assets that represents funds restricted for certain purposes under New York State law or by external parties and/or statutes.

Restricted for Trusts - the component of net assets that has been established to set aside funds in accordance with the terms of the trust.

Restricted for Debt Service - the component of net assets that reports the difference between assets and liabilities with constraints placed on their use by Local Finance Law.

Unrestricted - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

CITY OF NEWBURGH, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011

Note 3 - Detailed Notes on All Funds (Continued)

G. Fund Balances

	2011					2010				
	General Fund	Capital Projects Fund	Community Development Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Community Development Fund	Non-Major Governmental Funds	Total
Nonspendable:										
Prepaid expenditures	\$ 930,109	\$ -	\$ -	\$ -	\$ 930,109	\$ 650,864	\$ -	\$ 3,978	\$ 7,142	\$ 661,984
Long-term receivables	2,800,732	-	-	-	2,800,732	2,135,944	-	207,329	-	2,343,273
Total Nonspendable	3,730,841	-	-	-	3,730,841	2,786,808	-	211,307	7,142	3,005,257
Restricted:										
Debt service	90,920	-	-	-	90,920	90,920	-	-	-	90,920
Trusts	-	-	-	28,568	28,568	-	-	-	35,354	35,354
Total Restricted	90,920	-	-	28,568	119,488	90,920	-	-	35,354	126,274
Assigned -										
Community development	-	-	2,083,278	-	2,083,278	-	-	2,729,075	-	2,729,075
Unassigned:										
Purchases on order	219,721	-	-	-	219,721	34,874	-	-	-	34,874
Deficit	(6,062,571)	(5,459,749)	-	-	(11,522,320)	(6,118,307)	(8,903,622)	-	(7,142)	(15,029,071)
Total Unassigned	(5,842,850)	(5,459,749)	-	-	(11,302,599)	(6,083,433)	(8,903,622)	-	(7,142)	(14,994,197)
Total Fund Balances	\$ (2,021,089)	\$ (5,459,749)	\$ 2,083,278	\$ 28,568	\$ (5,368,992)	\$ (3,205,705)	\$ (8,903,622)	\$ 2,940,382	\$ 35,354	\$ (9,133,591)

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of restricted fund balance are described above. Those additional elements which are not reflected in the statement of net assets but are reported in the governmental funds balance sheet are described below:

Prepaid Expenditures has been established to account for employee retirement and other costs paid in advance. The reserve indicates that these funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Long-Term Receivables is used to indicate that certain amounts will not be collected in sufficient time to satisfy liabilities of the current period.

Purchases on order are a component of the unassigned deficit as it is the City's intention to honor purchase orders and contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted, committed or assigned. Unassigned fund balance in the Capital Projects Fund represents the deficit balance in the projects.

Note 4 - Summary Disclosure of Significant Contingencies

A. Risk Management

The City is exposed to various risks of loss including, but not limited to, torts, theft of, damage to, destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. These risks are covered by commercial insurance purchased by independent third parties. The City believes such coverage is sufficient to preclude any significant uninsured loss. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

The City became self-insured for property/liability loss exposures in October 1978 and worker's compensation in December 1979. The City is also self-insured for unemployment insurance. Excess loss insurance is purchased for all property/liability and worker's compensation loss exposures.

The property/liability risks include automobile liability, physical damage, general liability, building and contents for City owned property, police professional liability and public official liability. The City currently retains losses up to \$500,000 per occurrence for liability and \$100,000 for property, above which coverage is provided by excess coverage. Excess coverage is for \$5 million per claim and \$7 million aggregate, over the \$500,000 retention. Property is covered for approximately \$36.5 million in excess of the \$100,000 retention. Losses have not exceeded insurance coverage during the past three years.

For worker's compensation and employer's liability, the City retains \$250,000 per occurrence for all employees, except firefighters which the City retains \$600,000 per occurrence. Excess insurance provides protection up to statutory limits for worker's compensation and for a total of \$1 million for employers' liability. Losses have not exceeded insurance coverage during the last three policy years. Effective in 2009, the City no longer maintains a self-insurance reserve for its future worker's compensation claims.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

The City pays unemployment insurance to eligible employees based on their last salary with a maximum payment of \$405 per week for 26 weeks, or as extended by Federal/State legislation. The New York State Department of Labor initially pays unemployment benefits to eligible employees and the City reimburses the State Unemployment Insurance Fund payments totaled \$174,818 in 2011.

The City has contracted with an insurance service company to administer and process claims under the self-insurance program. The City has established an insurance reserve to record self insurance program activities. Reserve additions consist primarily of contributions from other funds and are planned to match the total of expenditures/expenses of claims from the self-insurance program, insurance premiums for coverage in excess of self-insurance retention amounts and other related operating expenditures/expenses.

B. Litigation

The City is party to various legal proceedings that normally occur in the course of governmental operations. Major outstanding cases are as follows:

The City is the defendant in a claim that alleges personal injuries as a result of a motor vehicle and motorcycle accident. The claim is seeking damages in the amount of \$20 million. Legal counsel believes that the City's exposure is minimal, at best, since the claim was not served timely to the City and the claimant would have to make a motion in NYS Supreme Court for permission to serve and file the late notice of claim. In addition, the City had limited official participation in the event in which the accident occurred.

The City is being sued to recover damages for alleged improper revocation of a building permit. The City claims that the revocation was proper and is vigorously defending this case. The trial was held in January 2012 resulting in an award for damages in the amount of \$425,000. The City is considering appealing the verdict. The plaintiff has inquired about settling the matter prior to submitting the judgment for \$325,000, which the City is considering.

The City, in common with other municipalities, receives numerous notices of claims for money damages arising from civil rights violations, false arrest, property damage, personal injury, wrongful termination of employment or denial of 207-c benefits.

The above claims have been forwarded to the City's administrator of their self-insured risk retention program (see note above detailing risk management policy limitations). The City's liability would be limited to their self-insured retention levels.

An estimate of the ultimate amounts due by the City has been accrued in the government wide Statement of Net Assets within claims payable.

The City is a defendant in numerous tax certiorari proceedings, the result of which cannot be determined at this time. Any future refunds resulting from adverse settlements will be funded in the year the payments are made.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

C. Contingencies

Compliance Audits

The City participates in a number of programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government or agency. An independent audit of these programs has been performed for all prior years and will be conducted for all applicable 2011 expenditures in compliance with: 1) requirements stated in the Federal Single Audit Act of 1996 and Office of Budget and Management Circular A-133, and 2) compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations applicable to state transportation assistance. The amounts, if any, of expenditures that may be disallowed by the granting government or agency cannot be determined at this time, although any such amounts are expected to be immaterial.

