

**City of Newburgh, New York**

Financial Statements and  
Supplementary Information

Year Ended December 31, 2013



# City of Newburgh, New York

## Table of Contents

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	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Community Development Funds	21
Proprietary Funds	
Statement of Net Position	23
Statement of Revenues, Expenses and Changes in Net Position	24
Statement of Cash Flows	25
Statement of Assets and Liabilities - Fiduciary Fund	27
Notes to the Financial Statements	28
Required Supplementary Information	
Other Postemployment Benefits - Schedule of Funding Progress - Last Three Fiscal Years	58
Combining and Individual Fund Financial Statements and Schedules	
Major Governmental Funds	
General Fund	
Comparative Balance Sheet	59
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	60
Schedule of Revenues and Other Financing Sources Compared to Budget	62
Schedule of Expenditures and Other Financing Uses Compared to Budget	66
Capital Projects Fund	
Comparative Balance Sheet	70
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	71
Community Development Fund	
Comparative Balance Sheet	72
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	73

## Table of Contents (Concluded)

	<u>Page No.</u>
Non-Major Governmental Funds	
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	76
Special Purpose Fund	
Comparative Balance Sheet	77
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	78
Grants Fund	
Comparative Balance Sheet	79
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	80
Proprietary Funds	
Enterprise Funds	
Water Fund	
Comparative Statement of Net Position	81
Comparative Statement of Revenues, Expenses and Changes in Net Position	82
Comparative Statement of Cash Flows	83
Sewer Fund	
Comparative Statement of Net Position	84
Comparative Statement of Revenues, Expenses and Changes in Net Position	85
Comparative Statement of Cash Flows	86
Sanitation Fund	
Comparative Statement of Net Position	87
Comparative Statement of Revenues, Expenses and Changes in Net Position	88
Comparative Statement of Cash Flows	89
Federal Programs	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90
Report on Compliance for Each Major Program and on Internal Control Over Compliance	92
Schedule of Expenditures of Federal Awards	94
Notes to Schedule of Expenditures of Federal Awards	95
Summary Schedule of Prior Audit Findings	96
Schedule of Findings and Questioned Costs	97

## Independent Auditors' Report

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

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

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, 2013, 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, 2013. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates 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.

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## **Qualified Opinion**

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Community Development funds 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 and 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2014 on our 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  
July 2, 2014

## City of Newburgh, New York

### Management's Discussion and Analysis (MD&A) December 31, 2013

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, 2013. Please read it in conjunction with the City financial statements.

#### Financial Highlights

- The assets of the City exceeded its liabilities at December 31, 2013 by \$ 33.6 million (net position). The net position at the end of 2013 includes a negative \$ 33 million of unrestricted net position to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$566,808 as a result of this year's operations. This compares with 2012 as follows:

	<u>2013</u>	<u>2012</u>	<u>% Change</u>
Total Expenses	\$ 58,701,984	\$ 59,627,904	-1.58%
Total Revenues	<u>58,135,176</u>	<u>55,558,460</u>	4.43%
Change in Net Position	<u>\$ (566,808)</u>	<u>\$ (4,069,444)</u>	-617.96%
Incurred by:			
Governmental Activities	\$ (2,526,053)	\$ (3,045,344)	-20.56%
Business-type Activities	1,959,245	(1,024,100)	152.27%

- The General Fund reports an operating profit this year of \$ 1.2 million. The main reasons were the City Council, Manager and all staff working together to reduce expenditures and increased collection of revenues.
- The City's total long-term obligations increased from \$103.7 million to \$116.2 million. This increase is principally due to a new "CWSRF" loan under business-type activity in the amount of \$8.98 million and the increase in Other Post Employment Benefits ("OPEB") by \$6.8 million in 2013.

#### 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 2013, 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 2013 to 2012 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 act 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 \$ 33.6 million at the end of 2013, compared to \$ 34.2 million at the end of 2012.

By far the largest portion of the City's \$ 33.6 million net position reflects its investment of \$ 62.5 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, \$4.1 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* (\$33.0) 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 \$9.3 million from Business-type activities and a negative of (\$42.4) million from Governmental Activities.

**Net Position**  
**(\$ in millions)**

	Governmental Activities		Business-type Activities		Total City	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 27.0	\$ 22.7	\$ 23.9	\$ 17.7	\$ 50.9	\$ 40.4
Capital Assets	55.9	55.8	52.4	47.6	108.3	103.4
Total Assets	<u>82.9</u>	<u>78.5</u>	<u>76.3</u>	<u>65.3</u>	<u>159.2</u>	<u>143.8</u>
Long-term debt obligations	82.3	78.8	33.9	24.9	116.2	103.7
Other Liabilities	7.4	3.9	2.0	2.0	9.4	5.9
Total Liabilities	<u>89.7</u>	<u>82.7</u>	<u>35.9</u>	<u>26.9</u>	<u>125.6</u>	<u>109.6</u>
Net Assets						
Net investment in						
Capital Assets	31.4	31.3	31.0	27.0	62.4	58.3
Restricted	4.1	3.8	-	-	4.1	3.8
Unrestricted (deficit)	(42.3)	(39.3)	9.4	11.4	(32.9)	(27.9)
Total Net Position	<u>\$ (6.8)</u>	<u>\$ (4.2)</u>	<u>\$ 40.4</u>	<u>38.4</u>	<u>\$ 33.6</u>	<u>\$ 34.2</u>

