

**City of Newburgh, New York**

Financial Statements and  
Supplementary Information

Year Ended December 31, 2012



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## Independent Auditors' Report

### 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, the discretely presented component unit, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Industrial Development Agency (a component unit) for the year ended December 31, 2012. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for such component unit, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Basis for Qualified Opinion

As more fully disclosed in Note 1A, the financial statements referred to above do not include financial data of 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 position, assets and liabilities is not known, since the financial statements are not available.

O'CONNOR DAVIES, LLP

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## Qualified Opinion

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2013 on our In our opinion, except for the effects on the financial statements of the omission 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133 Audits of State, Local Governments and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

In consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* in considering the City's internal control over financial reporting and compliance.

*O'Connor Davies, LLP*

O'Connor Davies, LLP  
Harrison, New York  
April 9, 2013

## City of Newburgh, New York

### Management's Discussion and Analysis (MD&A) December 31, 2012

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, 2012. Please read it in conjunction with the City financial statements.

#### Financial Highlights

- The assets of the City exceeded its liabilities at December 31, 2012 by \$34.2 million (net position). The net position at the end of 2012 includes a negative \$27.9 million of unrestricted net position to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$4,069,444 as a result of this year's operations. This compares with 2011 as follows:

	<u>2012</u>	<u>2011</u>	<u>% Change</u>
Total Expenses	\$ 59,627,904	\$ 57,943,129	2.91 %
Total Revenues	<u>55,558,460</u>	<u>62,327,097</u>	(10.86)
Change in Net Position	<u>\$ (4,069,444)</u>	<u>\$ 4,383,968</u>	(192.83)
Incurred by:			
Governmental Activities	\$ (3,045,344)	\$ 1,740,731	(274.95)
Business-type Activities	(1,024,100)	2,643,237	(138.74)

- The General Fund reports an operating profit this year of \$10.1 million. The main reasons were the City Council, Manager and all staff working together to reduce expenditures, increased collection of revenues and sale of bond.
- The City's total short-term outstanding obligations were converted to long term debt during 2012. The City's total long-term obligations increased from \$72.1 million to \$103.7 million. This increase is principally due to the conversion of outstanding bond anticipation notes ("BANs") into bonds of approximately \$26.9 million and the increase in Other Post Employment Benefits ("OPEB") by \$6.5 million in 2012.

#### 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 position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position serves 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 position has changed during the most recent fiscal year. All changes in net position 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 one legally separate entity for which the City is financially accountable. Financial information for this *component unit*, if available, would be reported separately from the financial information presented for the primary government itself. For 2012, one of the component units has 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 2012 to 2011 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 position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$34.2 million at the end of 2012, compared to \$38.2 million at the end of 2011.

By far the largest portion of the City's \$34.2 million net position reflects its investment of \$58.3 million in capital 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 position, \$3.8 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 position* (\$27.9) 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 \$11.4 million from Business-type activities and a negative of (\$39.3) million from Governmental Activities.

### Net Position (\$ in millions)

	Governmental Activities		Business-type Activities		Total City	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 22.7	\$ 29.6	\$ 17.7	\$ 18.6	\$ 40.4	\$ 48.2
Capital Assets	55.8	56.8	47.6	47.1	103.4	103.9
Total Assets	<u>78.5</u>	<u>86.4</u>	<u>65.3</u>	<u>65.7</u>	<u>143.8</u>	<u>152.1</u>
Long-term debt obligations	78.8	56.5	24.9	15.5	103.7	72.0
Short-term debt obligations	-	26.5	-	9.9	-	36.4
Other Liabilities	3.9	4.6	2.0	0.9	5.9	5.5
Total Liabilities	<u>82.7</u>	<u>87.6</u>	<u>26.9</u>	<u>26.3</u>	<u>109.6</u>	<u>113.9</u>
Net Assets						
Net investment in						
Capital Assets	31.3	29.4	27.0	28.9	58.3	58.3
Restricted	3.8	3.7	-	-	3.8	3.7
Unrestricted (deficit)	(39.3)	(34.3)	11.4	10.5	(27.9)	(23.8)
Total Net Position	<u>\$ (4.2)</u>	<u>\$ (1.2)</u>	<u>\$ 38.4</u>	<u>39.4</u>	<u>\$ 34.2</u>	<u>\$ 38.2</u>

The following schedule shows the comparison of 2012 versus 2011 Changes in Net Position:

	<b>Changes in Net Position</b> (\$ in millions)					
	Governmental Activities		Business-type Activities		Total City	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 2.6	\$ 2.4	\$ 14.1	\$ 14.5	\$ 16.7	\$ 16.9
Operating grants and contributions	3.4	3.7	-	-	3.4	3.7
Capital grants and contributions	0.2	5.6	-	-	0.2	5.6
General Revenues:						
Property taxes	17.7	19.1	-	-	17.7	19.1
Other tax items	1.5	1.2	-	-	1.5	1.2
Non-property taxes	10.9	10.6	-	-	10.9	10.6
Grants and contributions not restricted to specific programs	4.6	5.1	-	-	4.6	5.1
Other	0.6	-	-	-	0.6	-
Total revenues	<u>41.5</u>	<u>47.7</u>	<u>14.1</u>	<u>14.5</u>	<u>55.6</u>	<u>62.2</u>
<b>Expenses</b>						
General government	4.8	5.2	-	-	4.8	5.2
Public Safety	31.4	31.6	-	-	31.4	31.6
Transportation	3.0	3.1	-	-	3.0	3.1
Culture and recreation	1.8	1.8	-	-	1.8	1.8
Home and community services	1.1	1.2	-	-	1.1	1.2
Interest on debt	2.4	3.0	-	-	2.4	3.0
Water	-	-	4.9	4.3	4.9	4.3
Sewer	-	-	7.2	4.6	7.2	4.6
Sanitation	-	-	3.0	3.0	3.0	3.0
Total expenses	<u>44.5</u>	<u>45.9</u>	<u>15.1</u>	<u>11.9</u>	<u>59.6</u>	<u>57.8</u>
<b>Change in Net Position</b>						
Current year	(3.0)	1.8	(1.0)	2.6	(4.0)	4.4
Beginning of year	(1.2)	(3.0)	39.4	36.8	38.2	33.8
End of year	<u>\$ (4.2)</u>	<u>\$ (1.2)</u>	<u>\$ 38.4</u>	<u>\$ 39.4</u>	<u>\$ 34.2</u>	<u>\$ 38.2</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 2012, the City's governmental funds reported combined ending fund balance of \$15 million, an increase of \$20.3 million in comparison with the prior year. The total includes \$3.6 million *unassigned fund balance*. The remainder of the fund balance (\$11.3) 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 was increased by \$10.1 million. This left the city ending 2012 year with a total accumulated fund balance of \$8.0 million.

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, 2012, 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 fund balance of \$5.1 million. In 2012 bonds were issued to replace the BANs outstanding, and the outstanding deficit from 2011 was eliminated.

The Community Development Fund has a total fund balance of \$1.8 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 position of the Water Fund at the end of 2012 amounted to \$5.7 million compared to \$2.5 million at the end of 2011. The Sewer Fund amounted to a positive \$5.8 million at the end of 2012 compared to \$7.9 million at the end of 2011. The Sanitation Fund ended 2012 with a negative net position of \$25 thousand compared to a positive \$0.1 million at the end of 2011. The total increase in net assets for these funds was \$1.0 million.

## General Fund Budgetary Highlights

During 2012 there was no change in appropriations between the original adopted budget of \$41.6 million and the final amended budget.

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, 2012, amounts to \$103.4 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 overall decrease in the City's net investment in capital assets for 2012 was 0.1 percent (a 6.0 percent increase for governmental activities and a 6.1 percent decrease for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 4.4	\$ 4.4	\$ 10.2	\$ 10.2	\$ 14.6	\$ 14.6
Buildings	25.4	25.9	1.1	1.1	26.5	27.0
Improvements, other than buildings	0.4	0.6	0.1	0.1	0.5	0.7
Machinery & Equipment	1.6	2.1	1.2	1.3	2.8	3.4
Infrastructure	13.5	13.7	30.4	31.0	43.9	44.7
Construction-in-progress	10.5	10.1	4.6	3.4	15.1	13.5
<b>Total</b>	<b>\$ 55.8</b>	<b>\$ 56.8</b>	<b>\$ 47.6</b>	<b>\$ 47.1</b>	<b>\$ 103.4</b>	<b>\$ 103.9</b>

Major capital asset events during 2012 were as follows:

- Completion of Robinson Avenue Reconstruction Project
- Continuation of ERP Projects (5 Locations)
- Long Term Control Plan for Waste Water Treatment Plant (Consulting/Design Phase)
- Belt Filter Project Waste Water Treatment Plant (Design Phase)

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 2012 totaled \$103.7 million compared to \$108.5 million at the end of 2011.

At the end of 2012, the City had general obligation bonds and deficit bonds outstanding totaling \$49.5 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	
	2012	2011	2012	2011	2012	2011
<b>SHORT-TERM</b>						
Bond anticipation notes	\$ -	\$ 21.5	\$ -	\$ 9.9	\$ -	\$ 31.4
Tax anticipation notes	-	5.1	-	-	-	5.1
<b>LONG-TERM</b>						
General obligation bonds	35.4	18.9	14.1	5.0	49.5	23.9
Loans	-	0.4	7.3	7.6	7.3	8.0
Capital leases	0.1	0.1	-	-	0.1	0.1
Retirement incentive	0.5	0.5	-	-	0.5	0.5
Energy performance contract	1.3	1.4	-	-	1.3	1.4
Self-Insurance claims and tax certiorari settlements	2.6	3.2	-	-	2.6	3.2
Compensated absences	5.6	4.6	0.4	0.4	6.0	5.0
Other post employment benefits	33.3	27.4	3.1	2.5	36.4	29.9
<b>Total obligations</b>	<b>\$ 78.8</b>	<b>\$ 83.1</b>	<b>\$ 24.9</b>	<b>\$ 25.4</b>	<b>\$ 103.7</b>	<b>\$ 108.5</b>

The City's total outstanding obligations decreased by \$4.8 million during 2012. The major contributing factor was the conversion of BANs into Bonds and the payoff the TAN with no roll over for 2012.

State statues 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 2012 of \$36.4 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 \$131.1 million at December 31, 2012 compared to \$126.4 million at the end of 2011. 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 assesses property at 100% of market value. Although market values have been decreasing over the last several years, we anticipate that values will stabilize in the next few years. The 2013 property tax levy is \$19.9 million (1.9%) higher than in 2012.

Cost's for labor, materials and supplies continue to increase which will put a strain on the City's ability to finance City operations. Revenues are generated in part from federal and state aid provided to the City. In 2013, Local, State Aid and Federal Grants comprised 12.8 percent of the City's revenues. Sales tax revenues have been increasing over the last few years and in 2013 now comprise 21.74% of the City's

revenues. The City anticipates some cost savings through the replacement of retirees with new personnel starting at lower pay grades and with reduced benefits. In addition, successful results from union contract negotiations could also contribute to stabilization of City finances.

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 will 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 will 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 the potential for shared services with other municipalities. The City Manager is required to update the financial plan consistent with the adopted budget and quarterly budget reports.

In December 2013, the City Manager submitted the required report that projected budgets for 2014 and 2015. The projected budgets were based on the assumption that 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. The City is proactively working to implement revenue generating programs such as rental registry fees and the formation of the Council approved Administrative Parking Tribunal. It is anticipated that both of these programs will be in effect by the end of 2013.

A long term capital plan has been completed which will guide the replacement of equipment, infrastructure and property. The City is committed to proactively updating this plan on a yearly basis. The City continuously searches for grants with Local, State and Federal governments to help meet some of these anticipated expenses.

Negotiations are now underway with the Civil Service Employees Association (CSEA) union whose agreement expired December 31, 2010. Unfortunately in 2011 a proposed new contract with the CSEA was not ratified by the union membership. 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 Memorandum of Agreement for the 2012 year that included givebacks to assist the city reaching a balanced budget. Both the PBA & PSOAs work with City Manager Richard Herbek on reaching mutual agreements prevented the layoffs of uniformed employees in 2012.

During the next several years the City will have to carefully manage and control expenditures and continue to increase non-property tax revenues. The use of positive fund balances will have to be restricted until a significant fund balance has been accumulated to return the City's rating to investment grade. The City's General Fund financials for 2012 ended the year with an increase to the fund balance. Moody's has agreed to review our rating prior to our issue of a BAN in May to start the implementation of the capital plan.