Note 5 - Other Matters

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 expires on June 16, 2016.

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-one 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 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 NEWBURGH, NEW YORK

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS
 OTHER POST EMPLOYMENT BENEFITS
 LAST THREE FISCAL YEARS

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
January 1, 2009	\$ -	\$ 116,985,560	\$ 116,985,560	- %	\$ 24,426,989	478.92 %
January 1, 2010	-	120,805,870	120,805,870	-	22,883,428	527.92
January 1, 2011	-	126,409,450	126,409,450	-	19,612,395	644.54

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CITY OF NEWBURGH, NEW YORK

GENERAL FUND
 COMPARATIVE BALANCE SHEET
 DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash:		
Demand deposits	\$ 7,431,469	\$ 11,014,764
Petty cash	3,530	3,530
	<u>7,434,999</u>	<u>11,018,294</u>
Taxes Receivable:		
City, County and School District taxes	5,559,768	3,836,993
Property acquired for taxes	1,975,028	2,257,663
	<u>7,534,796</u>	<u>6,094,656</u>
Allowance for uncollectible amounts	<u>(2,063,352)</u>	<u>(2,468,004)</u>
	<u>5,471,444</u>	<u>3,626,652</u>
Other Receivables:		
Accounts, net of allowance for uncollectibles of \$222,660 in 2011 and 2010	897,287	1,167,714
Due from other governments, net of allowance for uncollectibles of \$83,761 in 2011 and 2010	3,140,584	3,258,444
Due from component unit - Industrial Development Agency	22,746	-
Due from other funds	1,157,023	3,200,175
	<u>5,217,640</u>	<u>7,626,333</u>
Prepaid Expenditures	<u>930,109</u>	<u>650,864</u>
Total Assets	<u>\$ 19,054,192</u>	<u>\$ 22,922,143</u>
<u>LIABILITIES AND FUND DEFICIT</u>		
Liabilities:		
Accounts payable	\$ 754,304	\$ 2,192,793
Due to component unit - Industrial Development Agency	43,759	640,287
Due to component unit - Local Development Corporation	416,716	416,716
Due to other governments	1,274	135,452
Due to school districts	934,209	919,741
Bond anticipation note payable	10,558,000	14,346,000
Tax anticipation note payable	5,062,824	5,171,224
Overpayments	115,196	161,851
Deferred tax revenues	2,289,195	1,227,709
Deferred revenues	899,804	916,075
Total Liabilities	<u>21,075,281</u>	<u>26,127,848</u>
Fund Balance (Deficit):		
Nonspendable	3,730,841	2,786,808
Restricted	90,920	90,920
Unassigned	<u>(5,842,850)</u>	<u>(6,083,433)</u>
Total Fund Deficit	<u>(2,021,089)</u>	<u>(3,205,705)</u>
Total Liabilities and Fund Deficit	<u>\$ 19,054,192</u>	<u>\$ 22,922,143</u>

CITY OF NEWBURGH, NEW YORK

GENERAL FUND
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Real property taxes	\$ 18,807,484	\$ 18,807,484	\$ 18,034,246	\$ (773,238)
Other tax items	1,126,999	1,126,999	1,159,257	32,258
Non-property taxes	9,938,000	9,938,000	10,596,143	658,143
Departmental income	817,000	993,083	1,006,048	12,965
Intragovernmental charges	2,211,058	2,211,058	2,063,996	(147,062)
Intergovernmental charges	308,000	308,000	263,548	(44,452)
Use of money and property	79,359	79,361	111,280	31,919
Licenses and permits	262,750	262,750	195,084	(67,666)
Fines and forfeitures	580,000	580,000	605,370	25,370
State aid	5,422,711	5,422,711	4,960,866	(461,845)
Federal aid	-	-	33,452	33,452
Miscellaneous	274,750	299,750	413,470	113,720
Total Revenues	39,828,111	40,029,196	39,442,760	(586,436)
Expenditures:				
Current:				
General government support	7,211,292	6,803,307	5,815,322	987,985
Public safety	22,486,437	22,652,311	21,996,405	655,906
Transportation	2,575,163	2,759,255	2,460,520	298,735
Economic opportunity and development	-	-	148	(148)
Culture and recreation	628,030	735,483	731,773	3,710
Home and community services	260,838	264,538	280,464	(15,926)
Employee benefits	1,707,000	1,847,000	1,574,265	272,735
Debt service:				
Principal	1,178,936	1,178,936	1,178,849	87
Interest	2,864,536	2,864,536	2,911,370	(46,834)
Total Expenditures	38,912,232	39,105,366	36,949,116	2,156,250
Excess (Deficiency) of Revenues Over Expenditures	915,879	923,830	2,493,644	1,569,814
Other Financing Sources (Uses);				
Insurance recoveries	1,000	1,000	161,690	160,690
Premiums on obligations	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(951,753)	(956,916)	(1,470,718)	(513,802)
Total Other Financing Uses	(950,753)	(955,916)	(1,309,028)	(353,112)
Net Change in Fund Balance	(34,874)	(32,086)	1,184,616	1,216,702
Fund Balance (Deficit) - Beginning of Year	34,874	32,086	(3,205,705)	(3,237,791)
Fund Deficit - End of Year	\$ -	\$ -	\$ (2,021,089)	\$ (2,021,089)

2010

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 13,203,274	\$ 13,203,274	\$ 12,592,214	\$ (611,060)
1,725,000	1,295,918	1,803,346	507,428
10,014,122	9,681,877	10,039,328	357,451
3,003,000	836,833	1,828,682	991,849
1,787,975	1,833,467	1,242,675	(590,792)
455,739	357,664	537,451	179,787
70,500	51,100	90,364	39,264
289,050	289,050	286,144	(2,906)
495,000	495,000	388,553	(106,447)
5,905,317	5,662,873	5,516,662	(146,211)
899,000	901,500	37,118	(864,382)
470,050	474,050	239,974	(234,076)
<u>38,318,027</u>	<u>35,082,606</u>	<u>34,602,511</u>	<u>(480,095)</u>
6,832,233	7,536,016	6,083,238	1,452,778
23,288,860	24,446,324	23,328,215	1,118,109
3,078,162	3,128,432	2,579,873	548,559
64,892	64,892	606,867	(541,975)
2,243,895	2,299,391	1,065,696	1,233,695
2,923,159	345,898	325,360	20,538
2,376,083	2,009,352	1,667,717	341,635
-	1,151,676	1,152,871	(1,195)
-	2,306,366	2,068,052	238,314
<u>40,807,284</u>	<u>43,288,347</u>	<u>38,877,889</u>	<u>4,410,458</u>
<u>(2,489,257)</u>	<u>(8,205,741)</u>	<u>(4,275,378)</u>	<u>3,930,363</u>
-	-	61,596	61,596
-	-	211,472	211,472
-	-	90,920	90,920
<u>(3,033,276)</u>	<u>(1,207,543)</u>	<u>(916,065)</u>	<u>291,478</u>
<u>(3,033,276)</u>	<u>(1,207,543)</u>	<u>(552,077)</u>	<u>655,466</u>
(5,522,533)	(9,413,284)	(4,827,455)	4,585,829
5,522,533	9,413,284	1,621,750	(7,791,534)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,205,705)</u>	<u>\$ (3,205,705)</u>