The following schedule shows the comparison of 2013 versus 2012 Changes in Net Position:

	<b>Changes in Net Position</b>					
	(\$ in millions)					
	Governmental Activities		Business-type Activities		Total City	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 2.2	\$ 2.6	\$ 15.2	\$ 14.1	\$ 17.4	\$ 16.7
Operating grants and contributions	3.2	3.4	-	-	3.2	3.4
Capital grants and contributions	0.7	0.2	-	-	0.7	0.2
General Revenues:						
Property taxes	19.3	17.7	-	-	19.3	17.7
Other tax items	1.3	1.5	-	-	1.3	1.5
Non-property taxes	11.3	10.9	-	-	11.3	10.9
Grants and contributions not restricted to specific programs	4.6	4.6	-	-	4.6	4.6
Other	0.3	0.6	-	-	0.3	0.6
Total revenues	<u>42.9</u>	<u>41.5</u>	<u>15.2</u>	<u>14.1</u>	<u>58.1</u>	<u>55.6</u>
<b>Expenses</b>						
General government	4.9	4.8	-	-	4.9	4.8
Public Safety	32.5	31.4	-	-	32.5	31.4
Transportation	3.2	3.0	-	-	3.2	3.0
Culture and recreation	1.6	1.8	-	-	1.6	1.8
Home and community services	1.7	1.1	-	-	1.7	1.1
Interest on debt	1.6	2.4	-	-	1.6	2.4
Water	-	-	5.0	4.9	5.0	4.9
Sewer	-	-	5.0	7.2	5.0	7.2
Sanitation	-	-	3.2	3.0	3.2	3.0
Total expenses	<u>45.5</u>	<u>44.5</u>	<u>13.2</u>	<u>15.1</u>	<u>58.7</u>	<u>59.6</u>
<b>Change in Net Position</b>						
Current year	(2.6)	(3.0)	2.0	(1.0)	(0.6)	(4.0)
Beginning of year	(4.2)	(1.2)	38.4	39.4	34.2	38.2
End of year	<u>\$ (6.8)</u>	<u>\$ (4.2)</u>	<u>\$ 40.4</u>	<u>\$ 38.4</u>	<u>\$ 33.6</u>	<u>\$ 34.2</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 2013, the City's governmental funds maintained a combined ending fund balance of \$15.2 million. The total includes \$3.7 million *unassigned fund balance*. The remainder of the fund balance (\$11.5) 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 \$1.2 million. This left the city ending 2013 year with a total accumulated fund balance of \$9.2 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, 2013, 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 \$ \$4.0 million. In 2013 a new BAN in the amount of \$3.0 million was issued, of which \$2.5 million was dedicated to various General Fund capital needs. The remaining \$0.5 million was dedicated to the Enterprise Fund capital needs.

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 2013 amounted to \$3.4 million compared to \$5.7 million at the end of 2012. The Sewer Fund amounted to a positive \$5.6 million at the end of 2013 compared to \$5.8 million at the end of 2012. The Sanitation Fund ended 2013 with a positive net position of \$258 thousand compared to a negative \$25 thousand at the end of 2012. The total increase in net position for these funds was \$2.0 million.

**General Fund Budgetary Highlights**

During 2013 there was a slight change in appropriations between the original adopted budget of \$ 43 million and the final amended budget of \$43.2 million. This increase of \$0.2 million was primarily driven by an increase to the Fire Department expenditures.

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, 2013, amounts to \$108.3 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 increase in the City’s net investment in capital assets for 2013 was 4.7 percent (a 0.1 percent increase for governmental activities and a 10.06 percent increase for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 4.4	\$ 4.4	\$ 10.2	\$ 10.2	\$ 14.6	\$ 14.6
Buildings	25.0	25.4	1.1	1.1	26.1	26.5
Improvements, other than buildings	0.6	0.4	0.1	0.1	0.7	0.5
Machinery & Equipment	1.6	1.6	1.6	1.2	3.2	2.8
Infrastructure	13.1	13.5	29.8	30.4	42.9	43.9
Construction-in-progress	11.2	10.5	9.7	4.6	20.9	15.1
<b>Total</b>	<b>\$ 55.9</b>	<b>\$ 55.8</b>	<b>\$ 52.5</b>	<b>\$ 47.6</b>	<b>\$ 108.4</b>	<b>\$ 103.4</b>

- Major capital asset events during 2013 were as follows: 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 ( Construction Phase)
- Water Tank Project – Construction Phase
- Vehicle Replacements (2013 BAN) Sanitation Trucks (2), DPW Plow Trucks and Police Vehicles
- Street Reclamation of Dubois St and Powell Ave

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

**Debt Administration** - Total outstanding long term obligations at the end of 2013 totaled \$116.2 million compared to \$103.7 million at the end of 2012.