### **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 Position  
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Agency
<b>ASSETS</b>				
Cash and equivalents	\$ 10,939,364	\$ 9,198,715	\$ 20,138,079	\$ 737,507
Receivables				
Taxes, net	5,481,787	-	5,481,787	-
Accounts	535,873	4,797,801	5,333,674	-
Due from other governments	7,333,009	486,036	7,819,045	-
Loans, net	595,755	-	595,755	-
Prepaid expenses	873,485	94,660	968,145	750
Internal balances	(3,078,453)	3,078,453	-	-
Real estate held for development	-	-	-	197,000
Capital assets				
Not being depreciated	14,899,442	14,834,034	29,733,476	-
Being depreciated, net	40,939,572	32,791,952	73,731,524	-
<b>Total Assets</b>	<b>78,519,834</b>	<b>65,281,651</b>	<b>143,801,485</b>	<b>935,257</b>
<b>LIABILITIES</b>				
Accounts payable	966,043	1,076,185	2,042,228	37,834
Due to component unit	416,716	-	416,716	-
Due to other governments	47,480	-	47,480	-
Due to school districts	934,209	-	934,209	-
Overpayments	137,779	-	137,779	-
Unearned revenues	484,504	500,000	984,504	454,788
Accrued interest payable	996,936	341,918	1,338,854	-
Non-current liabilities				
Due within one year	2,371,946	749,041	3,120,987	-
Due in more than one year	76,424,100	24,176,093	100,600,193	-
<b>Total Liabilities</b>	<b>82,779,713</b>	<b>26,843,237</b>	<b>109,622,950</b>	<b>492,622</b>
<b>NET POSITION</b>				
Net investment in capital assets	31,277,640	27,004,860	58,282,500	-
Restricted for				
Insurance	5,386	-	5,386	-
Community development	3,661,131	-	3,661,131	-
Trusts	20,718	-	20,718	-
Debt service	90,920	-	90,920	-
Unrestricted	(39,315,674)	11,433,554	(27,882,120)	442,635
<b>Total Net Position</b>	<b>\$ (4,259,879)</b>	<b>\$ 38,438,414</b>	<b>\$ 34,178,535</b>	<b>\$ 442,635</b>

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, 2012

Functions/ Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government support	\$ 4,766,136	\$ 1,433,404	\$ 587,006	\$ -
Public safety	31,455,814	794,721	759,548	-
Transportation	3,007,581	58,416	484,799	-
Culture and recreation	1,782,262	91,846	839,266	-
Home and community services	1,118,012	174,331	703,343	215,947
Interest	2,384,839	-	-	19,487
Total Governmental Activities	<u>44,514,644</u>	<u>2,552,718</u>	<u>3,373,962</u>	<u>235,434</u>
Business-type activities				
Water Fund	4,874,266	5,761,269	-	-
Sewer Fund	7,164,866	5,366,564	-	-
Sanitation Fund	3,074,128	2,943,637	-	-
Total Business-type Activities	<u>15,113,260</u>	<u>14,071,470</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 59,627,904</u>	<u>\$ 16,624,188</u>	<u>\$ 3,373,962</u>	<u>\$ 235,434</u>
Component Unit				
Industrial Development Agency	<u>\$ 217,213</u>	<u>\$ -</u>	<u>\$ 93,093</u>	<u>\$ -</u>

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 Position

Net Position - Beginning of Year

Net Position - End of Year

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Industrial Development Agency
\$ (2,745,726)	\$ -	\$ (2,745,726)	\$ -
(29,901,545)	-	(29,901,545)	-
(2,464,366)	-	(2,464,366)	-
(851,150)	-	(851,150)	-
(24,391)	-	(24,391)	-
(2,365,352)	-	(2,365,352)	-
(38,352,530)	-	(38,352,530)	-
-	887,003	887,003	-
-	(1,798,302)	(1,798,302)	-
-	(130,491)	(130,491)	-
-	(1,041,790)	(1,041,790)	-
(38,352,530)	(1,041,790)	(39,394,320)	-
-	-	-	(124,120)
17,652,169	-	17,652,169	-
65,603	-	65,603	-
321,801	-	321,801	-
1,081,909	-	1,081,909	-
9,548,145	-	9,548,145	-
995,283	-	995,283	-
391,340	-	391,340	-
130,270	17,690	147,960	786
4,618,984	-	4,618,984	-
247,254	-	247,254	11,227
254,428	-	254,428	-
35,307,186	17,690	35,336,889	12,013
(3,045,344)	(1,024,100)	(4,057,431)	(112,107)
(1,214,535)	39,462,514	38,247,979	554,742
<u>\$ (4,259,879)</u>	<u>\$ 38,438,414</u>	<u>\$ 34,190,548</u>	<u>\$ 442,635</u>

**City of Newburgh, New York**

Balance Sheet  
Governmental Funds  
December 31, 2012

	General	Capital Projects	Community Development
<b>ASSETS</b>			
Cash and equivalents	\$ 3,556,909	\$ 5,397,084	\$ 1,606,834
Taxes receivable, net	5,481,787	-	-
Other receivables			
Accounts	535,873	-	-
Due from other governments	3,592,315	2,040,868	1,333,969
Loans, net	-	-	595,755
Due from other funds	-	-	398,881
	<u>4,128,188</u>	<u>2,040,868</u>	<u>2,328,605</u>
Prepaid expenditures	862,500	-	-
Total Assets	<u>\$ 14,029,384</u>	<u>\$ 7,437,952</u>	<u>\$ 3,935,439</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 848,779	\$ 66,442	\$ 63
Due to component unit	416,716	-	-
Due to other governments	7,396	-	-
Due to school districts	934,209	-	-
Due to other funds	353,272	2,224,829	262,694
Overpayments	137,779	-	-
Unearned tax revenues	2,421,796	-	-
Unearned revenues	867,756	-	1,918,605
Total Liabilities	<u>5,987,703</u>	<u>2,291,271</u>	<u>2,181,362</u>
Fund balances (deficits)			
Nonspendable	3,393,535	-	-
Restricted	96,306	5,146,681	-
Assigned	908,548	-	1,754,077
Unassigned	3,643,292	-	-
Total Fund Balances	<u>8,041,681</u>	<u>5,146,681</u>	<u>1,754,077</u>
Total Liabilities and Fund Balances	<u>\$ 14,029,384</u>	<u>\$ 7,437,952</u>	<u>\$ 3,935,439</u>

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

Other Governmental	Total Governmental Funds
\$ 378,537	\$ 10,939,364
-	5,481,787
-	535,873
365,857	7,333,009
-	595,755
354,310	753,191
720,167	9,217,828
10,985	873,485
<u>\$ 1,109,689</u>	<u>\$ 26,512,464</u>
\$ 50,759	\$ 966,043
-	416,716
40,084	47,480
-	934,209
990,849	3,831,644
-	137,779
-	2,421,796
7,279	2,793,640
1,088,971	11,549,307
10,985	3,404,520
20,718	5,263,705
-	2,662,625
(10,985)	3,632,307
20,718	14,963,157
<u>\$ 1,109,689</u>	<u>\$ 26,512,464</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, 2012

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Fund Balances - Total Governmental Funds	\$ 14,963,157
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>55,839,014</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Real property taxes	2,421,796
Deferred revenues	390,531
Long-term loans	<u>1,918,605</u>
	<u>4,730,932</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(996,936)
Bonds payable	(35,412,244)
Capital leases payable	(63,030)
Retirement incentive payable	(487,713)
Energy performance contract payable	(1,305,781)
Claims payable	(2,611,072)
Compensated absences	(5,648,116)
Other post employment benefit obligations payable	<u>(33,268,090)</u>
	<u>(79,792,982)</u>
Net Position of Governmental Activities	<u>\$ (4,259,879)</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, 2012

	General	Capital Projects	Community Development
<b>REVENUES</b>			
Real property taxes	\$ 17,519,568	\$ -	\$ -
Other tax items	1,469,313	-	-
Non-property taxes	10,934,768	-	-
Departmental income	1,151,289	-	135,486
Intragovernmental charges	2,850,962	-	-
Intergovernmental charges	173,902	-	-
Use of money and property	196,920	19,487	7,906
Licenses and permits	472,708	-	-
Fines and forfeitures	566,784	-	-
State aid	5,176,200	215,947	-
Federal aid	160,096	-	581,042
Miscellaneous	376,887	-	1,181
	<u>41,049,397</u>	<u>235,434</u>	<u>725,615</u>
<b>EXPENDITURES</b>			
Current			
General government support	6,372,301	-	-
Public safety	23,210,416	-	-
Transportation	2,492,075	-	-
Culture and recreation	704,350	-	-
Home and community services	229,767	-	687,350
Employee benefits	1,657,012	-	-
Debt service			
Principal	1,080,432	-	350,000
Interest	2,068,429	-	17,466
Capital outlay	-	447,248	-
	<u>37,814,782</u>	<u>447,248</u>	<u>1,054,816</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over Expenditures	<u>3,234,615</u>	<u>(211,814)</u>	<u>(329,201)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	254,428	-	-
Bonds issued	7,073,000	10,436,768	-
Transfers in	-	381,476	-
Transfers out	(499,273)	-	-
	<u>6,828,155</u>	<u>10,818,244</u>	<u>-</u>
Total Other Financing Sources			
Net Change in Fund Balances	10,062,770	10,606,430	(329,201)
Fund Balances (Deficits) - Beginning of Year	<u>(2,021,089)</u>	<u>(5,459,749)</u>	<u>2,083,278</u>
Fund Balances - End of Year	<u>\$ 8,041,681</u>	<u>\$ 5,146,681</u>	<u>\$ 1,754,077</u>

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

Other Governmental	Total Governmental Funds
\$ -	\$ 17,519,568
-	1,469,313
-	10,934,768
-	1,286,775
-	2,850,962
-	173,902
322	224,635
-	472,708
-	566,784
365,935	5,758,082
1,426,854	2,167,992
38,063	416,131
<u>1,831,174</u>	<u>43,841,620</u>
10,500	6,382,801
749,834	23,960,250
343,770	2,835,845
845,217	1,549,567
7,500	924,617
-	1,657,012
-	1,430,432
-	2,085,895
-	447,248
<u>1,956,821</u>	<u>41,273,667</u>
<u>(125,647)</u>	<u>2,567,953</u>
-	254,428
-	17,509,768
117,797	499,273
-	(499,273)
<u>117,797</u>	<u>17,764,196</u>
(7,850)	20,332,149
<u>28,568</u>	<u>(5,368,992)</u>
<u>\$ 20,718</u>	<u>\$ 14,963,157</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, 2012

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

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 20,332,149</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 depreciation expense exceeded capital outlay 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	716,527
Depreciation expense	<u>(1,649,013)</u>
	<u>(932,486)</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	132,601
Departmental income	(1,045)
Sales of real property subject to mortgage and other payment provisions	<u>(30,000)</u>
	<u>101,556</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>	
Bonds issued	(17,509,768)
Principal paid on bonds	960,214
Principal paid on loans	350,000
Principal paid on capital leases	26,131
Principal paid on energy performance contract	<u>94,087</u>
	<u>(16,079,336)</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	(298,944)
Retirement incentives	43,430
Claims	668,259
Compensated absences	(1,033,093)
Other post employment benefit obligations	<u>(5,846,879)</u>
	<u>(6,467,227)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (3,045,344)</u></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, 2012

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 19,483,461	\$ 19,483,461	\$ 17,519,568	\$ (1,963,893)
Other tax items	848,243	848,243	1,469,313	621,070
Non-property taxes	10,100,000	10,100,000	10,934,768	834,768
Departmental income	827,244	827,244	1,151,289	324,045
Intragovernmental charges	3,485,962	3,485,962	2,850,962	(635,000)
Intergovernmental charges	195,710	195,710	173,902	(21,808)
Use of money and property	372,000	372,000	196,920	(175,080)
Licenses and permits	235,000	235,000	472,708	237,708
Fines and forfeitures	540,000	540,000	566,784	26,784
State aid	5,077,625	5,077,625	5,176,200	98,575
Federal aid	13,000	13,000	160,096	147,096
Miscellaneous	233,000	233,000	376,887	143,887
<b>Total Revenues</b>	<b>41,411,245</b>	<b>41,411,245</b>	<b>41,049,397</b>	<b>(361,848)</b>
<b>EXPENDITURES</b>				
Current				
General government support	7,912,355	7,505,904	6,372,301	1,133,603
Public safety	23,111,678	23,447,240	23,210,416	236,824
Transportation	2,634,060	2,668,588	2,492,075	176,513
Culture and recreation	858,185	836,204	704,350	131,854
Home and community services	283,742	253,008	229,767	23,241
Employee benefits	1,758,228	1,765,672	1,657,012	108,660
Debt service				
Principal	1,080,271	1,080,432	1,080,432	-
Interest	2,390,675	2,093,670	2,068,429	25,241
<b>Total Expenditures</b>	<b>40,029,194</b>	<b>39,650,718</b>	<b>37,814,782</b>	<b>1,835,936</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,382,051</b>	<b>1,760,527</b>	<b>3,234,615</b>	<b>1,474,088</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	1,000	1,000	254,428	253,428
Bonds issued	-	-	7,073,000	7,073,000
Transfers out	(1,602,772)	(1,981,248)	(499,273)	1,481,975
<b>Total Other Financing Sources (Uses)</b>	<b>(1,601,772)</b>	<b>(1,980,248)</b>	<b>6,828,155</b>	<b>8,808,403</b>
<b>Net Change in Fund Balances</b>	<b>(219,721)</b>	<b>(219,721)</b>	<b>10,062,770</b>	<b>10,282,491</b>
Fund Balances (Deficits) -				
Beginning of Year	219,721	219,721	(2,021,089)	(2,240,810)
<b>Fund Balances - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,041,681</b>	<b>\$ 8,041,681</b>

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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	135,486	135,486
-	-	-	-
-	-	7,906	7,906
-	-	-	-
-	-	-	-
1,228,255	1,228,255	581,042	(647,213)
-	-	1,181	1,181
<u>1,228,255</u>	<u>1,228,255</u>	<u>725,615</u>	<u>(502,640)</u>
-	-	-	-
-	-	-	-
-	-	-	-
1,228,255	1,228,255	687,350	540,905
-	-	-	-
-	-	350,000	(350,000)
-	-	17,466	(17,466)
<u>1,228,255</u>	<u>1,228,255</u>	<u>1,054,816</u>	<u>173,439</u>
-	-	(329,201)	(329,201)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(329,201)	(329,201)
-	-	2,083,278	2,083,278
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,754,077</u>	<u>\$ 1,754,077</u>