CITY OF NEWBURGH, NEW YORK

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES COMPARED TO BUDGET

YEAR ENDED DECEMBER 31, 2011

(With Comparative Actuals for 2010)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2010 Actual
REAL PROPERTY TAXES	\$ 18,807,484	\$ 18,807,484	\$ 18,034,246	\$ (773,238)	\$ 12,592,214
OTHER TAX ITEMS					
Gain on sale of tax acquired property	300,000	300,000	81,682	(218,318)	725,608
Payments in lieu of taxes	171,999	171,999	205,917	33,918	265,361
Interest and penalties on real property taxes	655,000	655,000	871,658	216,658	812,377
	1,126,999	1,126,999	1,159,257	32,258	1,803,346
NON-PROPERTY TAXES					
Non-property tax distribution from County	8,298,000	8,298,000	9,019,275	721,275	8,423,278
Utilities gross receipts taxes	1,390,000	1,390,000	1,400,534	10,534	1,345,965
Franchise fees	250,000	250,000	176,334	(73,666)	270,085
	9,938,000	9,938,000	10,596,143	658,143	10,039,328
DEPARTMENTAL INCOME					
Tax search charges	50,000	50,000	59,665	9,665	61,180
Tax sale advertising	95,000	95,000	107,850	12,850	97,350
Comptroller	70,000	70,000	213,545	143,545	191,669
City manager	-	-	-	-	2
Assessor fees	28,000	28,000	766	(27,234)	950
Clerk fees	17,000	17,000	17,901	901	20,711
Civil service fees	10,000	10,000	470	(9,530)	11,535
Corporation counsel	-	-	3,200	3,200	1,650
Police	150,000	150,000	127,153	(22,847)	151,036
Fire	2,000	2,000	6,055	4,055	747
Public pound	3,000	3,200	511	(2,689)	98
Safety inspection	150,000	272,000	231,062	(40,938)	159,854
Vital statistics	70,000	70,000	67,404	(2,596)	70,678
Public works	-	-	40,755	40,755	-

Parking lot fees	6,000	6,000	15,589	9,589	7,973
Metered parking	65,000	65,000	28,373	(36,627)	34,312
Parks and recreation	55,000	108,883	58,591	(50,292)	52,899
Summer camp	-	-	13,880	13,880	12,250
Planning and zoning fees	40,000	40,000	9,145	(30,855)	40,172
Architectural review	6,000	6,000	3,950	(2,050)	6,925
Sanitation fees	-	-	-	-	868,482
Miscellaneous	-	-	183	183	38,209
	<u>817,000</u>	<u>993,083</u>	<u>1,006,048</u>	<u>12,965</u>	<u>1,828,682</u>

INTRAGOVERNMENTAL CHARGES

Charges for services to other funds:

Community Development Fund	95,492	95,492	86,047	(9,445)	126,702
Water Fund	681,042	681,042	681,042	-	434,804
Sewer Fund	1,092,672	1,092,672	955,054	(137,618)	681,169
Sanitation Fund	341,852	341,852	341,853	1	-
	<u>2,211,058</u>	<u>2,211,058</u>	<u>2,063,996</u>	<u>(147,062)</u>	<u>1,242,675</u>

INTERGOVERNMENTAL CHARGES

3 Civil service	68,000	68,000	66,881	(1,119)	62,870
Prisoner transportation	-	-	-	-	289,846
Community resource officers	200,000	200,000	166,667	(33,333)	134,735
Urban renewal	40,000	40,000	30,000	(10,000)	50,000
	<u>308,000</u>	<u>308,000</u>	<u>263,548</u>	<u>(44,452)</u>	<u>537,451</u>

USE OF MONEY AND PROPERTY

Earnings on investments	22,000	22,002	26,770	4,768	27,454
Rental of real property	55,859	55,859	84,510	28,651	62,910
Commissions	1,500	1,500	-	(1,500)	-
	<u>79,359</u>	<u>79,361</u>	<u>111,280</u>	<u>31,919</u>	<u>90,364</u>

(Continued)

CITY OF NEWBURGH, NEW YORK

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES COMPARED TO BUDGET

YEAR ENDED DECEMBER 31, 2011

(With Comparative Actuals for 2010)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2010 Actual
GENERAL GOVERNMENT SUPPORT					
City Council	\$ 67,136	\$ 73,136	\$ 63,871	\$ 9,265	\$ 66,798
Unified City Court	275,040	275,040	270,365	4,675	327,925
Mayor	44,730	44,730	42,921	1,809	63,185
City Manager	392,950	392,950	389,391	3,559	457,505
City Comptroller	713,012	721,512	718,078	3,434	684,123
Tax Collection	296,689	380,454	354,447	26,007	394,086
Assessment	208,291	208,291	174,967	33,324	215,869
Property Management	186,364	186,164	164,375	21,789	125,015
City Clerk	394,991	397,992	387,125	10,867	275,734
Corporation Counsel	1,894,477	1,729,477	1,462,588	266,889	1,569,820
Civil Service Commission	138,648	138,948	133,160	5,788	121,822
Engineering	361,279	361,279	286,285	74,994	233,489
Elections	50,000	50,000	48,176	1,824	39,932
Records management	19,219	19,609	18,393	1,216	149,326
Municipal buildings	184,457	137,457	104,494	32,963	139,827
Central printing	45,000	70,000	54,047	15,953	32,404
Data processing	419,009	433,569	430,727	2,842	452,667
Metropolitan commuter transportation mobility tax	-	-	-	-	63,963
Costs of debt issuance	-	-	338,027	(338,027)	229,701
Special items:					
Auditing services	70,000	70,000	70,000	-	115,000
Municipal association dues	-	-	-	-	13,348
Grant match	-	-	-	-	9,214
Uncollectible property taxes	750,000	750,000	-	750,000	-
Miscellaneous - Consultants	-	-	-	-	10,159
Miscellaneous - Contractual	-	-	-	-	17,175
Judgments and claims	200,000	326,510	303,885	22,625	275,151
Contingency	500,000	36,189	-	36,189	-
	<u>7,211,292</u>	<u>6,803,307</u>	<u>5,815,322</u>	<u>987,985</u>	<u>6,083,238</u>