At the end of 2013, the City had general obligation bonds and deficit bonds outstanding totaling \$47.9 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	
	2013	2012	2013	2012	2013	2012
<b>SHORT-TERM</b>						
Bond anticipation notes	\$ 2.6	\$ -	\$ 0.4	\$ -	\$ 3.0	\$ -
Tax anticipation notes	-	-	-	-	-	-
<b>LONG-TERM</b>						
General obligation bonds	34.2	35.4	13.7	14.1	47.9	49.5
Loans	-	-	15.9	7.3	15.9	7.3
Capital leases	0.1	0.1	-	-	0.1	0.1
Retirement incentive	0.4	0.5	-	-	0.4	0.5
Energy performance contract	1.2	1.3	-	-	1.2	1.3
Self-Insurance claims and tax certiorari settlements	2.2	2.6			2.2	2.6
Compensated absences	4.8	5.6	0.5	0.4	5.3	6.0
Other post employment benefits	39.3	33.3	3.8	3.1	43.1	36.4
<b>Total obligations</b>	<b>\$ 84.8</b>	<b>\$ 78.8</b>	<b>\$ 34.3</b>	<b>\$ 24.9</b>	<b>\$ 119.1</b>	<b>\$ 103.7</b>

The City's total outstanding obligations, increased by \$15.4 million during 2013. The major contributing factors were the issuance of a new BAN in the total amount of \$3.0 million and an EFC loan in the amount of \$8.9 million for the repair major sewer line.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven percent of the total assessed valuation of property in the City. The current debt limitation margin for the City is \$77.9 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 2013 of \$ 43.2 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, 2013 compared to \$131.1 million at the end of 2012. 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 2014 property tax levy remained the same as 2013 at \$19.9 million.

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 2014, Local, State Aid and Federal Grants comprised 11.8 percent of the City's revenues. Sales tax revenues have been increasing over the last few years and in 2014 now comprise 23.13% of the City's total revenue.. 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 2014, the City Manager submitted the required report that projected budgets for 2015-2017. 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, vacant registry fees and the newly formed Administrative Parking Tribunal.

The City is continuing negotiations with the Civil Service Employees Association (CSEA), the Patrolmen's Benevolent Association (PBA), and the Police Superior Officers Association (PSOA) union. All three contracts expired prior to FY 2013.

During the next several years the City will continue to manage and control expenditures and review non-property tax revenues. The City's rating was moved to investment grade by Moody's in the 1<sup>st</sup> quarter of 2014. The City's General Fund financials for 2013 ended the year with an increase to the fund balance.

## **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, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Agency
<b>ASSETS</b>				
Cash and equivalents	\$ 16,187,335	\$ 7,690,157	\$ 23,877,492	\$ 755,955
Restricted cash	-	7,260,152	7,260,152	-
Receivables				
Taxes, net	6,421,927	-	6,421,927	-
Accounts	480,419	5,128,026	5,608,445	-
Due from other governments	5,183,750	816,101	5,999,851	-
Loans, net	586,236	-	586,236	-
Prepaid expenses	1,048,622	112,566	1,161,188	1,360
Internal balances	(2,883,806)	2,883,806	-	-
Capital assets				
Not being depreciated	15,558,233	19,946,627	35,504,860	-
Being depreciated, net	40,350,450	32,469,837	72,820,287	-
<b>Total Assets</b>	<b>82,933,166</b>	<b>76,307,272</b>	<b>159,240,438</b>	<b>757,315</b>
<b>LIABILITIES</b>				
Accounts payable	2,420,545	544,656	2,965,201	15,713
Due to component unit	416,716	-	416,716	-
Due to other governments	88,117	-	88,117	-
Due to school districts	961,129	-	961,129	-
Overpayments	165,807	-	165,807	-
Bond anticipation notes payable	2,553,177	456,500	3,009,677	-
Unearned revenues	482,757	468,457	951,214	430,086
Retainages payable	-	252,669	252,669	-
Accrued interest payable	344,029	271,755	615,784	-
Non-current liabilities				
Due within one year	2,759,102	985,405	3,744,507	-
Due in more than one year	79,527,719	32,930,171	112,457,890	-
<b>Total Liabilities</b>	<b>89,719,098</b>	<b>35,909,613</b>	<b>125,628,711</b>	<b>445,799</b>
<b>NET POSITION</b>				
Net investment in capital assets	31,430,707	31,052,001	62,482,708	-
Restricted for				
Insurance	721,836	-	721,836	-
Community development	3,323,979	-	3,323,979	-
Trusts	23,605	-	23,605	-
Debt service	90,920	-	90,920	-
Unrestricted	(42,376,979)	9,345,658	(33,031,321)	311,516
<b>Total Net Position</b>	<b>\$ (6,785,932)</b>	<b>\$ 40,397,659</b>	<b>\$ 33,611,727</b>	<b>\$ 311,516</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, 2013