City of Newburgh, New York

Statement of Net Position  
 Proprietary Funds  
 December 31, 2012

	Water Fund	Sewer Fund	Sanitation Fund	Totals
<b>ASSETS</b>				
Current assets				
Cash and equivalents	\$ 6,296,234	\$ 2,469,173	\$ 433,308	\$ 9,198,715
Receivables				
Accounts	2,009,902	1,935,866	852,033	4,797,801
Due from other governments	-	486,036	-	486,036
Due from other funds	2,141,258	4,010,201	-	6,151,459
Prepaid expenses	43,041	15,502	36,117	94,660
Total Current Assets	<u>10,490,435</u>	<u>8,916,778</u>	<u>1,321,458</u>	<u>20,728,671</u>
Noncurrent assets				
Capital assets				
Land	7,248,449	3,001,193	-	10,249,642
Construction-in-progress	2,875,994	1,708,398	-	4,584,392
Buildings and improvements	935,688	451,554	-	1,387,242
Improvements other than buildings	404,164	11,558	-	415,722
Machinery and equipment	1,937,457	956,160	566,062	3,459,679
Infrastructure	21,360,957	28,519,209	-	49,880,166
	34,762,709	34,648,072	566,062	69,976,843
Less accumulated depreciation	<u>(10,416,357)</u>	<u>(11,372,434)</u>	<u>(562,066)</u>	<u>(22,350,857)</u>
Total Capital Assets, net	<u>24,346,352</u>	<u>23,275,638</u>	<u>3,996</u>	<u>47,625,986</u>
Total Assets	<u>34,836,787</u>	<u>32,192,416</u>	<u>1,325,454</u>	<u>68,354,657</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	46,721	960,116	69,348	1,076,185
Accrued interest payable	204,415	137,503	-	341,918
Due to other funds	2,913,251	-	159,755	3,073,006
Unearned revenues	-	500,000	-	500,000
Current maturities of bonds payable	257,613	120,978	263	378,854
Current maturities of loans payable	325,587	-	-	325,587
Current portion of compensated absences	27,000	7,700	9,900	44,600
Total Current Liabilities	<u>3,774,587</u>	<u>1,726,297</u>	<u>239,266</u>	<u>5,740,150</u>
Noncurrent liabilities				
Bonds payable, less current maturities	8,506,832	5,012,333	219,737	13,738,902
Loans payable, less current maturities	6,936,569	-	-	6,936,569
Compensated absences, less current portion	242,200	69,306	89,412	400,918
Other post employment benefit obligations payable	1,743,780	557,380	798,544	3,099,704
Total Noncurrent Liabilities	<u>17,429,381</u>	<u>5,639,019</u>	<u>1,107,693</u>	<u>24,176,093</u>
Total Liabilities	<u>21,203,968</u>	<u>7,365,316</u>	<u>1,346,959</u>	<u>29,916,243</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,979,290	19,021,574	3,996	27,004,860
Unrestricted	5,653,529	5,805,526	(25,501)	11,433,554
Total Net Position	<u>\$ 13,632,819</u>	<u>\$ 24,827,100</u>	<u>\$ (21,505)</u>	<u>\$ 38,438,414</u>

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 Position  
 Proprietary Funds  
 Year Ended December 31, 2012

	Water Fund	Sewer Fund	Sanitation Fund	Totals
<b>OPERATING REVENUES</b>				
Metered sales	\$ 5,678,374	\$ 4,983,825	\$ -	\$ 10,662,199
Fees	-	-	2,929,147	2,929,147
Penalties	67,468	55,504	-	122,972
State aid	-	74,250	-	74,250
Federal aid	-	222,748	-	222,748
Miscellaneous	15,427	30,237	14,490	60,154
<b>Total Operating Revenues</b>	<u>5,761,269</u>	<u>5,366,564</u>	<u>2,943,637</u>	<u>14,071,470</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,032,012	369,999	779,567	2,181,578
Depreciation	410,695	518,471	11,990	941,156
Supplies	255,322	386,041	104,845	746,208
Utilities	180,643	137,839	-	318,482
Insurance	210,700	210,700	90,300	511,700
Contractual	594,977	3,977,697	785,886	5,358,560
Fees for services	863,143	1,041,677	434,442	2,339,262
Employee benefits	933,729	296,456	862,362	2,092,547
<b>Total Operating Expenses</b>	<u>4,481,221</u>	<u>6,938,880</u>	<u>3,069,392</u>	<u>14,489,493</u>
<b>Income (Loss) from Operations</b>	<u>1,280,048</u>	<u>(1,572,316)</u>	<u>(125,755)</u>	<u>(418,023)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	4,641	12,831	218	17,690
Interest expense	(393,045)	(225,986)	(4,736)	(623,767)
<b>Total Non-Operating Expenses</b>	<u>(388,404)</u>	<u>(213,155)</u>	<u>(4,518)</u>	<u>(606,077)</u>
<b>Change in Net Assets before Transfers</b>	<u>891,644</u>	<u>(1,785,471)</u>	<u>(130,273)</u>	<u>(1,024,100)</u>
<b>Transfers</b>				
Transfers in	144,310	-	-	144,310
Transfers out	-	(144,310)	-	(144,310)
<b>Total Transfers</b>	<u>144,310</u>	<u>(144,310)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>1,035,954</u>	<u>(1,929,781)</u>	<u>(130,273)</u>	<u>(1,024,100)</u>
<b>Net Position - Beginning of Year</b>	<u>12,596,865</u>	<u>26,756,881</u>	<u>108,768</u>	<u>39,462,514</u>
<b>Net Position - End of Year</b>	<u>\$ 13,632,819</u>	<u>\$ 24,827,100</u>	<u>\$ (21,505)</u>	<u>\$ 38,438,414</u>

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, 2012

	Water Fund	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees from customers and miscellaneous	\$ 6,278,627	\$ 5,805,942
Cash received from Federal and State aid	-	296,998
Cash payments for goods and services	526,476	(4,843,305)
Due to other funds	-	-
Cash payments to employees	(1,667,457)	(542,607)
Net Cash from Operating Activities	<u>5,137,646</u>	<u>717,028</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Due from other funds	(2,141,258)	(2,543,179)
Transfers in	144,310	-
Transfers out	-	(144,310)
Net Cash from Non-Capital Financing Activities	<u>(1,996,948)</u>	<u>(2,687,489)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(112,150)	(1,314,656)
Proceeds from debt	4,537,533	4,647,699
Principal paid on debt	(5,223,681)	(5,115,187)
Interest paid on debt	(305,423)	(135,440)
Net Cash from Capital and Related Financing Activities	<u>(1,103,721)</u>	<u>(1,917,584)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	4,641	12,831
Net Change in Cash and Equivalents	2,041,618	(3,875,214)
Cash and Equivalents - Beginning of Year	4,254,616	6,344,387
Cash and Equivalents - End of Year	<u>\$ 6,296,234</u>	<u>\$ 2,469,173</u>
<b>Reconciliation of Income (Loss) from Operations to Net Cash From Operating Activities</b>		
Income (loss) from operations	\$ 1,280,048	\$ (1,572,316)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	410,695	518,471
Changes in assets and liabilities:		
Accounts receivable	282,046	213,557
Due from other governments	235,312	555,459
Prepaid expenses	(467)	1,356
Accounts payable	(51,839)	909,293
Due to other funds	2,683,567	-
Unearned revenues	56,108	(32,640)
Compensated absences	242,176	11,024
Other post employment benefit obligations payable	-	112,824
Net Cash from Operating Activities	<u>\$ 5,137,646</u>	<u>\$ 717,028</u>

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

Sanitation Fund	Totals
\$ 3,068,760	\$ 15,153,329
-	296,998
(1,427,255)	(5,744,084)
(175,062)	(175,062)
<u>(1,378,071)</u>	<u>(3,588,135)</u>
88,372	5,943,046
-	(4,684,437)
-	144,310
-	<u>(144,310)</u>
-	(4,684,437)
-	(1,426,806)
220,000	9,405,232
(220,000)	(10,558,868)
<u>(4,736)</u>	<u>(445,599)</u>
(4,736)	(3,026,041)
218	17,690
83,854	(1,749,742)
349,454	10,948,457
<u>\$ 433,308</u>	<u>\$ 9,198,715</u>
\$ (125,755)	\$ (418,023)
11,990	941,156
125,123	620,726
-	790,771
2,808	3,697
(14,590)	842,864
(175,062)	2,508,505
-	23,468
(2,277)	250,923
<u>266,135</u>	<u>378,959</u>
<u>\$ 88,372</u>	<u>\$ 5,943,046</u>

**City of Newburgh, New York**

Statement of Assets and Liabilities  
Fiduciary Fund  
December 31, 2012

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	<u>Agency</u>
<b>ASSETS</b>	
Cash	
Demand deposits	\$ 478,305
Accounts receivable	<u>23,687</u>
 Total Assets	 <u>\$ 501,992</u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 7,237
Employee payroll deductions	15,662
Deposits	<u>479,093</u>
 Total Liabilities	 <u>\$ 501,992</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, 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. Governmental Accounting Standards Board (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 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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 also has the following component unit that should be included in the City's financial statements as a discretely presented component unit, but since current financial statements are not available for this entity, its financial activity is not included therein.

***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 Position 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 Position presents the financial position of the City at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances/net position, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The City maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in 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.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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.

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

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. The major revenues of this fund are State aid and Federal aid.

- 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:

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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.

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

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

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 but 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.

**Component Unit**

The component unit is presented on the basis of accounting that most accurately reflects its activities. The component unit is accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred. The component unit applies all applicable Financial Accounting Standards Boards guidance issued after November 30, 1989 in accounting and reporting for its operations.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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

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, 2012.

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 1<sup>st</sup>. 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 1<sup>st</sup> 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 4<sup>th</sup>, the second installment is due April 6<sup>th</sup>, the

**Note 1 - Summary of Significant Accounting Policies (Continued)**

third installment is due June 7<sup>th</sup> and the fourth installment is due August 5<sup>th</sup>. 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 1<sup>st</sup> to June 30<sup>th</sup> are collected by the School District through March 31<sup>st</sup> 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 of October 30<sup>th</sup> 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.

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, 2012, 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 inventorable 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.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 government-wide financial statements, and in the proprietary fund statements.

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 Revenues** - Unearned 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.

Unearned 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 unearned revenues of \$2,421,796 for real property taxes and \$867,756 for amounts received in advance in the General Fund. The City has also reported unearned revenues of \$1,918,605 and \$7,279 for grants received in advance in the Community Development Fund and Grants Fund, respectively.

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

As of December 31, 2012, no amounts were required to be reported as deferred outflows/inflows of resources.

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

**Net Position** - Net position represent the difference between assets and liabilities. Net position 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 position on the Statement of Net Position include, Net investment in capital assets, restricted for insurance, 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).

**Note 1 - Summary of Significant Accounting Policies (Continued)**

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 of the State of New York.

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

Assigned fund balance, in the General Fund, will represent amounts constrained either by the City Council for amounts assigned for balancing the subsequent year's budget or the City Manager for amounts assigned for encumbrances. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining 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 governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

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.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**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 9, 2013.

**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 15<sup>th</sup>. The City Manager reviews each department's request, conducts meetings with department personnel and assembles the preliminary budget.
- 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.

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

- 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, Grants Fund or Enterprise Funds.

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.

**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 2012 was \$26,613,557, which exceeded the actual levy by \$7,130,096. However, 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

**Note 2 - Stewardship, Compliance and Accountability (Continued)**

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.

**C. Application of Accounting Standards**

For the year ended December 31, 2012, the City implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" ("GASB Statement No. 63"). This statement provides financial reporting guidance for these elements first introduced in GASB Concept Statement No. 4, "Elements of Financial Statements". Previous financial reporting standards did not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities.

**D. Fund Deficit**

The Sanitation Fund has an unrestricted deficit in the amount of \$25,501 as of December 31, 2012. This deficit will be addressed in the ensuing year.

**E. 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	
Central printing	\$ 52
Judgments and claims	377,765
Other Financing Uses - Transfers out -	
Grants Fund	117,797
Community Development Fund	
Debt Service	
Principal	350,000
Interest	17,466

City of Newburgh, New York

Notes to Financial Statements (Continued)  
December 31, 2012

**Note 3 - Detailed Notes on All Funds**

**A. Taxes Receivable**

Taxes receivable at December 31, 2012 consisted of the following:

City, County and School District taxes -	
Current and overdue	\$ 5,481,787
Property acquired for taxes	<u>3,432,631</u>
Subtotal	8,914,418
Allowance for uncollectible amounts	<u>(3,432,631)</u>
Net Taxes Receivable	<u><u>\$ 5,481,787</u></u>

Taxes receivable are partially offset by deferred tax revenues of \$2,421,796, which represents the portion of the receivable which will not be collected within the first sixty days of the subsequent year.

**B. Due From/To Other Funds**

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

<u>Funds</u>	<u>Due From</u>	<u>Due To</u>
General	\$ -	\$ 353,272
Capital Projects	-	2,224,829
Community Development	398,881	262,694
Non-Major Governmental	354,310	990,849
Water	2,141,258	2,913,251
Sewer	4,010,201	-
Sanitation	-	159,755
	<u>\$ 6,904,650</u>	<u>\$ 6,904,650</u>

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:

<u>Class</u>	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Balance December 31, 2012</u>
<b>Governmental Activities</b>			
Capital Assets, not being depreciated			
Land	\$ 4,421,627	\$ -	\$ 4,421,627
Construction-in-progress	<u>10,112,819</u>	<u>364,996</u>	<u>10,477,815</u>
Total Capital Assets, not being depreciated	<u>\$ 14,534,446</u>	<u>\$ 364,996</u>	<u>\$ 14,899,442</u>

City of Newburgh, New York

Notes to Financial Statements (Continued)  
December 31, 2012

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

Class	Balance January 1, 2012	Additions	Balance December 31, 2012
Capital Assets, being depreciated			
Buildings	\$ 30,620,077	\$ -	\$ 30,620,077
Improvements other than buildings	100,975,054	-	100,975,054
Machinery and equipment	10,243,209	122,441	10,365,650
Infrastructure	23,015,560	229,090	23,244,650
Total Capital Assets, being depreciated	164,853,900	351,531	165,205,431
Less Accumulated Depreciation for			
Buildings	\$ 4,737,781	\$ 470,535	\$ 5,208,316
Improvements other than buildings	100,469,394	168,107	100,637,501
Machinery and equipment	8,152,335	583,310	8,735,645
Infrastructure	9,257,336	427,061	9,684,397
Total Accumulated Depreciation	122,616,846	1,649,013	124,265,859
Total Capital Assets, being depreciated, net	\$ 42,237,054	\$ (1,297,482)	\$ 40,939,572
<b>Governmental Activities</b>			
<b>Capital Assets, net</b>	\$ 56,771,500	\$ (932,486)	\$ 55,839,014

Class	Balance January 1, 2012	Additions	Balance December 31, 2012
<b>Business-type Activities</b>			
Capital Assets, not being depreciated			
Land	\$ 10,249,642	\$ -	\$ 10,249,642
Construction-in-progress	3,382,918	1,201,474	4,584,392
Total Capital Assets, not being depreciated	\$ 13,632,560	\$ 1,201,474	\$ 14,834,034
Capital Assets, being depreciated			
Buildings	\$ 1,387,242	\$ -	\$ 1,387,242
Improvements other than buildings	415,722	-	415,722
Machinery and equipment	3,274,994	184,685	3,459,679
Infrastructure	49,839,519	40,647	49,880,166
Total Capital Assets, being depreciated	54,917,477	225,332	55,142,809