PUBLIC SAFETY

Police:

Police	13,018,361	13,063,240	12,577,940	485,300	13,399,112
Court transportation	380,111	380,111	340,482	39,629	203,608
Traffic control	262,797	262,321	242,437	19,884	216,447
On-street parking	119,351	119,351	118,734	617	108,745
Public pound	59,259	59,459	64,909	(5,450)	58,037
	<u>13,839,879</u>	<u>13,884,482</u>	<u>13,344,502</u>	<u>539,980</u>	<u>13,985,949</u>

Fire:

Fire	7,987,465	8,100,236	7,988,506	111,730	8,663,544
Code enforcement	659,093	667,593	663,397	4,196	678,722
	<u>8,646,558</u>	<u>8,767,829</u>	<u>8,651,903</u>	<u>115,926</u>	<u>9,342,266</u>
	<u>22,486,437</u>	<u>22,652,311</u>	<u>21,996,405</u>	<u>655,906</u>	<u>23,328,215</u>

TRANSPORTATION

Public works administration	360,629	380,227	365,712	14,515	321,899
Streets and bridges	688,907	838,901	797,730	41,171	735,106
Highway resurfacing	230,000	230,000	-	230,000	158,601
Garage	312,293	311,993	284,875	27,118	297,545
Police garage	343,549	348,549	371,133	(22,584)	337,431
Snow removal	239,585	249,585	212,771	36,814	242,423
Street lighting	390,200	390,000	423,654	(33,654)	477,713
Off-street parking	10,000	10,000	4,645	5,355	9,155
	<u>2,575,163</u>	<u>2,759,255</u>	<u>2,460,520</u>	<u>298,735</u>	<u>2,579,873</u>

ECONOMIC OPPORTUNITY AND DEVELOPMENT

Community action neighborhood center	-	-	148	(148)	29,976
Contribution to IDA	-	-	-	-	576,891
	<u>-</u>	<u>-</u>	<u>148</u>	<u>(148)</u>	<u>606,867</u>

(Continued)

CITY OF NEWBURGH, NEW YORK

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES COMPARED TO BUDGET (Continued)

YEAR ENDED DECEMBER 31, 2011

(With Comparative Actuals for 2010)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2010 Actual
CULTURE AND RECREATION					
Parks	\$ 270,193	\$ 276,060	\$ 297,286	\$ (21,226)	\$ 566,633
Shade tree commission	-	-	-	-	1,331
Downing Park planning committee	-	-	-	-	32,052
Dutch reformed church	2,500	2,500	1,233	1,267	1,294
Recreation	247,159	251,834	265,108	(13,274)	203,639
Riverfront facilities	-	-	-	-	775
Delano-Hitch pool	15,666	60,748	57,528	3,220	112,632
Washington Lake/Masterson Park/Brown's Pond	-	-	-	-	125
Delano-Hitch park and stadium maintenance	52,295	49,295	31,681	17,614	20,667
Youth and family	216	56,817	27,906	28,911	40,124
Summer playgrounds on wheels	4,156	2,184	13,776	(11,592)	16,907
Summer youth camp services	-	-	16,322	(16,322)	36,084
Historian	3,095	3,295	2,872	423	3,275
Celebrations	23,750	23,750	11,956	11,794	17,553
Senior citizen recreation	9,000	9,000	6,105	2,895	12,605
	<u>628,030</u>	<u>735,483</u>	<u>731,773</u>	<u>3,710</u>	<u>1,065,696</u>
HOME AND COMMUNITY SERVICES					
Zoning Board	7,493	7,493	4,914	2,579	6,182
Planning Board	5,983	5,983	4,472	1,511	4,879
Architectural review commission	10,400	10,400	7,887	2,513	9,663
Waterfront advisory committee	3,725	3,725	3,500	225	1,512
Planning and management development	233,237	236,937	259,691	(22,754)	303,124
	<u>260,838</u>	<u>264,538</u>	<u>280,464</u>	<u>(15,926)</u>	<u>325,360</u>

EMPLOYEE BENEFITS

Hospitalization, medical and dental - Unallocated	-	-	-	-	97,209
Workers' compensation benefits	1,707,000	1,847,000	1,574,265	272,735	1,477,069
Welfare fund	-	-	-	-	87,750
Employee assistance program	-	-	-	-	5,689
	<u>1,707,000</u>	<u>1,847,000</u>	<u>1,574,265</u>	<u>272,735</u>	<u>1,667,717</u>

DEBT SERVICE

Principal:

Capital leases	44,845	44,845	44,760	85	53,830
Bonds	1,043,911	1,043,911	1,043,910	1	1,012,608
Energy performance contract	90,180	90,180	90,179	1	86,433
	<u>1,178,936</u>	<u>1,178,936</u>	<u>1,178,849</u>	<u>87</u>	<u>1,152,871</u>

Interest:

Capital leases	7,785	7,785	7,867	(82)	9,030
Bonds	942,169	942,169	942,169	-	997,129
Bond anticipation notes	1,409,461	1,409,461	1,387,312	22,149	666,355
Tax anticipation notes	308,536	308,536	271,489	37,047	210,677
School District - Property taxes	135,000	135,000	240,949	(105,949)	119,531
Energy performance contract	61,585	61,585	61,584	1	65,330
	<u>2,864,536</u>	<u>2,864,536</u>	<u>2,911,370</u>	<u>(46,834)</u>	<u>2,068,052</u>

8

	<u>4,043,472</u>	<u>4,043,472</u>	<u>4,090,219</u>	<u>(46,747)</u>	<u>3,220,923</u>
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TOTAL EXPENDITURES

	<u>38,912,232</u>	<u>39,105,366</u>	<u>36,949,116</u>	<u>2,156,250</u>	<u>38,877,889</u>
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OTHER FINANCING USES

Transfers out:

Sanitation Fund	-	-	-	-	376,954
Grants Fund	-	5,163	84,801	(79,638)	539,111
Capital Projects Fund	951,753	951,753	1,385,917	(434,164)	-
	<u>951,753</u>	<u>956,916</u>	<u>1,470,718</u>	<u>(513,802)</u>	<u>916,065</u>

TOTAL OTHER FINANCING USES

	<u>951,753</u>	<u>956,916</u>	<u>1,470,718</u>	<u>(513,802)</u>	<u>916,065</u>
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TOTAL EXPENDITURES AND OTHER FINANCING USES

	<u>\$ 39,863,985</u>	<u>\$ 40,062,282</u>	<u>\$ 38,419,834</u>	<u>\$ 1,642,448</u>	<u>\$ 39,793,954</u>
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CITY OF NEWBURGH, NEW YORK