Functions/ Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government support	\$ 4,937,801	\$ 1,132,344	\$ 428,427	\$ -
Public safety	32,455,980	829,408	497,066	-
Transportation	3,164,212	59,922	791,495	256,114
Culture and recreation	1,629,878	83,090	603,019	-
Home and community services	1,689,233	115,889	904,106	389,799
Interest	1,565,609	-	-	19,529
Total Governmental Activities	<u>45,442,713</u>	<u>2,220,653</u>	<u>3,224,113</u>	<u>665,442</u>
Business-type activities				
Water Fund	5,087,223	5,900,910	-	-
Sewer Fund	4,941,748	5,793,028	-	-
Sanitation Fund	3,230,300	3,521,626	-	-
Total Business-type Activities	<u>13,259,271</u>	<u>15,215,564</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 58,701,984</u>	<u>\$ 17,436,217</u>	<u>\$ 3,224,113</u>	<u>\$ 665,442</u>
Component Unit				
Industrial Development Agency	<u>\$ 309,854</u>	<u>\$ -</u>	<u>\$ 117,520</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
\$ (3,377,030)	\$ -	\$ (3,377,030)	\$ -
(31,129,506)	-	(31,129,506)	-
(2,056,681)	-	(2,056,681)	-
(943,769)	-	(943,769)	-
(279,439)	-	(279,439)	-
(1,546,080)	-	(1,546,080)	-
(39,332,505)	-	(39,332,505)	-
-	813,687	813,687	-
-	851,280	851,280	-
-	291,326	291,326	-
-	1,956,293	1,956,293	-
(39,332,505)	1,956,293	(37,376,212)	-
-	-	-	(192,334)
19,294,174	-	19,294,174	-
28,560	-	28,560	-
439,015	-	439,015	-
844,560	-	844,560	-
9,771,414	-	9,771,414	-
1,168,248	-	1,168,248	-
284,229	-	284,229	-
6,518	2,952	9,470	715
4,639,060	-	4,639,060	-
118,061	-	118,061	60,500
212,613	-	212,613	-
36,806,452	2,952	36,809,404	61,215
(2,526,053)	1,959,245	(566,808)	(131,119)
(4,259,879)	38,438,414	34,178,535	442,635
<u>\$ (6,785,932)</u>	<u>\$ 40,397,659</u>	<u>\$ 33,611,727</u>	<u>\$ 311,516</u>

**City of Newburgh, New York**

Balance Sheet  
 Governmental Funds  
 December 31, 2013

	General	Capital Projects	Community Development
<b>ASSETS</b>			
Cash and equivalents	\$ 6,198,665	\$ 6,879,718	\$ 2,003,499
Taxes receivable, net	6,421,927	-	-
Other receivables			
Accounts	480,419	-	-
Due from other governments	3,576,555	202,925	949,452
Loans, net	-	-	586,236
Due from other funds	-	-	398,881
	<u>4,056,974</u>	<u>202,925</u>	<u>1,934,569</u>
Prepaid expenditures	<u>1,046,027</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 17,723,593</u>	<u>\$ 7,082,643</u>	<u>\$ 3,938,068</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 1,887,360	\$ 167,051	\$ 321,658
Due to component unit	416,716	-	-
Due to other governments	48,033	-	-
Due to school districts	961,129	-	-
Due to other funds	1,341,370	273,830	229,278
Bond anticipation notes payable	-	2,553,177	-
Overpayments	165,807	-	-
Unearned revenues	<u>821,796</u>	<u>-</u>	<u>1,524,568</u>
Total Liabilities	5,642,211	2,994,058	2,075,504
Deferred inflows of resources			
Deferred tax revenues	<u>2,841,041</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>8,483,252</u>	<u>2,994,058</u>	<u>2,075,504</u>
Fund balances (deficits)			
Nonspendable	3,921,384	-	-
Restricted	812,756	4,088,585	-
Assigned	806,046	-	1,862,564
Unassigned	<u>3,700,155</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>9,240,341</u>	<u>4,088,585</u>	<u>1,862,564</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,723,593</u>	<u>\$ 7,082,643</u>	<u>\$ 3,938,068</u>

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

Other Governmental	Total Governmental Funds
\$ 1,105,453	\$ 16,187,335
-	6,421,927
-	480,419
454,818	5,183,750
-	586,236
558,865	957,746
1,013,683	7,208,151
2,595	1,048,622
<u>\$ 2,121,731</u>	<u>\$ 30,866,035</u>

\$ 44,476	\$ 2,420,545
-	416,716
40,084	88,117
-	961,129
1,997,074	3,841,552
-	2,553,177
-	165,807
16,492	2,362,856
2,098,126	12,809,899
-	2,841,041

<u>2,098,126</u>	<u>15,650,940</u>
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2,595	3,923,979
23,605	4,924,946
-	2,668,610
(2,595)	3,697,560
<u>23,605</u>	<u>15,215,095</u>

<u>\$ 2,121,731</u>	<u>\$ 30,866,035</u>
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**City of Newburgh, New York**

Reconciliation of Governmental Funds Balance Sheet to  
the Government-Wide Statement of Net Position  
December 31, 2013

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Fund Balances - Total Governmental Funds	<u>\$ 15,215,095</u>
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>55,908,683</u>
Other long-term assets are not available to pay for current-period expendi- tures and, therefore, are reported deferred or unearned in the funds.	
Real property taxes	2,841,041
Unearned revenues Long-term receivables	355,531
Long-term loans	<u>1,524,568</u>
	<u>4,721,140</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(344,029)
Bonds payable	(34,186,098)
Capital leases payable	(34,665)
Retirement incentive payable	(441,026)
Energy performance contract payable	(1,207,617)
Claims payable	(2,246,499)
Compensated absences	(4,807,127)
Other post employment benefit obligations payable	<u>(39,363,789)</u>
	<u>(82,630,850)</u>
Net Position of Governmental Activities	<u><u>\$ (6,785,932)</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  
 Governmental Funds  
 Year Ended December 31, 2013