City of Newburgh, New York

Notes to Financial Statements (Continued)  
December 31, 2012

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

Class	Balance January 1, 2012	Additions	Balance December 31, 2012
Less Accumulated Depreciation for			
Buildings	\$ 287,125	\$ 13,523	\$ 300,648
Improvements other than buildings	327,306	36,842	364,148
Machinery and equipment	2,047,288	206,983	2,254,271
Infrastructure	18,747,982	683,808	19,431,790
Total Accumulated Depreciation	21,409,701	941,156	22,350,857
Total Capital Assets, being depreciated, net	\$ 33,507,776	\$ (715,824)	\$ 32,791,952
<b>Business-type Activities</b>			
<b>Capital Assets, net</b>	<b>\$ 47,140,336</b>	<b>\$ 485,650</b>	<b>\$ 47,625,986</b>

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

Governmental Activities:	
General Government support	\$ 181,390
Public Safety	1,220,270
Transportation	65,961
Culture and Recreation	65,961
Home and Community Services	115,431
Total Depreciation Expense - Government Activities	<b>\$ 1,649,013</b>
Business-type Activities:	
Water Fund	\$ 410,695
Sewer Fund	518,471
Sanitation Fund	11,990
Total Depreciation Expense - Business-type Activities	<b>\$ 941,156</b>

**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, employees in tier 5 who also

**City of Newburgh, New York**

Notes to Financial Statements (Continued)  
December 31, 2012

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

contribute 3% of their salary without regard to their years of service and employees in tier 6 who contribute between 3% and 6% depending on salary levels and also without regard to years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution 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, 2013 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	1 75I	25.4%
	2 75I	23.2
	3 A14	18.6
	4 A15	18.6
	5 A15	15.1
	6 A15	10.1
PFRS	1 384D	30.2%
	2 375I	18.1
	2 384D	25.1
	3 384	21.2

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

	<u>ERS</u>	<u>PFRS</u>
2012	\$ 1,204,206	\$ 2,632,195
2011	1,190,488	2,052,935
2010	895,281	1,974,358

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	\$ 763,271
Community Development	27,039
Grants	32,954
Water	171,118
Sewer	63,131
Sanitation	<u>146,693</u>
	<u>\$ 1,204,206</u>

The Agency does not pay wages and, accordingly, does not participate in a retirement system.

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

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

Purpose	Year of Original Issue	Balance January 1, 2012	Maturities and/or Payments	Balance December 31, 2012
Governmental Type Activities				
General Fund				
Tax Anticipation Notes	2010	\$ 5,062,824	\$ 5,062,824	\$ -
Bond Anticipation Notes				
Claim Settlement	2010C	1,558,000	1,558,000	-
Deficit Financing Notes	2010B	9,000,000	9,000,000	-
Capital Projects Fund				
Bond Anticipation Notes				
Various Projects	2010A	5,115,000	5,115,000	-
Various Projects	2010C	5,828,244	5,828,244	-
Business Type Activities				
Bond Anticipation Notes				
Sewer Fund				
Various Projects	2010C	4,999,793	4,999,793	-
Water Fund				
Various Projects	2010C	4,660,667	4,660,667	-
Sanitation Fund				
Various Projects	2011	220,000	220,000	-
		<u>\$ 36,444,528</u>	<u>\$ 36,444,528</u>	<u>\$ -</u>

Bond anticipation note interest expense of \$884,471 was recorded in the governmental funds and \$497,951 was recorded in the government-wide financial statements for governmental activities. Interest expense of \$211,227 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 \$234,156 was recorded in the governmental funds and \$206,732 was recorded in the government-wide financial statements for governmental activities.

City of Newburgh, New York

Notes to Financial Statements (Continued)  
December 31, 2012

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

**F. Long Term Obligations**

The following table summarizes changes in the City's long-term obligations for the year ended December 31, 2012:

	Balance January 1, 2012	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2012	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
Capital Construction	\$ 18,862,690	\$ 10,436,768	\$ 960,214	\$ 28,339,244	\$ 1,014,965
Other	-	7,073,000	-	7,073,000	211,181
	<u>18,862,690</u>	<u>17,509,768</u>	<u>960,214</u>	<u>35,412,244</u>	<u>1,226,146</u>
Loans Payable	<u>350,000</u>	-	<u>350,000</u>	-	-
Other Non-Current Liabilities					
Capital Leases Payable	89,161	-	26,131	63,030	28,365
Retirement Incentive Payable	531,143	-	43,430	487,713	46,687
Energy Performance Contract Payable	1,399,868	-	94,087	1,305,781	98,164
Claims Payable	3,279,331	1,128,070	1,796,329	2,611,072	407,584
Compensated Absences	4,615,023	1,495,093	462,000	5,648,116	565,000
Other Post Employment Benefit Obligation Payable	<u>27,421,211</u>	<u>9,138,946</u>	<u>3,292,067</u>	<u>33,268,090</u>	-
Total Other Non-Current Liabilities	<u>37,335,737</u>	<u>11,762,109</u>	<u>5,714,044</u>	<u>43,383,802</u>	<u>1,145,800</u>
Governmental Activities - Long-Term Liabilities	<u>\$ 56,548,427</u>	<u>\$ 29,271,877</u>	<u>\$ 7,024,258</u>	<u>\$ 78,796,046</u>	<u>\$ 2,371,946</u>
<b>Business-Type Activities</b>					
Bonds Payable	\$ 5,067,310	\$ 9,405,232	\$ 354,786	\$ 14,117,756	\$ 378,854
Loans Payable	7,585,778	-	323,622	7,262,156	325,587
Compensated Absences	380,663	103,455	38,600	445,518	44,600
Other Post Employment Benefit Obligation Payable	<u>2,478,569</u>	<u>910,785</u>	<u>289,650</u>	<u>3,099,704</u>	-
Business-Type Activities - Long-Term Liabilities	<u>\$ 15,512,320</u>	<u>\$ 10,419,472</u>	<u>\$ 1,006,658</u>	<u>\$ 24,925,134</u>	<u>\$ 749,041</u>

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.

**City of Newburgh, New York**

Notes to Financial Statements (Continued)  
December 31, 2012

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

**Bonds Payable**

Bonds payable at December 31, 2012 are comprised of the following individual issues:

<u>Purpose</u>	<u>Year of Issue</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding at December 31, 2011</u>
Various Purposes	1999	\$ 7,195,000	May, 2019	4.77 %	\$ 3,430,000
Refunding Bonds	1999	2,650,000	September, 2014	4.75	320,000
Public Improvements	2003	1,000,000	December, 2023	4.69	655,000
Public Improvements	2008	9,043,100	July, 2033	4.0 - 5.25	6,935,000
Public Improvements	2008	12,210,000	September, 2036	4.0 - 5.25	11,275,000
Public Improvements	2012	20,825,000	June, 2035	5.0 - 5.75	20,825,000
Deficit Funding	2012	6,090,000	June, 2035	5.00	6,090,000
		<u>\$ 59,013,100</u>			<u>\$ 49,530,000</u>

Interest expenditures of \$886,510 were recorded in the fund financial statements in the General Fund. Interest expense of \$1,606,675 was recorded in the government-wide financial statements for governmental activities. Interest expense of \$412,540 was recorded in the Enterprise Fund financial statements and in the government-wide financial statements for business-type activities.

**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 has been paid in full as of December 31, 2012.

Interest expenditures of \$17,466 were recorded in the fund financial statements in the Community Development Fund. Interest expense of \$10,189 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, 2012 was \$7,262,156.

**Capital Leases**

The City has entered into 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, 2012</u>	<u>Date Final Payment</u>
2010	Phone Sys.	<u>\$ 133,011</u>	<u>\$ 2,646</u>	7.30 %	<u>\$ 63,030</u>	February, 2015

**City of Newburgh, New York**

Notes to Financial Statements (Continued)  
December 31, 2012

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

Interest expenditures/expenses of \$5,616 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 \$57,676 was recorded in the fund financial statements in the General Fund and in the government-wide financial statements. The balance due at December 31, 2012 was \$1,305,781.

**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 General Fund. The remaining liability for this program is \$487,713 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, 2012 including interest payments of \$30,488,196 are as follows:

Year Ending December 31,	Governmental Activities - Bonds		Business-Type Activities - Bonds		Business-Type Activities - Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,226,146	\$ 2,161,395	\$ 378,854	\$ 943,497	\$ 325,587	\$ -
2014	1,652,070	1,665,737	612,930	687,428	327,552	-
2015	1,663,387	1,582,446	526,613	656,807	329,517	-
2016	1,737,474	1,498,435	552,526	630,299	331,482	-
2017	1,810,227	1,410,682	564,773	602,449	333,447	-
2018-2022	8,746,588	5,716,622	2,788,412	2,593,205	1,696,707	-
2023-2027	7,141,506	3,768,240	2,938,494	1,924,922	1,745,830	-
2028-2032	6,142,287	2,274,946	3,562,713	1,116,567	1,617,034	-
2033-2036	5,292,559	577,021	2,192,441	184,341	555,000	-
	<u>\$ 35,412,244</u>	<u>\$ 20,655,524</u>	<u>\$ 14,117,756</u>	<u>\$ 9,339,515</u>	<u>\$ 7,262,156</u>	<u>\$ -</u>

**City of Newburgh, New York**

Notes to Financial Statements (Continued)

December 31, 2012

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

Year Ending December 31,	Governmental Activities - Capital Lease		Governmental Activities - Energy Performance Contract		Governmental Activities - Retirement Incentive Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 28,365	\$ 3,383	\$ 98,164	\$ 53,598	\$ 46,687	\$ 36,579
2014	30,127	1,620	102,418	49,344	50,189	33,077
2015	4,538	49	106,857	44,905	53,953	29,313
2016	-	-	111,488	40,275	57,999	25,267
2017	-	-	116,320	35,443	62,349	20,917
2018-2022	-	-	770,534	86,125	216,536	33,262
2023-2027	-	-	-	-	-	-
2028-2032	-	-	-	-	-	-
2033-2036	-	-	-	-	-	-
	<u>\$ 63,030</u>	<u>\$ 5,052</u>	<u>\$ 1,305,781</u>	<u>\$ 309,690</u>	<u>\$ 487,713</u>	<u>\$ 178,415</u>

Year Ending December 31,	Total City Combined Obligations		
	Principal	Interest	Total
2013	\$ 2,103,803	\$ 3,198,452	\$ 5,302,255
2014	2,775,286	2,437,206	5,212,492
2015	2,684,865	2,313,520	4,998,385
2016	2,790,969	2,194,276	4,985,245
2017	2,887,116	2,069,491	4,956,607
2018-2022	14,218,777	8,429,214	22,647,991
2023-2027	11,825,830	5,693,162	17,518,992
2028-2032	11,322,034	3,391,513	14,713,547
2033-2036	8,040,000	761,362	8,801,362
	<u>\$ 58,648,680</u>	<u>\$ 30,488,196</u>	<u>\$ 89,136,876</u>

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 \$445,518 recorded in the Proprietary Funds, a \$5,648,116 liability for compensated absences at December 31, 2012 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

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

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, 2012		Year Ended December 31, 2011	
	Workers' Compensation	General Liability	Workers' Compensation	General Liability
Balance - Beginning of Year	\$ 2,269,619	\$ 934,379	\$ 2,648,952	\$ 1,103,089
Provision for Claims and Claims Adjustment Expenses	278,213	762,606	943,319	417,198
Claims and Claims Adjustment Expenses Paid	<u>(585,908)</u>	<u>(1,210,421)</u>	<u>(1,322,652)</u>	<u>(585,908)</u>
Balance - End of Year	<u>\$ 1,961,924</u>	<u>\$ 486,564</u>	<u>\$ 2,269,619</u>	<u>\$ 934,379</u>
Current Portion	<u>\$ 196,000</u>	<u>\$ 49,000</u>	<u>\$ 227,000</u>	<u>\$ 93,000</u>

At December 31, 2012, claims payable also included \$162,584 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 \$123,853 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.

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

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:

<u>Year Ended December 31,</u>	<u>Pre-65 Medical</u>	<u>Post-65 Medical</u>	<u>Prescription Drug</u>
2013	9.00 %	7.00 %	6.50 %
2014	8.50	7.00	6.50
2015	8.00	7.00	6.50
2016	7.50	7.00	6.50
2017	7.00	7.00	6.50
2018	6.50	6.50	6.50
2019	6.00	6.00	6.00

The amortization basis is the level dollar method with an open amortization approach with 26 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.

City of Newburgh, New York

Notes to Financial Statements (Continued)  
December 31, 2012

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

The number of participants as of December 31, 2012 was as follows:

2012	Governmental Funds	Enterprise Funds	Total
Active Employees	205	43	248
Retired Employees	229	22	251
	<u>434</u>	<u>65</u>	<u>499</u>

	Governmental Funds	Enterprise Funds	Total
Amortization Component:			
Actuarial Accrued Liability as of 1/1/12	\$ 121,550,505	\$ 9,575,827	\$ 131,126,332
Assets at Market Value	-	-	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 121,550,505</u>	<u>\$ 9,575,827</u>	<u>\$ 131,126,332</u>
Funded Ratio	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered Payroll (Active plan members)	<u>\$ 17,242,972</u>	<u>\$ 2,191,252</u>	<u>\$ 19,434,224</u>
UAAL as a Percentage of Covered Payroll	<u>704.93%</u>	<u>437.00%</u>	<u>674.72%</u>
Annual Required Contribution	\$ 9,627,869	\$ 954,979	\$ 10,582,848
Interest on Net OPEB Obligation	1,096,848	99,142	1,195,990
Adjustment to Annual Required Contribution	<u>(1,585,771)</u>	<u>(143,336)</u>	<u>(1,729,107)</u>
Annual OPEB Cost	9,138,946	910,785	10,049,731
Contributions Made	<u>(3,292,067)</u>	<u>(289,650)</u>	<u>(3,581,717)</u>
Increase in Net OPEB Obligation	5,846,879	621,135	6,468,014
Net OPEB Obligation - Beginning of Year	<u>27,421,211</u>	<u>2,478,569</u>	<u>29,899,780</u>
Net OPEB Obligation - End of Year	<u>\$ 33,268,090</u>	<u>\$ 3,099,704</u>	<u>\$ 36,367,794</u>

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
2012	\$ 10,049,731	35.64 %	\$ 36,367,794
2011	10,672,123	32.22 %	29,899,780
2010	10,326,605	29.51 %	22,666,316

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

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.