CAPITAL PROJECTS FUND
 COMPARATIVE BALANCE SHEET
 DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	\$ 5,661,043	\$ 6,891,736
Due from Other Governments	<u>2,404,838</u>	<u>2,677,129</u>
 Total Assets	 <u>\$ 8,065,881</u>	 <u>\$ 9,568,865</u>
 <u>LIABILITIES AND FUND DEFICIT</u>		
Liabilities:		
Accounts payable	\$ 436,697	\$ 1,517,325
Retainages payable	45,687	289,793
Due to other funds	2,100,002	4,288,036
Bond anticipation notes payable	<u>10,943,244</u>	<u>12,377,333</u>
 Total Liabilities	 13,525,630	 18,472,487
 Fund Deficit - Unassigned	 <u>(5,459,749)</u>	 <u>(8,903,622)</u>
 Total Liabilities and Fund Deficit	 <u>\$ 8,065,881</u>	 <u>\$ 9,568,865</u>

CITY OF NEWBURGH, NEW YORK

CAPITAL PROJECTS FUND
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Use of money and property	\$ 19,949	\$ 191,591
State aid	687,333	1,373,372
Federal aid	4,881,508	3,702,494
Miscellaneous	-	292
	<u>5,588,790</u>	<u>5,267,749</u>
Total Revenues		
Expenditures - Capital outlay	<u>3,530,834</u>	<u>7,132,153</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,057,956</u>	<u>(1,864,404)</u>
Other Financing Sources:		
Capital lease issued	-	133,011
Transfers in	<u>1,385,917</u>	<u>338,751</u>
Total Other Financing Sources	<u>1,385,917</u>	<u>471,762</u>
Net Change in Fund Balance	3,443,873	(1,392,642)
Deficit - Beginning of Year	<u>(8,903,622)</u>	<u>(7,510,980)</u>
Deficit - End of Year	<u>\$ (5,459,749)</u>	<u>\$ (8,903,622)</u>

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CITY OF NEWBURGH, NEW YORK

COMMUNITY DEVELOPMENT FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	\$ 1,664,962	\$ 2,417,038
Receivables:		
Due from other governments	1,228,255	1,154,972
Loans receivable, net of allowance for uncollectible amounts of \$170,711 in 2011 and 2010	701,622	562,427
Due from component unit - Industrial Development Agency	-	207,329
Due from other funds	1,026,629	311,765
	<u>2,956,506</u>	<u>2,236,493</u>
Prepaid Expenditures	-	3,978
Total Assets	<u>\$ 4,621,468</u>	<u>\$ 4,657,509</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 390,511	\$ 18,514
Due to other funds	116,872	-
Due to other governments	111,157	-
Deferred revenues	1,919,650	1,698,613
Total Liabilities	<u>2,538,190</u>	<u>1,717,127</u>
Fund Balance:		
Nonspendable	-	211,307
Assigned	2,083,278	2,729,075
Total Fund Balance	<u>2,083,278</u>	<u>2,940,382</u>
Total Liabilities and Fund Balance	<u>\$ 4,621,468</u>	<u>\$ 4,657,509</u>

CITY OF NEWBURGH, NEW YORK

COMMUNITY DEVELOPMENT FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Departmental income	\$ -	\$ -	\$ 68,945	\$ 68,945
Use of money and property	-	-	5,198	5,198
State aid	390,437	390,437	390,437	-
Federal aid	768,205	768,205	695,105	(73,100)
Miscellaneous	-	-	30,816	30,816
Total Revenues	<u>1,158,642</u>	<u>1,158,642</u>	<u>1,190,501</u>	<u>31,859</u>
Expenditures:				
Current -				
Home and community services	1,158,642	1,158,642	982,412	176,230
Debt service:				
Principal	-	-	955,000	(955,000)
Interest	-	-	87,777	(87,777)
Total Expenditures	<u>1,158,642</u>	<u>1,158,642</u>	<u>2,025,189</u>	<u>(866,547)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(834,688)	(834,688)
Other Financing Uses -				
Transfers out	-	-	(22,416)	(22,416)
Net Change in Fund Balance	-	-	(857,104)	(857,104)
Fund Balance - Beginning of Year	-	-	2,940,382	2,940,382
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,083,278</u>	<u>\$ 2,083,278</u>

2010

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 82,954	\$ 82,954
-	-	9,300	9,300
-	-	-	-
833,817	1,059,449	481,751	(577,698)
-	-	493,288	493,288
<u>833,817</u>	<u>1,059,449</u>	<u>1,067,293</u>	<u>7,844</u>
833,817	1,059,449	506,231	553,218
-	-	310,000	(310,000)
-	-	108,088	(108,088)
<u>833,817</u>	<u>1,059,449</u>	<u>924,319</u>	<u>135,130</u>
-	-	142,974	142,974
-	-	-	-
-	-	142,974	142,974
-	-	2,797,408	2,797,408
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,940,382</u>	<u>\$ 2,940,382</u>

CITY OF NEWBURGH, NEW YORK

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 DECEMBER 31, 2011
 (With Comparative Totals for 2010)

	Special Purpose Fund	Grants Fund	Total Non-Major Governmental Funds	
			2011	2010
<u>ASSETS</u>				
Cash and Equivalents	\$ 18,308	\$ 477,038	\$ 495,346	\$ 468,375
Due from Other Funds	10,419	-	10,419	8,213
Due from Other Governments	-	478,676	478,676	681,555
Prepaid Expenditures	-	-	-	7,142
Total Assets	\$ 28,727	\$ 955,714	\$ 984,441	\$ 1,165,285
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 159	\$ 70,996	\$ 71,155	\$ 255,130
Due to other governments	-	-	-	237,603
Due to other funds	-	879,718	879,718	560,640
Deferred revenues	-	5,000	5,000	76,558
Total Liabilities	159	955,714	955,873	1,129,931
Fund Balances (Deficits):				
Nonspendable	-	-	-	7,142
Restricted	28,568	-	28,568	35,354
Unassigned	-	-	-	(7,142)
Total Fund Balances	28,568	-	28,568	35,354
Total Liabilities and Fund Balances	\$ 28,727	\$ 955,714	\$ 984,441	\$ 1,165,285

CITY OF NEWBURGH, NEW YORK

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES
 YEAR ENDED DECEMBER 31, 2011
 (With Comparative Totals for 2010)