	General	Capital Projects	Community Development
<b>REVENUES</b>			
Real property taxes	\$ 18,874,929	\$ -	\$ -
Other tax items	1,312,135	-	-
Non-property taxes	11,223,891	-	-
Departmental income	1,084,617	-	89,521
Intragovernmental charges	2,790,266	-	-
Intergovernmental charges	192,125	-	-
Use of money and property	81,099	19,529	30,487
Licenses and permits	220,596	-	-
Fines and forfeitures	612,109	-	-
State aid	5,472,890	417,881	-
Federal aid	107,497	228,032	1,164,078
Miscellaneous	158,499	-	2,839
	<u>42,130,653</u>	<u>665,442</u>	<u>1,286,925</u>
<b>EXPENDITURES</b>			
Current			
General government support	6,406,993	-	-
Public safety	25,364,899	-	-
Transportation	2,576,467	-	-
Culture and recreation	889,538	-	-
Home and community services	324,891	-	1,178,438
Employee benefits	1,863,355	-	-
Debt service			
Principal	1,352,675	-	-
Interest	2,218,516	-	-
Capital outlay	-	1,746,803	-
	<u>40,997,334</u>	<u>1,746,803</u>	<u>1,178,438</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,133,319</u>	<u>(1,081,361)</u>	<u>108,487</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	212,613	-	-
Transfers in	-	23,265	-
Transfers out	(147,272)	-	-
	<u>65,341</u>	<u>23,265</u>	<u>-</u>
Net Change in Fund Balances	1,198,660	(1,058,096)	108,487
<b>FUND BALANCES</b>			
Beginning of Year	<u>8,041,681</u>	<u>5,146,681</u>	<u>1,754,077</u>
End of Year	<u>\$ 9,240,341</u>	<u>\$ 4,088,585</u>	<u>\$ 1,862,564</u>

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

Other Governmental	Total Governmental Funds
\$ -	\$ 18,874,929
-	1,312,135
-	11,223,891
-	1,174,138
-	2,790,266
-	192,125
544	131,659
-	220,596
-	612,109
255,394	6,146,165
1,126,139	2,625,746
47,372	208,710
<u>1,429,449</u>	<u>45,512,469</u>
40,275	6,447,268
473,231	25,838,130
353,061	2,929,528
592,794	1,482,332
91,208	1,594,537
-	1,863,355
-	1,352,675
-	2,218,516
-	1,746,803
<u>1,550,569</u>	<u>45,473,144</u>
<u>(121,120)</u>	<u>39,325</u>
-	212,613
124,007	147,272
-	(147,272)
<u>124,007</u>	<u>212,613</u>
2,887	251,938
<u>20,718</u>	<u>14,963,157</u>
<u>\$ 23,605</u>	<u>\$ 15,215,095</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, 2013

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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>\$ 251,938</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. This amount may be less than the total capital outlay since capital outlay includes amounts that are under the capitalization threshold.</p>	
Capital outlay expenditures	1,546,815
Depreciation expense	<u>(1,477,146)</u>
	<u>69,669</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	419,245
Departmental income	(394,037)
Sales of real property subject to mortgage and other payment provisions	<u>(35,000)</u>
	<u>(9,792)</u>
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Principal paid on bonds	1,226,146
Principal paid on capital leases	28,365
Principal paid on energy performance contract	<u>98,164</u>
	<u>1,352,675</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	652,907
Retirement incentives	46,687
Claims	364,573
Compensated absences	840,989
Other post employment benefit obligations	<u>(6,095,699)</u>
	<u>(4,190,543)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (2,526,053)</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, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 19,862,564	\$ 19,862,564	\$ 18,874,929	\$ (987,635)
Other tax items	1,028,869	1,028,869	1,312,135	283,266
Non-property taxes	10,545,000	10,545,000	11,223,891	678,891
Departmental income	695,400	695,400	1,084,617	389,217
Intragovernmental charges	3,384,448	3,384,448	2,790,266	(594,182)
Intergovernmental charges	197,779	197,779	192,125	(5,654)
Use of money and property	60,500	60,500	81,099	20,599
Licenses and permits	217,800	217,800	220,596	2,796
Fines and forfeitures	611,000	611,000	612,109	1,109
State aid	5,318,729	5,318,729	5,472,890	154,161
Federal aid	13,000	13,000	107,497	94,497
Miscellaneous	177,000	177,000	158,499	(18,501)
<b>Total Revenues</b>	<b>42,112,089</b>	<b>42,112,089</b>	<b>42,130,653</b>	<b>18,564</b>
<b>EXPENDITURES</b>				
Current				
General government support	8,280,265	8,182,708	6,406,993	1,775,715
Public safety	25,323,305	25,679,097	25,364,899	314,198
Transportation	2,735,886	2,730,575	2,576,467	154,108
Culture and recreation	890,431	903,943	889,538	14,405
Home and community services	390,689	390,689	324,891	65,798
Employee benefits	1,592,000	1,743,062	1,863,355	(120,293)
Debt service				
Principal	1,352,461	1,352,461	1,352,675	(214)
Interest	2,456,600	2,218,600	2,218,516	84
<b>Total Expenditures</b>	<b>43,021,637</b>	<b>43,201,135</b>	<b>40,997,334</b>	<b>2,203,801</b>
Excess (Deficiency) of Revenues Over Expenditures	(909,548)	(1,089,046)	1,133,319	2,222,365
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	1,000	1,000	212,613	211,613
Bonds issued	-	-	-	-
Transfers out	-	-	(147,272)	(147,272)
<b>Total Other Financing Sources</b>	<b>1,000</b>	<b>1,000</b>	<b>65,341</b>	<b>64,341</b>
<b>Net Change in Fund Balances</b>	<b>(908,548)</b>	<b>(1,088,046)</b>	<b>1,198,660</b>	<b>2,286,706</b>
<b>FUND BALANCES</b>				
Beginning of Year	908,548	1,088,046	8,041,681	6,953,635
End of Year	\$ -	\$ -	\$ 9,240,341	\$ 9,240,341