**G. 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.

Fund	Transfers In	Transfers Out
General	\$ -	\$ 499,273
Capital Projects	381,476	-
Non-Major Governmental Grants	117,797	-
Water	144,310	-
Sewer	-	144,310
	<u>\$ 643,583</u>	<u>\$ 643,583</u>

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

**H. Net Position**

The components of net position are detailed below:

*Net Investment in Capital Assets* - the component of net position 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 Insurance* - the component of net position that represents funds restricted for certain purposes under New York State law or by external parties and/or statutes.

*Restricted for Community Development* - the component of net position 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 position that has been established to set aside funds in accordance with the terms of the trust.

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

*Unrestricted* - all other components of net position that do not meet the definition of "restricted" or "net investment in capital assets".

Notes to Financial Statements (Continued)  
December 31, 2012

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

**I. Fund Balances**

	2012					2011				
	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
<b>Nonspendable</b>										
Prepaid expenditures	\$ 862,500	\$ -	\$ -	\$ 10,985	\$ 873,485	\$ 930,109	\$ -	\$ -	\$ -	\$ 930,109
Long-term receivables	2,531,035	-	-	-	2,531,035	2,800,732	-	-	-	2,800,732
<b>Total Nonspendable</b>	<b>3,393,535</b>	<b>-</b>	<b>-</b>	<b>10,985</b>	<b>3,404,520</b>	<b>3,730,841</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,730,841</b>
<b>Restricted</b>										
Insurance	5,386	-	-	-	5,386	-	-	-	-	-
Debt service	90,920	-	-	-	90,920	90,920	-	-	-	90,920
Capital projects	-	5,146,681	-	-	5,146,681	-	-	-	-	-
Trusts	-	-	-	20,718	20,718	-	-	-	28,568	28,568
<b>Total Restricted</b>	<b>96,306</b>	<b>5,146,681</b>	<b>-</b>	<b>20,718</b>	<b>5,263,705</b>	<b>90,920</b>	<b>-</b>	<b>-</b>	<b>28,568</b>	<b>119,488</b>
<b>Assigned</b>										
Purchases on order										
General government support	228,440	-	-	-	228,440	-	-	-	-	-
Public safety	53,591	-	-	-	53,591	-	-	-	-	-
Transportation	65,448	-	-	-	65,448	-	-	-	-	-
Home and community services	69	-	-	-	69	-	-	-	-	-
<b>Total Assigned</b>	<b>347,548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>347,548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Designated</b>										
Subsequent year's expenditures	561,000	-	-	-	561,000	-	-	-	-	-
Community development	-	-	1,754,077	-	1,754,077	-	-	2,083,278	-	2,083,278
<b>Total Designated</b>	<b>908,548</b>	<b>-</b>	<b>1,754,077</b>	<b>-</b>	<b>2,662,625</b>	<b>-</b>	<b>-</b>	<b>2,083,278</b>	<b>-</b>	<b>2,083,278</b>
<b>Unassigned</b>										
Purchases on order	-	-	-	-	-	219,721	-	-	-	219,721
Major Funds	3,643,292	-	-	-	3,643,292	(6,062,571)	(5,459,749)	-	-	(11,522,320)
Grants	-	-	-	(10,985)	(10,985)	-	-	-	-	-
<b>Total Unassigned</b>	<b>3,643,292</b>	<b>-</b>	<b>-</b>	<b>(10,985)</b>	<b>3,632,307</b>	<b>(5,842,850)</b>	<b>(5,459,749)</b>	<b>-</b>	<b>-</b>	<b>(11,302,599)</b>
<b>Total Fund Balances</b>	<b>\$ 8,041,681</b>	<b>\$ 5,146,681</b>	<b>\$ 1,754,077</b>	<b>\$ 20,718</b>	<b>\$ 14,963,157</b>	<b>\$ (2,021,089)</b>	<b>\$ (5,459,749)</b>	<b>\$ 2,083,278</b>	<b>\$ 28,568</b>	<b>\$ (5,388,992)</b>

**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 position 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. Nonspendable fund balance 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 represent 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.

Subsequent year's expenditures indicates that the City Council has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted, committed or assigned. Unassigned fund balance in the Non-major governmental Funds represents the deficit balance in the grants fund.

**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.

**Note 4 - Summary Disclosure of Significant Contingencies (Continued)**

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.

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 \$31,847 in 2012.

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, 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 Position within claims payable.

The Department of Environmental Conservation ("DEC") conducted a preliminary site assessment of the former City landfill which characterized the waste present at the site and identified "Company A" as a potentially responsible party. The Environmental Protection Agency ("EPA"), on referral of the DEC, will be conducting a drum removal action at the site to address approximately 450 barrels of waste material. The EPA identified the City and

**Note 4 - Summary Disclosure of Significant Contingencies (Continued)**

“Company B” as potentially responsible for the removal action. The City has asserted that Company A is primarily responsible since the barrels containing waste materials were disposed of by them and/or their predecessors which owned and operated the neighboring manufacturing facility and former landfill. In January 2012, the City and the two companies signed a Settlement and Access Agreement for the companies to clean up the site. The City is also seeking a “No Ability to Pay” determination from the EPA, but determination remains outstanding and clean-up is on-going. At this time, this matter will have no impact on the City’s 2012 financial statements.

The DEC previously notified the City that it was in violation of a permit for the Waste Water Treatment Plant. The City entered into a Consent Order with the DEC in November 2011 which imposed a \$1,000 fine for the City and set forth a Schedule of Compliance to remediate these violations. DEC provided modifications to the Consent Order in July, 2012 and January 2013, which provided the City with extensions of time to complete certain conditions set forth in the Compliance Schedule. Pursuant to the Consent Order, the City paid the \$1,000 fine in November 2011 and submitted engineering reports, plans and specifications in July, 2012. The City must upgrade the generator and electrical system which supports primary and secondary treatment and disinfection systems by May, 2013. The City will monitor the Compliance Schedule to meet required milestone dates in 2013. The resolution of this matter will not affect the City’s 2012 financial statements.

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.

**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 2012 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.

\* \* \* \* \*

**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, 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
January 1, 2012	-	131,126,332	131,126,332	-	19,434,224	674.72

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**City of Newburgh, New York**

General Fund  
Comparative Balance Sheet  
December 31,

	2012	2011
<b>ASSETS</b>		
Cash		
Demand deposits	\$ 3,552,759	\$ 7,431,469
Petty cash	4,150	3,530
	<u>3,556,909</u>	<u>7,434,999</u>
Taxes receivable		
City, County and School District taxes	5,481,787	5,559,768
Property acquired for taxes	3,432,631	1,975,028
	8,914,418	7,534,796
Allowance for uncollectible amounts	<u>(3,432,631)</u>	<u>(2,063,352)</u>
	<u>5,481,787</u>	<u>5,471,444</u>
Other receivables		
Accounts, net of allowance for uncollectibles of \$222,660 in 2011	535,873	897,287
Due from other governments, net of allowance for uncollectibles of \$83,761 in 2011	3,592,315	3,140,584
Due from component unit - Industrial Development Agency	-	22,746
Due from other funds	-	1,157,023
	<u>4,128,188</u>	<u>5,217,640</u>
Prepaid expenditures	<u>862,500</u>	<u>930,109</u>
Total Assets	<u>\$ 14,029,384</u>	<u>\$ 19,054,192</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>		
Liabilities		
Accounts payable	\$ 848,779	\$ 754,304
Due to component unit - Industrial Development Agency	-	43,759
Due to component unit - Local Development Corporation	416,716	416,716
Due to other governments	7,396	1,274
Due to school districts	934,209	934,209
Due to other funds	353,272	-
Bond anticipation notes payable	-	10,558,000
Tax anticipation note payable	-	5,062,824
Overpayments	137,779	115,196
Unearned tax revenues	2,421,796	2,289,195
Unearned revenues	867,756	899,804
Total Liabilities	<u>5,987,703</u>	<u>21,075,281</u>
Fund balance (deficit)		
Nonspendable	3,393,535	3,730,841
Restricted	96,306	90,920
Assigned	908,548	-
Unassigned	3,643,292	(5,842,850)
Total Fund Balance (Deficit)	<u>8,041,681</u>	<u>(2,021,089)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 14,029,384</u>	<u>\$ 19,054,192</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,

	2012			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 19,483,461	\$ 19,483,461	\$ 17,519,568	\$ (1,963,893)
Other tax items	848,243	848,243	1,469,313	621,070
Non-property taxes	10,100,000	10,100,000	10,934,768	834,768
Departmental income	827,244	827,244	1,151,289	324,045
Intragovernmental charges	3,485,962	3,485,962	2,850,962	(635,000)
Intergovernmental charges	195,710	195,710	173,902	(21,808)
Use of money and property	372,000	372,000	196,920	(175,080)
Licenses and permits	235,000	235,000	472,708	237,708
Fines and forfeitures	540,000	540,000	566,784	26,784
State aid	5,077,625	5,077,625	5,176,200	98,575
Federal aid	13,000	13,000	160,096	147,096
Miscellaneous	233,000	233,000	376,887	143,887
<b>Total Revenues</b>	<b>41,411,245</b>	<b>41,411,245</b>	<b>41,049,397</b>	<b>(361,848)</b>
<b>EXPENDITURES</b>				
Current				
General government support	7,912,355	7,505,904	6,372,301	1,133,603
Public safety	23,111,678	23,447,240	23,210,416	236,824
Transportation	2,634,060	2,668,588	2,492,075	176,513
Economic opportunity and development	-	-	-	-
Culture and recreation	858,185	836,204	704,350	131,854
Home and community services	283,742	253,008	229,767	23,241
Employee benefits	1,758,228	1,765,672	1,657,012	108,660
Debt service				
Principal	1,080,271	1,080,432	1,080,432	-
Interest	2,390,675	2,093,670	2,068,429	25,241
<b>Total Expenditures</b>	<b>40,029,194</b>	<b>39,650,718</b>	<b>37,814,782</b>	<b>1,835,936</b>
Excess of Revenues Over Expenditures	1,382,051	1,760,527	3,234,615	1,474,088
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	1,000	1,000	254,428	253,428
Bonds issued	-	-	7,073,000	7,073,000
Transfers out	(1,602,772)	(1,981,248)	(499,273)	1,481,975
<b>Total Other Financing Sources (Uses)</b>	<b>(1,601,772)</b>	<b>(1,980,248)</b>	<b>6,828,155</b>	<b>8,808,403</b>
<b>Net Change in Fund Balance</b>	<b>(219,721)</b>	<b>(219,721)</b>	<b>10,062,770</b>	<b>10,282,491</b>
Fund Balance (Deficit) - Beginning of Year	219,721	219,721	(2,021,089)	(2,240,810)
<b>Fund Balance (Deficit) - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,041,681</b>	<b>\$ 8,041,681</b>

2011			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 18,807,484	\$ 18,807,484	\$ 18,034,246	\$ (773,238)
1,126,999	1,126,999	1,159,257	32,258
9,938,000	9,938,000	10,596,143	658,143
817,000	993,083	1,006,048	12,965
2,211,058	2,211,058	2,063,996	(147,062)
308,000	308,000	263,548	(44,452)
79,359	79,361	111,280	31,919
262,750	262,750	195,084	(67,666)
580,000	580,000	605,370	25,370
5,422,711	5,422,711	4,960,866	(461,845)
-	-	33,452	33,452
274,750	299,750	413,470	113,720
<u>39,828,111</u>	<u>40,029,196</u>	<u>39,442,760</u>	<u>(586,436)</u>
7,211,292	6,803,307	5,815,322	987,985
22,486,437	22,652,311	21,996,405	655,906
2,575,163	2,759,255	2,460,520	298,735
-	-	148	(148)
628,030	735,483	731,773	3,710
260,838	264,538	280,464	(15,926)
1,707,000	1,847,000	1,574,265	272,735
1,178,936	1,178,936	1,178,849	87
2,864,536	2,864,536	2,911,370	(46,834)
<u>38,912,232</u>	<u>39,105,366</u>	<u>36,949,116</u>	<u>2,156,250</u>
<u>915,879</u>	<u>923,830</u>	<u>2,493,644</u>	<u>1,569,814</u>
1,000	1,000	161,690	160,690
-	-	-	-
<u>(951,753)</u>	<u>(956,916)</u>	<u>(1,470,718)</u>	<u>(513,802)</u>
<u>(950,753)</u>	<u>(955,916)</u>	<u>(1,309,028)</u>	<u>(353,112)</u>
(34,874)	(32,086)	1,184,616	1,216,702
<u>34,874</u>	<u>32,086</u>	<u>(3,205,705)</u>	<u>(3,237,791)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,021,089)</u>	<u>\$ (2,021,089)</u>

**City of Newburgh, New York**

**General Fund  
Schedule of Revenues and Other Financing Sources Compared to Budget  
Year Ended December 31, 2012  
(With Comparative Actuals for 2011)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
<b>REAL PROPERTY TAXES</b>	\$ 19,483,461	\$ 19,483,461	\$ 17,519,568	\$ (1,963,893)	\$ 18,034,246
<b>OTHER TAX ITEMS</b>					
Gain on sale of tax acquired property	65,000	65,000	65,603	603	81,682
Payments in lieu of taxes	218,243	218,243	321,801	103,558	205,917
Interest and penalties on real property taxes	565,000	565,000	1,081,909	516,909	871,658
	848,243	848,243	1,469,313	621,070	1,159,257
<b>NON-PROPERTY TAXES</b>					
Non-property tax distribution from County	8,500,000	8,500,000	9,548,145	1,048,145	9,019,275
Utilities gross receipts taxes	1,375,000	1,375,000	995,283	(379,717)	1,400,534
Franchise fees	225,000	225,000	391,340	166,340	176,334
	10,100,000	10,100,000	10,934,768	834,768	10,596,143
<b>DEPARTMENTAL INCOME</b>					
Tax search charges	55,000	55,000	78,825	23,825	59,665
Tax sale advertising	-	-	121,404	121,404	107,850
Comptroller	70,500	70,500	297,659	227,159	213,545
Assessor fees	500	500	800	300	766
Clerk fees	20,000	20,000	16,464	(3,536)	17,901
Civil service fees	1,000	1,000	6,774	5,774	470
Corporation counsel	-	-	1,950	1,950	3,200
Police	150,000	150,000	119,027	(30,973)	127,153
Fire	2,500	2,500	1,237	(1,263)	6,055
Public pound	1,500	1,500	1,006	(494)	511
Safety inspection	250,000	250,000	265,705	15,705	231,062
Vital statistics	75,000	75,000	67,230	(7,770)	67,404
Public works	-	-	-	-	40,755