	Special Purpose Fund	Grants Fund	Total Non-Major Governmental Funds	
			2011	2010
Revenues:				
Use of money and property	\$ -	\$ 242	\$ 242	\$ 738
State aid	-	377,529	377,529	326,973
Federal aid	-	1,644,676	1,644,676	1,647,567
Miscellaneous	10,691	54,798	65,489	37,084
Total Revenues	10,691	2,077,245	2,087,936	2,012,362
Expenditures -				
Current:				
General government support	-	44,650	44,650	-
Public safety	-	976,431	976,431	990,117
Transportation	-	309,113	309,113	288,139
Culture and recreation	17,477	854,268	871,745	881,542
Home and community services	-	-	-	51,965
Total Expenditures	17,477	2,184,462	2,201,939	2,211,763
Deficiency of Revenues Over Expenditures	(6,786)	(107,217)	(114,003)	(199,401)
Other Financing Sources (Uses):				
Transfers in	-	107,217	107,217	200,360
Transfers out	-	-	-	(90,920)
Total Other Financing Sources	-	107,217	107,217	109,440
Net Change in Fund Balances	(6,786)	-	(6,786)	(89,961)
Fund Balances - Beginning of Year	35,354	-	35,354	125,315
Fund Balances - End of Year	\$ 28,568	\$ -	\$ 28,568	\$ 35,354

CITY OF NEWBURGH, NEW YORK

SPECIAL PURPOSE FUND
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	\$ 18,308	\$ 27,141
Due from Other Funds	<u>10,419</u>	<u>8,213</u>
Total Assets	<u>\$ 28,727</u>	<u>\$ 35,354</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities - Accounts payable	\$ 159	\$ -
Fund Balance - Restricted	<u>28,568</u>	<u>35,354</u>
	<u>\$ 28,727</u>	<u>\$ 35,354</u>

CITY OF NEWBURGH, NEW YORK

SPECIAL PURPOSE FUND
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Use of money and property	\$ -	\$ 56
Miscellaneous	<u>10,691</u>	<u>28,662</u>
Total Revenues	10,691	28,718
Expenditures - Current - Culture and recreation	<u>17,477</u>	<u>27,759</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,786)	959
Fund Balance - Beginning of Year	<u>35,354</u>	<u>34,395</u>
Fund Balance - End of Year	<u>\$ 28,568</u>	<u>\$ 35,354</u>

CITY OF NEWBURGH, NEW YORK

DEBT SERVICE FUND
 COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues - Use of money and property	\$ -	\$ -	\$ -	\$ -
Expenditures -				
Debt service:				
Principal:				
Serial bonds	-	-	-	-
Energy performance contract	-	-	-	-
Interest:				
Serial bonds	-	-	-	-
Energy performance contract	-	-	-	-
Bond anticipation notes	-	-	-	-
Total Expenditures	-	-	-	-
Deficiency of Revenues Over Expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

2010			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
1,012,608	-	-	-
86,433	-	-	-
1,099,041	-	-	-
1,376,280	-	-	-
65,330	-	-	-
492,625	-	-	-
1,934,235	-	-	-
3,033,276	-	-	-
(3,033,276)	-	-	-
3,033,276	-	-	-
-	-	(90,920)	(90,920)
3,033,276	-	(90,920)	(90,920)
-	-	(90,920)	(90,920)
-	-	90,920	90,920
\$ -	\$ -	\$ -	\$ -

CITY OF NEWBURGH, NEW YORK

GRANTS FUND
 COMPARATIVE BALANCE SHEET
 DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	\$ 477,038	\$ 441,234
Due from Other Governments	478,676	681,555
Prepaid Expenditures	-	7,142
Total Assets	<u>\$ 955,714</u>	<u>\$ 1,129,931</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 70,996	\$ 255,130
Due to other governments	-	237,603
Due to other funds	879,718	560,640
Deferred revenues	5,000	76,558
Total Liabilities	<u>955,714</u>	<u>1,129,931</u>
Fund Balance (Deficit):		
Nonspendable	-	7,142
Unassigned	-	(7,142)
Total Fund Balance	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 955,714</u>	<u>\$ 1,129,931</u>

CITY OF NEWBURGH, NEW YORK

GRANTS FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE

YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Revenues:		
Use of money and property	\$ 242	\$ 682
State aid	377,529	326,973
Federal aid	1,644,676	1,647,567
Miscellaneous	<u>54,798</u>	<u>8,422</u>
Total Revenues	<u>2,077,245</u>	<u>1,983,644</u>
Expenditures -		
Current:		
General government support	44,650	-
Public safety	976,431	990,117
Transportation	309,113	288,139
Culture and recreation	854,268	853,783
Home and community services	<u>-</u>	<u>51,965</u>
Total Expenditures	<u>2,184,462</u>	<u>2,184,004</u>
Deficiency of Revenues Over Expenditures	(107,217)	(200,360)
Other Financing Sources -		
Transfers in	<u>107,217</u>	<u>200,360</u>
Net Change in Fund Balance	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>

CITY OF NEWBURGH, NEW YORK

 ENTERPRISE FUND - WATER FUND
 COMPARATIVE STATEMENT OF NET ASSETS
 DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets:		
Cash:		
Demand deposits	\$ 4,254,116	\$ 2,251,719
Petty cash	500	500
	<u>4,254,616</u>	<u>2,252,219</u>
Receivables:		
Accounts	2,291,948	2,141,490
Due from other governments	235,312	300,000
Due from other funds	-	424,881
	<u>2,527,260</u>	<u>2,866,371</u>
Prepaid expenses	<u>42,574</u>	<u>34,910</u>
Total Current Assets	<u>6,824,450</u>	<u>5,153,500</u>
Noncurrent Assets:		
Capital assets:		
Land	7,248,449	7,248,449
Construction-in-progress	2,811,251	6,159,091
Buildings and improvements	935,688	935,688
Improvements other than buildings	404,164	404,164
Machinery and equipment	1,930,697	1,890,571
Infrastructure	21,320,310	15,161,219
Less - Accumulated depreciation	<u>(10,005,662)</u>	<u>(9,633,271)</u>
Total Capital Assets, net of accumulated depreciation	<u>24,644,897</u>	<u>22,165,911</u>
Total Assets	<u>31,469,347</u>	<u>27,319,411</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	98,560	190,023
Accrued interest payable	116,793	87,591
Due to other funds	229,684	-
Bond anticipation notes payable	4,660,667	2,276,229
Current maturities of bonds payable	239,393	230,696
Current maturities of loans payable	323,622	321,657
Current portion of compensated absences	<u>21,000</u>	<u>25,000</u>
Total Current Liabilities	<u>5,689,719</u>	<u>3,131,196</u>
Noncurrent Liabilities:		
Bonds payable, less current maturities	4,226,911	4,466,304
Loans payable, less current maturities	7,262,156	7,585,778
Compensated absences, less current portion	192,092	225,237
Other post employment benefit obligations payable	<u>1,501,604</u>	<u>1,173,092</u>
Total Noncurrent Liabilities	<u>13,182,763</u>	<u>13,450,411</u>
Total Liabilities	<u>18,872,482</u>	<u>16,581,607</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	10,139,957	9,919,869
Unrestricted	<u>2,456,908</u>	<u>817,935</u>
Total Net Assets	<u>\$ 12,596,865</u>	<u>\$ 10,737,804</u>