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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	89,521	89,521
-	-	-	-
-	-	30,487	30,487
-	-	-	-
-	-	-	-
1,333,969	1,333,969	1,164,078	(169,891)
-	-	2,839	2,839
<u>1,333,969</u>	<u>1,333,969</u>	<u>1,286,925</u>	<u>(47,044)</u>
-	-	-	-
-	-	-	-
-	-	-	-
1,333,969	1,333,969	1,178,438	155,531
-	-	-	-
-	-	-	-
<u>1,333,969</u>	<u>1,333,969</u>	<u>1,178,438</u>	<u>155,531</u>
-	-	108,487	108,487
-	-	-	-
-	-	-	-
-	-	-	-
-	-	108,487	108,487
-	-	1,754,077	1,754,077
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,862,564</u>	<u>\$ 1,862,564</u>

**City of Newburgh, New York**

Statement of Net Position  
 Proprietary Funds  
 December 31, 2013

	Water Fund	Sewer Fund	Sanitation Fund	Totals
<b>ASSETS</b>				
Current assets				
Cash and equivalents	\$ 5,198,132	\$ 1,953,007	\$ 539,018	\$ 7,690,157
Restricted cash	-	7,260,152	-	7,260,152
Receivables				
Accounts	1,961,490	2,076,274	1,090,262	5,128,026
Due from other governments	-	816,101	-	816,101
Due from other funds	81,340	2,809,258	-	2,890,598
Prepaid expenses	49,355	19,718	43,493	112,566
Total Current Assets	<u>7,290,317</u>	<u>14,934,510</u>	<u>1,672,773</u>	<u>23,897,600</u>
Noncurrent assets				
Capital assets				
Land	7,248,449	3,001,193	-	10,249,642
Construction-in-progress	4,523,380	5,173,605	-	9,696,985
Buildings and improvements	935,688	451,554	-	1,387,242
Improvements other than buildings	404,164	11,558	-	415,722
Machinery and equipment	1,969,136	1,108,348	981,052	4,058,536
Infrastructure	21,360,958	28,519,209	-	49,880,167
	36,441,775	38,265,467	981,052	75,688,294
Less accumulated depreciation	<u>(10,795,315)</u>	<u>(11,905,292)</u>	<u>(571,223)</u>	<u>(23,271,830)</u>
Total Capital Assets, net	<u>25,646,460</u>	<u>26,360,175</u>	<u>409,829</u>	<u>52,416,464</u>
Total Assets	<u>32,936,777</u>	<u>41,294,685</u>	<u>2,082,602</u>	<u>76,314,064</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	303,371	103,513	137,772	544,656
Accrued interest payable	243,407	28,348	-	271,755
Due to other funds	-	-	6,792	6,792
Retainages payable	77,963	174,706	-	252,669
Bond anticipation notes payable	-	236,500	220,000	456,500
Unearned revenues	-	467,360	1,097	468,457
Current maturities of bonds payable	380,067	227,240	5,546	612,853
Current maturities of loans payable	327,552	-	-	327,552
Current portion of compensated absences	27,000	7,300	10,700	45,000
Total Current Liabilities	<u>1,359,360</u>	<u>1,244,967</u>	<u>381,907</u>	<u>2,986,234</u>
Noncurrent liabilities				
Bonds payable, less current maturities	8,126,765	4,785,094	214,190	13,126,049
Loans payable, less current maturities	6,609,017	8,978,790	-	15,587,807
Compensated absences, less current portion	243,094	65,575	96,342	405,011
Other post employment benefit obligations payable	2,010,154	680,951	1,120,199	3,811,304
Total Noncurrent Liabilities	<u>16,989,030</u>	<u>14,510,410</u>	<u>1,430,731</u>	<u>32,930,171</u>
Total Liabilities	<u>18,348,390</u>	<u>15,755,377</u>	<u>1,812,638</u>	<u>35,916,405</u>
<b>NET POSITION</b>				
Net investment in capital assets	11,148,025	19,892,635	11,341	31,052,001
Unrestricted	3,440,362	5,646,673	258,623	9,345,658
Total Net Position	<u>\$ 14,588,387</u>	<u>\$ 25,539,308</u>	<u>\$ 269,964</u>	<u>\$ 40,397,659</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, 2013