Parking lot fees	8,000	8,000	7,100	(900)	15,589
Metered parking	65,000	65,000	51,316	(13,684)	28,373
Parks and recreation	84,244	84,244	75,506	(8,738)	58,591
Summer camp	13,000	13,000	15,590	2,590	13,880
Planning and zoning fees	25,000	25,000	18,796	(6,204)	9,145
Architectural review	6,000	6,000	4,150	(1,850)	3,950
Miscellaneous	-	-	750	750	183
	<u>827,244</u>	<u>827,244</u>	<u>1,151,289</u>	<u>324,045</u>	<u>1,006,048</u>

**INTRAGOVERNMENTAL CHARGES**

Charges for services to other funds					
Community Development Fund	15,000	15,000	-	(15,000)	86,047
Water Fund	1,373,843	1,373,843	1,073,843	(300,000)	681,042
Sewer Fund	1,552,377	1,552,377	1,252,377	(300,000)	955,054
Sanitation Fund	544,742	544,742	524,742	(20,000)	341,853
	<u>3,485,962</u>	<u>3,485,962</u>	<u>2,850,962</u>	<u>(635,000)</u>	<u>2,063,996</u>

**INTERGOVERNMENTAL CHARGES**

Civil service	70,710	70,710	67,235	(3,475)	66,881
Community resource officers	100,000	100,000	106,667	6,667	166,667
Urban renewal	25,000	25,000	-	(25,000)	30,000
	<u>195,710</u>	<u>195,710</u>	<u>173,902</u>	<u>(21,808)</u>	<u>263,548</u>

**USE OF MONEY AND PROPERTY**

Earnings on investments	326,000	326,000	130,270	(195,730)	26,770
Rental of real property	46,000	46,000	66,650	20,650	84,510
	<u>372,000</u>	<u>372,000</u>	<u>196,920</u>	<u>(175,080)</u>	<u>111,280</u>

**LICENSES AND PERMITS**

Business and occupational licenses	40,000	40,000	17,758	(22,242)	26,880
Dog licenses	-	-	2,302	2,302	2,754
Building permits	75,000	75,000	320,421	245,421	54,991
Street opening permits	50,000	50,000	62,125	12,125	50,575
Other permits	70,000	70,000	70,102	102	59,884
	<u>235,000</u>	<u>235,000</u>	<u>472,708</u>	<u>237,708</u>	<u>195,084</u>

(Continued)

**City of Newburgh, New York**

General Fund

Schedule of Revenues and Other Financing Sources Compared to Budget (Continued)

Year Ended December 31, 2012

(With Comparative Actuals for 2011)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
<b>FINES AND FORFEITURES</b>					
Fines and forfeited bail	\$ 520,000	\$ 520,000	\$ 498,869	\$ (21,131)	\$ 582,475
Parking violations	20,000	20,000	67,915	47,915	22,895
	540,000	540,000	566,784	26,784	605,370
<b>STATE AID</b>					
Per capita	4,259,402	4,259,402	4,464,656	205,254	4,464,656
Mortgage tax	175,000	175,000	154,328	(20,672)	119,446
Court facilities	300,532	300,532	262,087	(38,445)	229,226
Real property assessment	-	-	-	-	26,778
Stop D.W.I.	5,000	5,000	6,809	1,809	12,259
Consolidated highway improvement program	230,000	230,000	241,438	11,438	-
State highway maintenance	85,000	85,000	-	(85,000)	84,508
Youth programs	22,691	22,691	4,456	(18,235)	23,993
Disaster assistance	-	-	42,426	42,426	-
	5,077,625	5,077,625	5,176,200	98,575	4,960,866
<b>FEDERAL AID</b>					
Bulletproof vest grant	-	-	-	-	3,480
Disaster assistance	-	-	127,277	127,277	-
Other	13,000	13,000	32,819	19,819	29,972
	13,000	13,000	160,096	147,096	33,452

**MISCELLANEOUS**

Reimbursement for direct and indirect expenses  
 Refund of prior year's expenditures  
 Medicare part D reimbursement  
 Gifts and donations  
 Employee health contributions  
 Other

-	-	-	-	-	23,379
-	-	117,316	117,316	117,316	121,858
110,000	110,000	123,853	13,853	13,853	95,224
10,000	10,000	5,780	(4,220)	(4,220)	10,323
110,000	110,000	67,674	(42,326)	(42,326)	85,393
3,000	3,000	62,264	59,264	59,264	77,293
<u>233,000</u>	<u>233,000</u>	<u>376,887</u>	<u>143,887</u>	<u>143,887</u>	<u>413,470</u>
<u>41,411,245</u>	<u>41,411,245</u>	<u>41,049,397</u>	<u>(361,848)</u>	<u>(361,848)</u>	<u>39,442,760</u>

**TOTAL REVENUES****OTHER FINANCING SOURCES**

Insurance recoveries  
 Bonds issued

1,000	1,000	254,428	253,428	253,428	161,690
-	-	7,073,000	7,073,000	7,073,000	-

**TOTAL OTHER FINANCING SOURCES**

<u>1,000</u>	<u>1,000</u>	<u>7,327,428</u>	<u>7,326,428</u>	<u>7,326,428</u>	<u>161,690</u>
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**TOTAL REVENUES AND OTHER FINANCING SOURCES**

<u>\$ 41,412,245</u>	<u>\$ 41,412,245</u>	<u>\$ 48,376,825</u>	<u>\$ 6,964,580</u>	<u>\$ 6,964,580</u>	<u>\$ 39,604,450</u>
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City of Newburgh, New York

General Fund  
 Schedule of Expenditures and Other Financing Uses Compared to Budget  
 Year Ended December 31, 2012  
 (With Comparative Actuals for 2011)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
<b>GENERAL GOVERNMENT SUPPORT</b>					
City Council	\$ 105,842	\$ 112,024	\$ 94,265	\$ 17,759	\$ 63,871
Unified City Court	413,510	312,404	239,622	72,782	270,365
Mayor	68,562	68,579	57,930	10,649	42,921
City Manager	399,351	401,870	392,783	9,087	389,391
City Comptroller	692,810	698,658	694,023	4,635	718,078
Tax Collection	363,930	357,079	333,204	23,875	354,447
Assessment	206,167	203,536	192,153	11,383	174,967
Property Management	190,686	201,815	197,397	4,418	164,375
City Clerk	413,268	413,549	394,166	19,383	387,125
Corporation Counsel	2,090,797	1,806,601	1,575,003	231,598	1,462,588
Civil Service Commission	135,299	135,391	130,061	5,330	133,160
Engineering	422,807	355,289	327,717	27,572	286,285
Elections	50,000	75,240	75,240	-	48,176
Records management	18,708	21,208	19,289	1,919	18,393
Municipal buildings	149,501	148,721	127,341	21,380	104,494
Central printing	160,070	141,690	141,742	(52)	54,047
Data processing	365,777	384,449	370,608	13,841	430,727
Costs of debt issuance	116,439	343,969	170,261	173,708	338,027
Special items					
Auditing services	72,100	72,100	-	72,100	70,000
Municipal association dues	6,731	6,731	6,731	-	-
Uncollectible property taxes	700,000	700,000	-	700,000	-
Miscellaneous					
Contractual	15,000	-	-	-	-
Judgments and claims	255,000	455,000	832,765	(377,765)	303,885
Contingency	500,000	90,001	-	90,001	-
	<u>7,912,355</u>	<u>7,505,904</u>	<u>6,372,301</u>	<u>1,133,603</u>	<u>5,815,322</u>

**PUBLIC SAFETY**

Police	12,395,925	13,190,794	13,100,323	90,471	12,577,940
Police	442,845	317,222	302,072	15,150	340,482
Court transportation	274,073	289,934	282,012	7,922	242,437
Traffic control	89,922	128,807	121,931	6,876	118,734
On-street parking	60,435	76,565	73,195	3,370	64,909
Public pound					
	<u>13,263,200</u>	<u>14,003,322</u>	<u>13,879,533</u>	<u>123,789</u>	<u>13,344,502</u>

**Fire**

Fire	9,270,940	8,804,393	8,748,761	55,632	7,988,506
Code enforcement	577,538	639,525	582,122	57,403	663,397

9,848,478      9,443,918      9,330,883      113,035      8,651,903

23,111,678      23,447,240      23,210,416      236,824      21,996,405

**TRANSPORTATION**

Public works administration	413,147	422,749	374,503	48,246	365,712
Streets and bridges	720,372	725,293	704,084	21,209	797,730
Highway resurfacing	230,000	230,000	229,558	442	-
Garage	397,559	432,604	418,186	14,418	284,875
Police garage	231,692	234,579	225,010	9,569	371,133
Snow removal	241,290	139,954	64,485	75,469	212,771
Street lighting	390,000	473,409	471,788	1,621	423,654
Off-street parking	10,000	10,000	4,461	5,539	4,645

2,634,060      2,668,588      2,492,075      176,513      2,460,520

**ECONOMIC OPPORTUNITY AND DEVELOPMENT**

Community action neighborhood center	-	-	-	-	148
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(Continued)

City of Newburgh, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)  
 Year Ended December 31, 2012  
 (With Comparative Actuals for 2011)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2011 Actual
<b>CULTURE AND RECREATION</b>					
Parks	\$ 296,658	\$ 304,567	\$ 282,966	\$ 21,601	\$ 297,286
Shade tree commission	1,000	1,000	1,000	-	-
Dutch reformed church	2,500	2,500	1,010	1,490	1,233
Recreation	248,026	231,965	219,691	12,274	265,108
Delano-Hitch pool	76,120	76,120	58,001	18,119	57,528
Delano-Hitch park and stadium maintenance	91,058	76,543	59,220	17,323	31,681
Youth and family	35,837	36,523	23,127	13,396	27,906
Summer playgrounds on wheels	26,735	26,735	14,262	12,473	13,776
Summer youth camp services	32,128	32,128	22,325	9,803	16,322
Youth voice project	11,278	11,278	50	11,228	-
Historian	3,095	3,095	2,866	229	2,872
Celebrations	24,750	24,750	12,323	12,427	11,956
Senior citizen recreation	9,000	9,000	7,509	1,491	6,105
	858,185	836,204	704,350	131,854	731,773
<b>HOME AND COMMUNITY SERVICES</b>					
Zoning Board	7,042	7,048	5,721	1,327	4,914
Planning Board	6,092	6,098	5,103	995	4,472
Architectural review commission	10,000	10,000	8,072	1,928	7,887
Waterfront advisory committee	3,725	3,725	3,500	225	3,500
Planning and management development	256,883	226,137	207,371	18,766	259,691
	283,742	253,008	229,767	23,241	280,464

**EMPLOYEE BENEFITS**

Hospitalization, medical and dental - Unallocated	20,000	20,000	12,503	7,497	-
Workers' compensation benefits	1,730,000	1,737,444	1,639,518	97,926	1,574,265
Welfare fund	1,228	1,228	-	1,228	-
Employee assistance program	7,000	7,000	4,991	2,009	-
	<u>1,758,228</u>	<u>1,765,672</u>	<u>1,657,012</u>	<u>108,660</u>	<u>1,574,265</u>

**DEBT SERVICE**

Principal					
Bonds	960,214	960,214	960,214	-	1,043,910
Capital leases	25,970	26,131	26,131	-	44,760
Energy performance contract	94,087	94,087	94,087	-	90,179
	<u>1,080,271</u>	<u>1,080,432</u>	<u>1,080,432</u>	<u>-</u>	<u>1,178,849</u>

**Interest**

Bonds	886,511	886,511	886,510	1	942,169
Capital leases	5,778	5,617	5,616	1	7,867
Bond anticipation notes	1,128,710	909,710	884,471	25,239	1,387,312
Tax anticipation notes	312,000	234,156	234,156	-	271,489
School District - Property taxes	-	-	-	-	240,949
Energy performance contract	57,676	57,676	57,676	-	61,584
	<u>2,390,675</u>	<u>2,093,670</u>	<u>2,068,429</u>	<u>25,241</u>	<u>2,911,370</u>
	<u>3,470,946</u>	<u>3,174,102</u>	<u>3,148,861</u>	<u>25,241</u>	<u>4,090,219</u>
<b>TOTAL EXPENDITURES</b>	<b>40,029,194</b>	<b>39,650,718</b>	<b>37,814,782</b>	<b>1,835,936</b>	<b>36,949,116</b>

**OTHER FINANCING USES**

Transfers out	-	-	117,797	(117,797)	84,801
Grants Fund	1,602,772	1,981,248	381,476	1,599,772	1,385,917
Capital Projects Fund					
	<u>1,602,772</u>	<u>1,981,248</u>	<u>499,273</u>	<u>1,481,975</u>	<u>1,470,718</u>

**TOTAL OTHER FINANCING USES****TOTAL EXPENDITURES AND OTHER FINANCING USES**

	<u>\$ 41,631,966</u>	<u>\$ 41,631,966</u>	<u>\$ 38,314,055</u>	<u>\$ 3,317,911</u>	<u>\$ 38,419,834</u>
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**City of Newburgh, New York**

Capital Projects Fund  
 Comparative Balance Sheet  
 December 31,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash		
Demand deposits	\$ 5,397,084	\$ 5,661,043
Due from other governments	<u>2,040,868</u>	<u>2,404,838</u>
Total Assets	<u>\$ 7,437,952</u>	<u>\$ 8,065,881</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>		
Liabilities		
Accounts payable	\$ 66,442	\$ 436,697
Retainages payable	-	45,687
Due to other funds	2,224,829	2,100,002
Bond anticipation notes payable	<u>-</u>	<u>10,943,244</u>
Total Liabilities	<u>2,291,271</u>	<u>13,525,630</u>
Fund balance (deficit)		
Restricted	5,146,681	-
Unassigned	<u>-</u>	<u>(5,459,749)</u>
Total Fund Balance (Deficit)	<u>5,146,681</u>	<u>(5,459,749)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 7,437,952</u>	<u>\$ 8,065,881</u>