CITY OF NEWBURGH, NEW YORK

ENTERPRISE FUND - WATER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating Revenues:		
Metered sales	\$ 5,983,865	\$ 5,078,499
Penalty income	44,574	97,445
Miscellaneous	60,809	36,483
Total Operating Revenues	<u>6,089,248</u>	<u>5,212,427</u>
Operating Expenses:		
Personal services	969,675	1,129,183
Depreciation	372,391	333,206
Supplies	262,874	305,224
Utilities	173,238	154,001
Insurance	206,625	346,182
Contractual	544,239	502,485
Fees for services	474,415	434,804
Employee benefits	1,003,847	922,179
Total Operating Expenses	<u>4,007,304</u>	<u>4,127,264</u>
Income from Operations	<u>2,081,944</u>	<u>1,085,163</u>
Non-Operating Revenues (Expenses):		
State aid	-	4,428
Interest income	6,078	3,151
Interest expense	(366,581)	(230,691)
Total Non-Operating Expenses	<u>(360,503)</u>	<u>(223,112)</u>
Income Before Transfers	1,721,441	862,051
Transfers In	<u>137,620</u>	<u>159,548</u>
Change in Net Assets	1,859,061	1,021,599
Net Assets - Beginning of Year	<u>10,737,804</u>	<u>9,716,205</u>
Net Assets - End of Year	<u>\$ 12,596,865</u>	<u>\$ 10,737,804</u>

CITY OF NEWBURGH, NEW YORK

 ENTERPRISE FUND - WATER FUND
 COMPARATIVE STATEMENT OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash received from metered sales and penalties	\$ 6,003,478	\$ 4,649,801
Cash payments for goods and services	(1,530,834)	(4,881,374)
Cash payments to employees	(1,682,155)	(1,819,103)
Net Cash Provided by (Used In) Operating Activities	<u>2,790,489</u>	<u>(2,050,676)</u>
Cash Flows From Non-Capital Financing Activities:		
State aid	-	4,428
Due from other funds	424,881	1,314,704
Transfers in	137,620	159,548
Net Cash Provided by Non-Capital Financing Activities	<u>562,501</u>	<u>1,478,680</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(2,851,377)	(940,881)
Proceeds from debt	2,500,000	2,276,229
Principal paid on debt	(667,915)	(546,690)
Interest paid on debt	(337,379)	(235,037)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,356,671)</u>	<u>553,621</u>
Cash Flows From Investing Activities -		
Interest income	<u>6,078</u>	<u>3,151</u>
Net Increase (Decrease) in Cash	2,002,397	(15,224)
Cash - Beginning of Year	<u>2,252,219</u>	<u>2,267,443</u>
Cash - End of Year	<u>\$ 4,254,616</u>	<u>\$ 2,252,219</u>
Reconciliation of Income from Operations to Net Cash		
Provided by (Used in) Operating Activities:		
Income from operations	\$ 2,081,944	\$ 1,085,163
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:		
Depreciation	372,391	333,206
Changes in operating assets and liabilities:		
Accounts receivable	(150,458)	(629,346)
Due from other governments	64,688	66,720
Prepaid expenses	(7,664)	(34,763)
Accounts payable	(91,463)	(335,601)
Retainages payable	-	(94,381)
Due to other funds	229,684	(2,673,933)
Compensated absences	(37,145)	(90,399)
Other post employment benefit obligations payable	328,512	322,658
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,790,489</u>	<u>\$ (2,050,676)</u>

CITY OF NEWBURGH, NEW YORK

 ENTERPRISE FUND - SEWER FUND
 COMPARATIVE STATEMENT OF NET ASSETS
 DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets:		
Cash -		
Demand deposits	\$ 6,344,387	\$ 6,525,262
Receivables:		
Accounts	2,149,423	2,038,854
Due from other governments, net of allowance for uncollectibles of \$200,000 in 2011	1,041,495	742,426
Due from other funds	1,467,022	1,830,105
	<u>4,657,940</u>	<u>4,611,385</u>
Prepaid expenses	16,858	12,588
Total Current Assets	<u>11,019,185</u>	<u>11,149,235</u>
Noncurrent Assets:		
Capital assets:		
Land	3,001,193	3,001,193
Construction-in-progress	571,667	3,449,385
Buildings and improvements	451,554	451,554
Improvements other than buildings	11,558	11,558
Machinery and equipment	778,235	778,235
Infrastructure	28,519,209	24,955,498
Less - Accumulated depreciation	<u>(10,853,963)</u>	<u>(10,377,921)</u>
Total Capital Assets, net of accumulated depreciation	<u>22,479,453</u>	<u>22,269,502</u>
Total Assets	<u>33,498,638</u>	<u>33,418,737</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	50,823	521,937
Accrued interest payable	46,957	13,011
Deferred revenues	532,640	563,890
Bond anticipation notes payable	4,999,793	5,326,836
Current maturities of bonds payable	115,394	115,394
Current portion of compensated absences	6,600	6,800
Total Current Liabilities	<u>5,752,207</u>	<u>6,547,868</u>
Noncurrent Liabilities:		
Bonds payable, less current maturities	485,612	601,006
Compensated absences, less current portion	59,382	61,231
Other post employment benefit obligations payable	444,556	324,843
Total Noncurrent Liabilities	<u>989,550</u>	<u>987,080</u>
Total Liabilities	<u>6,741,757</u>	<u>7,534,948</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	18,792,882	18,590,933
Unrestricted	7,963,999	7,292,856
Total Net Assets	<u>\$ 26,756,881</u>	<u>\$ 25,883,789</u>

CITY OF NEWBURGH, NEW YORK

ENTERPRISE FUND - SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Operating Revenues:		
Metered sales	\$ 5,336,850	\$ 5,091,496
Penalty income	40,633	91,395
Miscellaneous	208,094	253,171
Total Operating Revenues	5,585,577	5,436,062
Operating Expenses:		
Personal services	356,578	410,183
Depreciation	476,042	477,497
Supplies and materials	18,275	24,430
Utilities	132,836	174,441
Insurance	206,625	325,818
Contractual	1,991,216	2,010,792
Fees for services	748,426	676,809
Employee benefits	318,251	285,613
Total Operating Expenses	4,248,249	4,385,583
Income from Operations	1,337,328	1,050,479
Non-Operating Revenues (Expenses):		
Interest income	19,558	59,304
Interest expense	(346,174)	(237,535)
Total Non-Operating Expenses	(326,616)	(178,231)
Income Before Transfers	1,010,712	872,248
Transfers Out	(137,620)	(159,548)
Change in Net Assets	873,092	712,700
Net Assets - Beginning of Year	25,883,789	25,171,089
Net Assets - End of Year	\$ 26,756,881	\$ 25,883,789