	Water Fund	Sewer Fund	Sanitation Fund	Totals
<b>OPERATING REVENUES</b>				
Metered sales	\$ 5,362,330	\$ 5,277,297	\$ -	\$ 10,639,627
Fees	-	-	3,505,396	3,505,396
Penalties	298,353	258,713	-	557,066
Reimbursement from Town	-	225,016	-	225,016
Federal aid	7,247	9,002	-	16,249
Miscellaneous	232,980	23,000	16,230	272,210
<b>Total Operating Revenues</b>	<b>5,900,910</b>	<b>5,793,028</b>	<b>3,521,626</b>	<b>15,215,564</b>
<b>OPERATING EXPENSES</b>				
Personal services	1,007,386	386,428	797,832	2,191,646
Depreciation	378,958	532,858	9,157	920,973
Supplies	256,949	446,241	108,736	811,926
Utilities	176,815	153,137	-	329,952
Insurance	206,500	206,500	88,500	501,500
Contractual	655,823	1,670,703	811,693	3,138,219
Fees for services	851,103	974,101	437,744	2,262,948
Employee benefits	970,368	298,771	959,633	2,228,772
<b>Total Operating Expenses</b>	<b>4,503,902</b>	<b>4,668,739</b>	<b>3,213,295</b>	<b>12,385,936</b>
<b>Income from Operations</b>	<b>1,397,008</b>	<b>1,124,289</b>	<b>308,331</b>	<b>2,829,628</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	1,629	1,180	143	2,952
Interest expense	(583,321)	(273,009)	(17,005)	(873,335)
<b>Total Non-Operating Expenses</b>	<b>(581,692)</b>	<b>(271,829)</b>	<b>(16,862)</b>	<b>(870,383)</b>
<b>Change in Net Position before Transfers</b>	<b>815,316</b>	<b>852,460</b>	<b>291,469</b>	<b>1,959,245</b>
<b>Transfers</b>				
Transfers in	140,252	-	-	140,252
Transfers out	-	(140,252)	-	(140,252)
<b>Total Transfers</b>	<b>140,252</b>	<b>(140,252)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>955,568</b>	<b>712,208</b>	<b>291,469</b>	<b>1,959,245</b>
<b>NET POSITION</b>				
Beginning of Year	13,632,819	24,827,100	(21,505)	38,438,414
End of Year	<u>\$ 14,588,387</u>	<u>\$ 25,539,308</u>	<u>\$ 269,964</u>	<u>\$ 40,397,659</u>

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

City of Newburgh, New York

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended December 31, 2013

	Water Fund	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees from customers and miscellaneous	\$ 5,942,075	\$ 5,280,913
Cash received from Federal and State aid	7,247	9,002
Cash payments for goods and services	(4,810,105)	(4,311,501)
Cash payments to employees	(1,710,486)	(565,759)
Net Cash from Operating Activities	<u>(571,269)</u>	<u>412,655</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Due from other funds	2,059,918	1,200,943
Due to other funds		
Transfers in	140,252	-
Transfers out	-	(140,252)
Net Cash from Non-Capital Financing Activities	<u>2,200,170</u>	<u>1,060,691</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,601,103)	(3,442,689)
Proceeds from debt	-	9,215,290
Principal paid on debt	(583,200)	(120,977)
Interest paid on debt	(544,329)	(382,164)
Increase in restricted cash	-	(7,260,152)
Net Cash from Capital and Related Financing Activities	<u>(2,728,632)</u>	<u>(1,990,692)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	1,629	1,180
Net Change in Cash and Equivalents	<u>(1,098,102)</u>	<u>(516,166)</u>
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>6,296,234</u>	<u>2,469,173</u>
End of Year	<u>\$ 5,198,132</u>	<u>\$ 1,953,007</u>
<b>Reconciliation of Income from Operations to Net Cash From Operating Activities</b>		
Income from operations	\$ 1,397,008	\$ 1,124,289
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	378,958	532,858
Changes in assets and liabilities		
Accounts receivable	48,412	(140,408)
Due from other governments	-	(330,065)
Prepaid expenses	(6,314)	(4,216)
Accounts payable	256,650	(856,603)
Due to other funds	(2,913,251)	-
Unearned revenues	894	(32,640)
Compensated absences	266,374	(4,131)
Other post employment benefit obligations payable	-	123,571
Net Cash from Operating Activities	<u>\$ (571,269)</u>	<u>\$ 412,655</u>