**City of Newburgh, New York**

Capital Projects Fund  
 Comparative Statement of Revenues, Expenditures and Changes  
 in Fund Balance  
 Years Ended December 31,

	2012	2011
<b>REVENUES</b>		
Use of money and property	\$ 19,487	\$ 19,949
State aid	215,947	687,333
Federal aid	-	4,881,508
<b>Total Revenues</b>	<b>235,434</b>	<b>5,588,790</b>
<b>EXPENDITURES</b>		
Capital outlay	447,248	3,530,834
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(211,814)</b>	<b>2,057,956</b>
<b>OTHER FINANCING SOURCES</b>		
Bonds issued	10,436,768	-
Transfers in	381,476	1,385,917
<b>Total Other Financing Sources</b>	<b>10,818,244</b>	<b>1,385,917</b>
<b>Net Change in Fund Balance</b>	<b>10,606,430</b>	<b>3,443,873</b>
Deficit - Beginning of Year	(5,459,749)	(8,903,622)
<b>Fund Balance (Deficit) - End of Year</b>	<b>\$ 5,146,681</b>	<b>\$ (5,459,749)</b>

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**City of Newburgh, New York**

Community Development Fund  
Comparative Balance Sheet  
December 31,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash		
Demand deposits	\$ 1,606,834	\$ 1,664,962
Receivables		
Due from other governments	1,333,969	1,228,255
Loans receivable, net of allowance for uncollectible amounts of \$170,711 in 2012 and 2011	595,755	701,622
Due from other funds	398,881	1,026,629
	<u>2,328,605</u>	<u>2,956,506</u>
Total Assets	<u>\$ 3,935,439</u>	<u>\$ 4,621,468</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 63	\$ 390,511
Due to other funds	262,694	116,872
Due to other governments	-	111,157
Unearned revenues	1,918,605	1,919,650
Total Liabilities	2,181,362	2,538,190
Fund Balance		
Assigned	<u>1,754,077</u>	<u>2,083,278</u>
Total Liabilities and Fund Balance	<u>\$ 3,935,439</u>	<u>\$ 4,621,468</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,

	2012			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Departmental income	\$ -	\$ -	\$ 135,486	\$ 135,486
Use of money and property	-	-	7,906	7,906
State aid	-	-	-	-
Federal aid	1,228,255	1,228,255	581,042	(647,213)
Miscellaneous	-	-	1,181	1,181
<b>Total Revenues</b>	<b>1,228,255</b>	<b>1,228,255</b>	<b>725,615</b>	<b>(502,640)</b>
<b>EXPENDITURES</b>				
Current				
Home and community services	1,228,255	1,228,255	687,350	540,905
Debt service				
Principal	-	-	350,000	(350,000)
Interest	-	-	17,466	(17,466)
<b>Total Expenditures</b>	<b>1,228,255</b>	<b>1,228,255</b>	<b>1,054,816</b>	<b>173,439</b>
Deficiency of Revenues Over Expenditures	-	-	(329,201)	(329,201)
<b>OTHER FINANCING USES</b>				
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	(329,201)	(329,201)
Fund Balance - Beginning of Year	-	-	2,083,278	2,083,278
Fund Balance - End of Year	\$ -	\$ -	\$ 1,754,077	\$ 1,754,077

2011

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)
-	-	(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**

Non-Major Governmental Funds

Combining Balance Sheet

December 31, 2012

(With Comparative Totals for 2011)

	Special Purpose Fund	Grants Fund	Total Non-Major Governmental Funds	
			2012	2011
<b>ASSETS</b>				
Cash and equivalents	\$ 20,718	\$ 357,819	\$ 378,537	\$ 495,346
Due from other governments	-	365,857	365,857	478,676
Due from other funds	-	354,310	354,310	10,419
Prepaid expenditures	-	10,985	10,985	-
<b>Total Assets</b>	<b>\$ 20,718</b>	<b>\$ 1,088,971</b>	<b>\$ 1,109,689</b>	<b>\$ 984,441</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ 50,759	\$ 50,759	\$ 71,155
Due to other governments	-	40,084	40,084	-
Due to other funds	-	990,849	990,849	879,718
Unearned revenues	-	7,279	7,279	5,000
<b>Total Liabilities</b>	<b>-</b>	<b>1,088,971</b>	<b>1,088,971</b>	<b>955,873</b>
Fund balances (deficits)				
Nonspendable	-	10,985	10,985	-
Restricted	20,718	-	20,718	28,568
Unassigned	-	(10,985)	(10,985)	-
<b>Total Fund Balances</b>	<b>20,718</b>	<b>-</b>	<b>20,718</b>	<b>28,568</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,718</b>	<b>\$ 1,088,971</b>	<b>\$ 1,109,689</b>	<b>\$ 984,441</b>

**City of Newburgh, New York**

Non-Major Governmental Funds  
 Combining Statement Of Revenues, Expenditures And Changes  
 In Fund Balances  
 Year Ended December 31, 2012  
 (With Comparative Totals for 2011)

	Special Purpose Fund	Grants Fund	Total Non-Major Governmental Funds	
			2012	2011
<b>REVENUES</b>				
Use of money and property	\$ -	\$ 322	\$ 322	\$ 242
State aid	-	365,935	365,935	377,529
Federal aid	-	1,426,854	1,426,854	1,644,676
Miscellaneous	9,924	28,139	38,063	65,489
<b>Total Revenues</b>	<b>9,924</b>	<b>1,821,250</b>	<b>1,831,174</b>	<b>2,087,936</b>
<b>EXPENDITURES</b>				
Current				
General government support	-	10,500	10,500	44,650
Public safety	-	749,834	749,834	976,431
Transportation	-	343,770	343,770	309,113
Culture and recreation	17,774	827,443	845,217	871,745
Home and community services	-	7,500	7,500	-
<b>Total Expenditures</b>	<b>17,774</b>	<b>1,939,047</b>	<b>1,956,821</b>	<b>2,201,939</b>
Deficiency of Revenues Over Expenditures	(7,850)	(117,797)	(125,647)	(114,003)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	117,797	117,797	107,217
<b>Net Change in Fund Balances</b>	<b>(7,850)</b>	<b>-</b>	<b>(7,850)</b>	<b>(6,786)</b>
Fund Balances - Beginning of Year	28,568	-	28,568	35,354
<b>Fund Balances - End of Year</b>	<b>\$ 20,718</b>	<b>\$ -</b>	<b>\$ 20,718</b>	<b>\$ 28,568</b>

City of Newburgh, New York

Special Purpose Fund  
Comparative Balance Sheet  
December 31,

---

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash		
Demand deposits	\$ 20,718	\$ 18,308
Due from other funds	-	10,419
	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 20,718</u>	<u>\$ 28,727</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ -	\$ 159
 Fund balance		
Restricted	<u>20,718</u>	<u>28,568</u>
	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balance	<u>\$ 20,718</u>	<u>\$ 28,727</u>

**City of Newburgh, New York**

Special Purpose Fund  
Comparative Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Years Ended December 31,

---

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Miscellaneous	\$ 9,924	\$ 10,691
<b>EXPENDITURES</b>		
Current		
Culture and recreation	<u>17,774</u>	<u>17,477</u>
Deficiency of Revenues Over Expenditures	(7,850)	(6,786)
Fund Balance - Beginning of Year	<u>28,568</u>	<u>35,354</u>
Fund Balance - End of Year	<u><u>\$ 20,718</u></u>	<u><u>\$ 28,568</u></u>

City of Newburgh, New York

Grants Fund  
Comparative Balance Sheet  
December 31,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash		
Demand deposits	\$ 357,819	\$ 477,038
Due from other governments	365,857	478,676
Due from other funds	354,310	-
Prepaid expenditures	10,985	-
	<u>1,088,971</u>	<u>955,714</u>
Total Assets	<u>\$ 1,088,971</u>	<u>\$ 955,714</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 50,759	\$ 70,996
Due to other governments	40,084	-
Due to other funds	990,849	879,718
Unearned revenues	7,279	5,000
	<u>1,088,971</u>	<u>955,714</u>
Total Liabilities	<u>1,088,971</u>	<u>955,714</u>
Fund balance (deficit)		
Nonspendable	10,985	-
Unassigned	(10,985)	-
	<u>-</u>	<u>-</u>
Total Fund Balance	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 1,088,971</u>	<u>\$ 955,714</u>

**City of Newburgh, New York**

Grants Fund  
 Comparative Statement of Revenues, Expenditures and Changes in  
 Fund Balance  
 Years Ended December 31,

	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>		
Use of money and property	\$ 322	\$ 242
State aid	365,935	377,529
Federal aid	1,426,854	1,644,676
Miscellaneous	28,139	54,798
	<u>1,821,250</u>	<u>2,077,245</u>
<b>EXPENDITURES</b>		
Current		
General government support	10,500	44,650
Public safety	749,834	976,431
Transportation	343,770	309,113
Culture and recreation	827,443	854,268
Home and community services	7,500	-
	<u>1,939,047</u>	<u>2,184,462</u>
Deficiency of Revenues Over Expenditures	(117,797)	(107,217)
<b>OTHER FINANCING SOURCES</b>		
Transfers in	<u>117,797</u>	<u>107,217</u>
Net Change in Fund Balance	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Newburgh, New York

Enterprise Fund - Water Fund  
Comparative Statement of Net Position  
December 31,

	2012	2011
<b>ASSETS</b>		
Current assets		
Cash		
Demand deposits	\$ 6,295,734	\$ 4,254,116
Petty cash	500	500
	<u>6,296,234</u>	<u>4,254,616</u>
Receivables		
Accounts	2,009,902	2,291,948
Due from other governments	-	235,312
Due from other funds	2,141,258	-
	<u>4,151,160</u>	<u>2,527,260</u>
Prepaid expenses		
	43,041	42,574
Total Current Assets	<u>10,490,435</u>	<u>6,824,450</u>
Noncurrent assets		
Capital assets		
Land	7,248,449	7,248,449
Construction-in-progress	2,875,994	2,811,251
Buildings and improvements	935,688	935,688
Improvements other than buildings	404,164	404,164
Machinery and equipment	1,937,457	1,930,697
Infrastructure	21,360,957	21,320,310
Less accumulated depreciation	<u>(10,416,357)</u>	<u>(10,005,662)</u>
Total Capital Assets, net	<u>24,346,352</u>	<u>24,644,897</u>
Total Assets	<u>34,836,787</u>	<u>31,469,347</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	46,721	98,560
Accrued interest payable	204,415	116,793
Due to other funds	2,913,251	229,684
Bond anticipation notes payable	-	4,660,667
Current maturities of bonds payable	257,613	239,393
Current maturities of loans payable	325,587	323,622
Current portion of compensated absences	27,000	21,000
Total Current Liabilities	<u>3,774,587</u>	<u>5,689,719</u>
Noncurrent liabilities		
Bonds payable, less current maturities	8,506,832	4,226,911
Loans payable, less current maturities	6,936,569	7,262,156
Compensated absences, less current portion	242,200	192,092
Other post employment benefit obligations payable	<u>1,743,780</u>	<u>1,501,604</u>
Total Noncurrent Liabilities	<u>17,429,381</u>	<u>13,182,763</u>
Total Liabilities	<u>21,203,968</u>	<u>18,872,482</u>
<b>NET POSITION</b>		
Net investment in capital assets	7,979,290	10,139,957
Unrestricted	<u>5,653,529</u>	<u>2,456,908</u>
Total Net Position	<u>\$ 13,632,819</u>	<u>\$ 12,596,865</u>

**City of Newburgh, New York**

Enterprise Fund - Water Fund  
 Comparative Statement of Revenues, Expenses and Changes in  
 Net Position  
 Years Ended December 31,

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Metered sales	\$ 5,678,374	\$ 5,983,865
Penalties	67,468	44,574
Miscellaneous	15,427	60,809
	<u>5,761,269</u>	<u>6,089,248</u>
<b>OPERATING EXPENSES</b>		
Personal services	1,032,012	969,675
Depreciation	410,695	372,391
Supplies	255,322	262,874
Utilities	180,643	173,238
Insurance	210,700	206,625
Contractual	594,977	544,239
Fees for services	863,143	474,415
Employee benefits	933,729	1,003,847
	<u>4,481,221</u>	<u>4,007,304</u>
Total Operating Expenses	<u>4,481,221</u>	<u>4,007,304</u>
Income from Operations	<u>1,280,048</u>	<u>2,081,944</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	4,641	6,078
Interest expense	(393,045)	(366,581)
	<u>(388,404)</u>	<u>(360,503)</u>
Total Non-Operating Expenses	<u>(388,404)</u>	<u>(360,503)</u>
Income Before Transfers	891,644	1,721,441
Transfers in	144,310	137,620
	<u>1,035,954</u>	<u>1,859,061</u>
Change in Net Position	<u>1,035,954</u>	<u>1,859,061</u>
Net Position - Beginning of Year	<u>12,596,865</u>	<u>10,737,804</u>
Net Position - End of Year	<u>\$ 13,632,819</u>	<u>\$ 12,596,865</u>

**City of Newburgh, New York**

Enterprise Fund - Water Fund  
 Comparative Statement of Cash Flows  
 Years Ended December 31,