CITY OF NEWBURGH, NEW YORK

ENTERPRISE FUND - SEWER FUND
 COMPARATIVE STATEMENT OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash received from metered sales, penalties and other	\$ 5,144,689	\$ 4,087,493
Cash payments for goods and services	(3,572,762)	(3,859,008)
Cash payments to employees	(557,165)	(560,077)
Net Cash Provided by (Used In) Operating Activities	1,014,762	(331,592)
Cash Flows From Non-Capital Financing Activities:		
Due from other funds	363,083	5,818,370
Transfers out	(137,620)	(159,548)
Net Cash Provided by (Used In) Non-Capital Financing Activities	225,463	5,658,822
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(685,993)	(145,350)
Proceeds from debt	-	315,836
Principal paid on debt	(442,437)	(115,394)
Interest paid on debt	(312,228)	(239,446)
Net Cash Used In Capital and Related Financing Activities	(1,440,658)	(184,354)
Cash Flows From Investing Activities -		
Interest income	19,558	59,304
Net Increase (Decrease) in Cash	(180,875)	5,202,180
Cash - Beginning of Year	6,525,262	1,323,082
Cash - End of Year	<u>\$ 6,344,387</u>	<u>\$ 6,525,262</u>
Reconciliation of Income from Operations to Net Cash Provided by (Used in) Operating Activities:		
Income from operations	\$ 1,337,328	\$ 1,050,479
Adjustments to reconcile income from operations to net cash provided by (used in) operating activities:		
Depreciation	476,042	477,497
Changes in operating assets and liabilities:		
Accounts receivable	(110,569)	(432,100)
Due from other governments	(299,069)	(211,549)
Prepaid expenses	(4,270)	(12,541)
Accounts payable	(471,114)	(476,452)
Retainages payable	-	(157,725)
Due to other funds	-	(673,670)
Deferred revenues	(31,250)	(31,250)
Compensated absences	(2,049)	23,218
Other post employment benefit obligations payable	119,713	112,501
Net Cash Provided by (Used in) Operating Activities	\$ 1,014,762	\$ (331,592)

CITY OF NEWBURGH, NEW YORK

ENTERPRISE FUND - SANITATION FUND
 COMPARATIVE STATEMENT OF NET ASSETS
 DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Current Assets:		
Cash -		
Demand deposits	\$ 349,454	\$ 623,169
Accounts receivable	977,156	907,705
Prepaid expenses	<u>38,925</u>	<u>29,328</u>
Total Current Assets	<u>1,365,535</u>	<u>1,560,202</u>
Noncurrent Assets -		
Capital assets:		
Machinery and equipment	566,062	566,062
Less - Accumulated depreciation	<u>(550,076)</u>	<u>(538,086)</u>
Total Capital Assets, net of accumulated depreciation	<u>15,986</u>	<u>27,976</u>
Total Assets	<u>1,381,521</u>	<u>1,588,178</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	83,938	116,195
Due to other funds	334,817	926,463
Bond anticipation notes payable	220,000	-
Current portion of compensated absences	<u>11,000</u>	<u>8,700</u>
Total Current Liabilities	<u>649,755</u>	<u>1,051,358</u>
Noncurrent Liabilities:		
Compensated absences, less current portion	90,589	78,682
Other post employment benefit obligations payable	<u>532,409</u>	<u>260,454</u>
Total Noncurrent Liabilities	<u>622,998</u>	<u>339,136</u>
Total Liabilities	<u>1,272,753</u>	<u>1,390,494</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	15,986	27,976
Unrestricted	<u>92,782</u>	<u>169,708</u>
Total Net Assets	<u>\$ 108,768</u>	<u>\$ 197,684</u>

CITY OF NEWBURGH, NEW YORK

ENTERPRISE FUND -SANITATION FUND
 COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 NET ASSETS
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Fees	\$ 2,882,955	\$ 2,451,109
Miscellaneous	18,720	58,588
Total Operating Revenues	<u>2,901,675</u>	<u>2,509,697</u>
Operating Expenses:		
Personal services	830,898	940,827
Depreciation	11,990	11,990
Supplies and materials	77,935	87,067
Insurance	82,650	-
Contractual	862,153	787,098
Fees for services	245,651	-
Employee benefits	880,584	862,221
Total Operating Expenses	<u>2,991,861</u>	<u>2,689,203</u>
Loss from Operations	(90,186)	(179,506)
Non-Operating Revenues -		
Interest income	1,270	236
Loss Before Transfers	(88,916)	(179,270)
Transfers In	-	376,954
Change in Net Assets	(88,916)	197,684
Net Assets - Beginning of Year	<u>197,684</u>	-
Net Assets - End of Year	<u>\$ 108,768</u>	<u>\$ 197,684</u>

CITY OF NEWBURGH, NEW YORK

ENTERPRISE FUND - SANITATION FUND
 COMPARATIVE STATEMENT OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash received from fees from customers	\$ 2,832,224	\$ 1,601,992
Cash payments for goods and services	(1,310,243)	(787,298)
Cash payments to employees	(1,425,320)	(1,455,212)
Net Cash Provided by (Used in) Operating Activities	96,661	(640,518)
Cash Flows From Non-Capital Financing Activities:		
Due to other funds	(591,646)	926,463
Transfers in	-	376,954
Net Cash Provided by (Used In) Non-Capital Financing Activities	(591,646)	1,303,417
Cash Flows From Capital and Related Financing Activities:		
Acquisition of capital assets	-	(39,966)
Proceeds from debt	220,000	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	220,000	(39,966)
Cash Flows From Investing Activities -		
Interest income	1,270	236
Net Increase (Decrease) in Cash	(273,715)	623,169
Cash - Beginning of Year	623,169	-
Cash - End of Year	<u>\$ 349,454</u>	<u>\$ 623,169</u>
Reconciliation of Loss from Operations to Net Cash		
Provided by (Used in) Operating Activities:		
Loss from operations	\$ (90,186)	\$ (179,506)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Depreciation	11,990	11,990
Changes in operating assets and liabilities:		
Accounts receivable	(69,451)	(907,705)
Prepaid expenses	(9,597)	(29,328)
Accounts payable	(32,257)	116,195
Compensated absences	14,207	87,382
Other post employment benefit obligations payable	271,955	260,454
Net Cash Provided by (Used in) Operating Activities	\$ 96,661	\$ (640,518)