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees from customers and miscellaneous	\$ 6,278,627	\$ 6,003,478
Cash payments for goods and services	526,476	(1,530,834)
Cash payments to employees	(1,667,457)	(1,682,155)
Net Cash From Operating Activities	<u>5,137,646</u>	<u>2,790,489</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Due from other funds	(2,141,258)	424,881
Transfers in	144,310	137,620
Net Cash From Non-Capital Financing Activities	<u>(1,996,948)</u>	<u>562,501</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(112,150)	(2,851,377)
Proceeds from debt	4,537,533	2,500,000
Principal paid on debt	(5,223,681)	(667,915)
Interest paid on debt	(305,423)	(337,379)
Net Cash From Capital and Related Financing Activities	<u>(1,103,721)</u>	<u>(1,356,671)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	4,641	6,078
Net Change in Cash	2,041,618	2,002,397
Cash - Beginning of Year	4,254,616	2,252,219
Cash - End of Year	<u>\$ 6,296,234</u>	<u>\$ 4,254,616</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income from operations	\$ 1,280,048	\$ 2,081,944
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	410,695	372,391
Changes in operating assets and liabilities		
Accounts receivable	282,046	(150,458)
Due from other governments	235,312	64,688
Prepaid expenses	(467)	(7,664)
Accounts payable	(51,839)	(91,463)
Due to other funds	2,683,567	229,684
Compensated absences	56,108	(37,145)
Other post employment benefit obligations payable	242,176	328,512
Net Cash From Operating Activities	<u>\$ 5,137,646</u>	<u>\$ 2,790,489</u>

City of Newburgh, New York

Enterprise Fund - Sewer Fund  
 Comparative Statement of Net Position  
 December 31,

	2012	2011
<b>ASSETS</b>		
Current assets		
Cash		
Demand deposits	\$ 2,469,173	\$ 6,344,387
Receivables		
Accounts	1,935,866	2,149,423
Due from other governments, net of allowance for uncollectibles of \$200,000 in 2011	486,036	1,041,495
Due from other funds	4,010,201	1,467,022
	<u>6,432,103</u>	<u>4,657,940</u>
Prepaid expenses	15,502	16,858
Total Current Assets	<u>8,916,778</u>	<u>11,019,185</u>
Noncurrent assets		
Capital assets		
Land	3,001,193	3,001,193
Construction-in-progress	1,708,398	571,667
Buildings and improvements	451,554	451,554
Improvements other than buildings	11,558	11,558
Machinery and equipment	956,160	778,235
Infrastructure	28,519,209	28,519,209
Less accumulated depreciation	<u>(11,372,434)</u>	<u>(10,853,963)</u>
Total Capital Assets, net	<u>23,275,638</u>	<u>22,479,453</u>
Total Assets	<u>32,192,416</u>	<u>33,498,638</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	960,116	50,823
Accrued interest payable	137,503	46,957
Unearned deferred revenues	500,000	532,640
Bond anticipation notes payable	-	4,999,793
Current maturities of bonds payable	120,978	115,394
Current portion of compensated absences	7,700	6,600
Total Current Liabilities	<u>1,726,297</u>	<u>5,752,207</u>
Noncurrent liabilities		
Bonds payable, less current maturities	5,012,333	485,612
Compensated absences, less current portion	69,306	59,382
Other post employment benefit obligations payable	<u>557,380</u>	<u>444,556</u>
Total Noncurrent Liabilities	<u>5,639,019</u>	<u>989,550</u>
Total Liabilities	<u>7,365,316</u>	<u>6,741,757</u>
<b>NET POSITION</b>		
Net investment in capital assets	19,021,574	18,792,882
Unrestricted	<u>5,805,526</u>	<u>7,963,999</u>
Total Net Position	<u>\$ 24,827,100</u>	<u>\$ 26,756,881</u>

**City of Newburgh, New York**

Enterprise Fund - Sewer Fund

Comparative Statement of Revenues, Expenses and Changes in  
Net Position

Years Ended December 31,

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Metered sales	\$ 4,983,825	\$ 5,336,850
Penalties	55,504	40,633
State aid	74,250	-
Federal aid	222,748	-
Miscellaneous	30,237	208,094
	<u>5,366,564</u>	<u>5,585,577</u>
<b>OPERATING EXPENSES</b>		
Personal services	369,999	356,578
Depreciation	518,471	476,042
Supplies and materials	386,041	18,275
Utilities	137,839	132,836
Insurance	210,700	206,625
Contractual	3,977,697	1,991,216
Fees for services	1,041,677	748,426
Employee benefits	296,456	318,251
	<u>6,938,880</u>	<u>4,248,249</u>
Income (Loss) from Operations	<u>(1,572,316)</u>	<u>1,337,328</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	12,831	19,558
Interest expense	<u>(225,986)</u>	<u>(346,174)</u>
Total Non-Operating Expenses	<u>(213,155)</u>	<u>(326,616)</u>
Income (Loss) Before Transfers	(1,785,471)	1,010,712
Transfers out	<u>(144,310)</u>	<u>(137,620)</u>
Change in Net Position	(1,929,781)	873,092
Net Position - Beginning of Year	<u>26,756,881</u>	<u>25,883,789</u>
Net Position - End of Year	<u>\$ 24,827,100</u>	<u>\$ 26,756,881</u>

**City of Newburgh, New York**

Enterprise Fund - Sewer Fund  
 Comparative Statement of Cash Flows  
 Years Ended December 31,

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees from customers and miscellaneous	\$ 5,805,942	\$ 5,144,689
Cash received from Federal and State aid	296,998	-
Cash payments for goods and services	(4,843,305)	(3,572,762)
Cash payments to employees	(542,607)	(557,165)
Net Cash From Operating Activities	<u>717,028</u>	<u>1,014,762</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Due from other funds	(2,543,179)	363,083
Transfers out	(144,310)	(137,620)
Net Cash From Non-Capital Financing Activities	<u>(2,687,489)</u>	<u>225,463</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,314,656)	(685,993)
Proceeds from debt	4,647,699	-
Principal paid on debt	(5,115,187)	(442,437)
Interest paid on debt	(135,440)	(312,228)
Net Cash From Capital and Related Financing Activities	<u>(1,917,584)</u>	<u>(1,440,658)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	12,831	19,558
Net Change in Cash	(3,875,214)	(180,875)
Cash - Beginning of Year	6,344,387	6,525,262
Cash - End of Year	<u>\$ 2,469,173</u>	<u>\$ 6,344,387</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income (loss) from operations	\$ (1,572,316)	\$ 1,337,328
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	518,471	476,042
Changes in operating assets and liabilities		
Accounts receivable	213,557	(110,569)
Due from other governments	555,459	(299,069)
Prepaid expenses	1,356	(4,270)
Accounts payable	909,293	(471,114)
Unearned revenues	(32,640)	(31,250)
Compensated absences	11,024	(2,049)
Other post employment benefit obligations payable	112,824	119,713
Net Cash From Operating Activities	<u>\$ 717,028</u>	<u>\$ 1,014,762</u>

**City of Newburgh, New York**

Enterprise Fund - Sanitation Fund  
 Comparative Statement of Net Position  
 December 31,

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash		
Demand deposits	\$ 433,308	\$ 349,454
Accounts receivable	852,033	977,156
Prepaid expenses	<u>36,117</u>	<u>38,925</u>
Total Current Assets	<u>1,321,458</u>	<u>1,365,535</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	566,062	566,062
Less accumulated depreciation	<u>(562,066)</u>	<u>(550,076)</u>
Total Capital Assets, net	<u>3,996</u>	<u>15,986</u>
Total Assets	<u>1,325,454</u>	<u>1,381,521</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	69,348	83,938
Due to other funds	159,755	334,817
Bond anticipation notes payable	-	220,000
Current maturities of bonds payable	263	-
Current portion of compensated absences	<u>9,900</u>	<u>11,000</u>
Total Current Liabilities	<u>239,266</u>	<u>649,755</u>
Noncurrent liabilities		
Bonds payable, less current maturities	219,737	-
Compensated absences, less current portion	89,412	90,589
Other post employment benefit obligations payable	<u>798,544</u>	<u>532,409</u>
Total Noncurrent Liabilities	<u>1,107,693</u>	<u>622,998</u>
Total Liabilities	<u>1,346,959</u>	<u>1,272,753</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,996	15,986
Unrestricted	<u>(25,501)</u>	<u>92,782</u>
Total Net Position	<u>\$ (21,505)</u>	<u>\$ 108,768</u>

**City of Newburgh, New York**Enterprise Fund -Sanitation Fund  
Comparative Statement of Revenues, Expenses and Changes in  
Net Position  
Years Ended December 31,

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Fees	\$ 2,929,147	\$ 2,882,955
Miscellaneous	14,490	18,720
<b>Total Operating Revenues</b>	<u>2,943,637</u>	<u>2,901,675</u>
<b>OPERATING EXPENSES</b>		
Personal services	779,567	830,898
Depreciation	11,990	11,990
Supplies and materials	104,845	77,935
Insurance	90,300	82,650
Contractual	785,886	862,153
Fees for services	434,442	245,651
Employee benefits	862,362	880,584
<b>Total Operating Expenses</b>	<u>3,069,392</u>	<u>2,991,861</u>
<b>Loss from Operations</b>	<u>(125,755)</u>	<u>(90,186)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	218	1,270
Interest expense	(4,736)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(4,518)</u>	<u>1,270</u>
<b>Change in Net Position</b>	(130,273)	(88,916)
<b>Net Position - Beginning of Year</b>	<u>108,768</u>	<u>197,684</u>
<b>Net Position - End of Year</b>	<u>\$ (21,505)</u>	<u>\$ 108,768</u>

**City of Newburgh, New York**

Enterprise Fund - Sanitation Fund  
 Comparative Statement of Cash Flows  
 Years Ended December 31,

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees from customers and miscellaneous	\$ 3,068,760	\$ 2,832,224
Cash payments for goods and services	(1,427,255)	(1,310,243)
Due to other funds	(175,062)	(591,646)
Cash payments to employees	(1,378,071)	(1,425,320)
Net Cash From Operating Activities	<u>88,372</u>	<u>(494,985)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from debt	220,000	220,000
Payments of debt	(220,000)	-
Interest paid on debt	(4,736)	-
Net Cash From Capital and Related Financing Activities	<u>(4,736)</u>	<u>220,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>218</u>	<u>1,270</u>
Net Change in Cash	83,854	(273,715)
Cash - Beginning of Year	<u>349,454</u>	<u>623,169</u>
Cash - End of Year	<u>\$ 433,308</u>	<u>\$ 349,454</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Loss from operations	\$ (125,755)	\$ (90,186)
Adjustments to reconcile loss from operations to net cash from operating activities		
Depreciation	11,990	11,990
Changes in operating assets and liabilities		
Accounts receivable	125,123	(69,451)
Prepaid expenses	2,808	(9,597)
Accounts payable	(14,590)	(32,257)
Due to other funds	(175,062)	(591,646)
Compensated absences	(2,277)	14,207
Other post employment benefit obligations payable	266,135	271,955
Net Cash From Operating Activities	<u>\$ 88,372</u>	<u>\$ (494,985)</u>

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

**Independent Auditors' Report**

**The Honorable Mayor and Members of the  
City Council of the City of Newburgh, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 9, 2013.

**Internal Control Over Financial Reporting**

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

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

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

O'CONNOR DAVIES, LLP

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## **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of the City in a separate letter.

## **Purpose of this Report**

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

*O'Connor Davies, LLP*  
**O'Connor Davies, LLP**  
Harrison, New York  
April 9, 2013

**Report on Compliance For Each Major Federal Program and on  
Internal Control Over Compliance**

**Independent Auditor's Report**

**The Honorable Mayor and Members of the  
City Council of the City of Newburgh, New York**

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

We have audited the City of Newburgh, New York's ("City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*O'Connor Davies, LLP*

**O'Connor Davies, LLP**

Harrison, New York

April 9, 2013

City of Newburgh, New York

Schedule of Expenditures of Federal Awards  
Year Ending December 31, 2012

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number (1)</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>		
Indirect Programs - Passed through New York State Department of Transportation		
Highway Planning and Construction Grants	20.205	\$ 243,361
State and Community Highway Safety Grants	20.600	4,356
Occupant Protection Incentive Grants	20.602	<u>3,050</u>
Total U.S. Department of Transportation		<u>250,767</u>
<u>U.S. Department of Justice</u>		
Direct Program		
Public Safety Partnership and Community Policing Grants (ARRA)	16.710	255,163
Indirect Programs - Passed through New York State Department of Justice		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11,564
Project Safe Neighborhoods Grants	16.609	23,379
Congressionally Recommended Awards	16.753	39,006
Indirect Program - Passed through Orange County		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>12,402</u>
Total U.S. Department of Justice		<u>341,514</u>
<u>U.S. Department of Commerce Economic Development Administration</u>		
Indirect Program - Passed through the Solar Energy Consortium, Inc. (TSEC)		
Economic Adjustment Assistance	11.307	<u>2,079</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs		
Community Development		
Block Grant	14.218	483,867
Block Grant (ARRA)	14.253	<u>97,175</u>
		581,042
HUD Economic Development Initiative	14.251	<u>7,500</u>
Total U.S. Department of Housing and Urban Development		<u>588,542</u>
<u>U.S. Department of Education</u>		
Indirect Program - Passed through New York State Department of Education		
Twenty-First Century Community Learning Centers	84.287	<u>824,886</u>
<u>U.S. Department of Health and Human Services</u>		
Indirect Program - Passed through Catholic Charities Community Services of Orange County		
Drug-Free Communities Support Program Grants	93.276	<u>1,971</u>
<u>U.S. Department of Homeland Security</u>		
Indirect Program - Passed through New York State Emergency Office		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>350,025</u>
Total		<u>\$ 2,359,784</u>

(1) Catalog of Federal Domestic Assistance number.

**City of Newburgh, New York**

Notes to Schedule of Expenditures of Federal Awards  
December 31, 2012

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards presents all activity of all federal awards programs for the year ended December 31, 2012. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

2. *Summary of Significant Accounting Policies*

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. *Relationship to Financial Statements*

The City's fund financial statements are presented using the modified accrual basis of accounting.

**City of Newburgh, New York**

**Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2012**

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None

City of Newburgh, New York

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2012

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued

Qualified

Internal control over financial reporting:

- Material weakness(es) identified
- Significant deficiency(ies) identified?
- Noncompliance material to financial statements noted?

Yes       No  
 Yes       None reported  
 Yes       No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

Yes       No  
 Yes       None reported

Type of auditors' report issued on compliance  
for major programs

Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with Section 510(a) of Circular A-133?

Yes       No

Identification of major programs

CFDA Number(s)

Name of Federal Program or Cluster

16.710  
97.036

Public Safety Partnership and Community Policing Grants (ARRA)  
Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish  
between Type A and Type B programs  
Auditee qualified as low-risk auditee?

\$300,000  
 Yes       No