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

Sanitation Fund	Totals
\$ 3,284,494	\$ 14,507,482
-	16,249
(1,385,625)	(10,507,231)
<u>(1,428,080)</u>	<u>(3,704,325)</u>
470,789	312,175
-	3,260,861
(152,963)	(152,963)
-	140,252
<u>-</u>	<u>(140,252)</u>
(152,963)	3,107,898
(414,990)	(5,458,782)
220,000	9,435,290
(264)	(704,441)
(17,005)	(943,498)
<u>-</u>	<u>(7,260,152)</u>
(212,259)	(4,931,583)
143	2,952
105,710	(1,508,558)
433,308	9,198,715
<u>\$ 539,018</u>	<u>\$ 7,690,157</u>
\$ 308,331	\$ 2,829,628
9,157	920,973
(238,229)	(330,225)
-	(330,065)
(7,376)	(17,906)
68,424	(531,529)
-	(2,913,251)
1,097	(30,649)
7,730	269,973
<u>321,655</u>	<u>445,226</u>
<u>\$ 470,789</u>	<u>\$ 312,175</u>

City of Newburgh, New York

Statement of Assets and Liabilities  
Fiduciary Fund  
December 31, 2013

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 535,059
Accounts receivable	<u>24,430</u>
 Total Assets	 <u><u>\$ 559,489</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 7,050
Deposits	<u>552,439</u>
 Total Liabilities	 <u><u>\$ 559,489</u></u>

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

**Note 1 - Summary of Significant Accounting Policies**

The City of Newburgh, New York ("City") was incorporated in 1865 and operates in accordance with its Charter and applicable laws of the State of New York. The City operates under a Council (5 members)/City Manager form of government. The City Council is the legislative body responsible for overall operations. The City Manager serves as chief executive and the City Director of Finance serves as the chief financial officer. The City provides public safety, transportation, 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**

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

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

The 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. Stand alone financial statements are not available for this entity.

The City of Newburgh Industrial Development Agency ("Agency") is a public benefit corporation created under Title 2, Article 18-A of the General Municipal Law of the State of New York to promote the economic welfare, recreation opportunities and prosperity of the City's inhabitants. Members of the Agency are appointed by the City Council. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The City is not liable for Agency bonds or notes. The governing board of the Agency serves at the pleasure of the City Council and therefore the City is considered able to impose its will on the Agency. Complete separate financial statements may be obtained from the Agency - 83 Broadway, Newburgh, New York 12550.

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. Stand alone financial statements are not available for this entity.

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

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. Complete separate financial statements may be obtained from the Newburgh Municipal Housing Authority, P.O. Box 89, Newburgh, New York 12550.

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. Complete separate financial statements may be obtained from the Newburgh Enlarged City School District, 124 Grand Street, Newburgh, New York 12550.

**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 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.

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

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 pages following, which briefly explain the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The City's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

**Fund Categories**

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

General Fund - The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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.

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:

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

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 revenue of this fund is 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.

- b. Proprietary Funds – Proprietary funds include enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. The operations of the Water, Sewer and Sanitation funds are recorded as major enterprise funds. The City applies all applicable Financial Accounting Standards Board (“FASB”) guidance issued after November 30, 1989 in accounting and reporting for its enterprise operations.

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 (Not included in Government-Wide Financial Statements) – The Fiduciary Funds are used to account for assets held by the City in an agency capacity on behalf of others. The Agency Fund is used to account for employee payroll tax withholdings and various other deposits that are payable to other jurisdictions or individuals.

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial 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 incentives, 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 investment policies are governed by State statutes. The City has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The City is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

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

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the City's name. The City's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2013.

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, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

**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 \$821,796 for payments in lieu of taxes and other amounts received in advance in the General Fund. The City has also reported unearned revenues of \$1,524,568 and \$16,492 for loans receivable and grants 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)**

The City reported deferred inflows of resources of \$2,841,041 for real property taxes in the General Fund. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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 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 expended as incurred.

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

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

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

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables, advances) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is 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

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

classification is 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 is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The City Council is the highest level of decision making authority for the City that can, by 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, represents amounts constrained either by policies of the City Council for amounts assigned for balancing the subsequent year's budget or the City Manager for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining 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.

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

**F. Encumbrances**

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**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 July 2, 2014.

**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 2013 was \$24,868,223, which exceeded the actual levy by \$ 5,005,659.

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 payments of debt service principal and interest payments as due is returned to the City.

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.

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

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

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a City in a particular year, beginning with the 2012 year. It expires on June 16, 2016.

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

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the City to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places. The City is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the City, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the City. The City Council may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the City Council first enacts, by a vote of at least sixty percent of the total voting power of the City Council, a local law to override such limit for such coming fiscal year.

**C. Application of Accounting Standards**

For the year ended December 31, 2013, the City implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows/inflows of resources, certain items that were previously reported as assets and liabilities. This statement also recognizes as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

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

**D. Excess of Actual Expenditures Over Budget**

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

General Government Support		
Tax collection	\$	31,076
Assessment		26,103
Property management		21,569
Costs of debt issuance		47,586
Municipal association dues		6,831
Public Safety		
On-street parking		11,216
Transportation		
Garage		8,213
Street lighting		72,288
Culture and Recreation		
Parks		12,353
Youth and family		79,424
Employee Benefits		
Workers' compensation benefits		129,796
Debt Service		
Principal capital leases		220
Transfers out		
Grants Fund		124,007
Capital Projects Fund		23,265

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

**A. Taxes Receivable**

Taxes receivable at December 31, 2013 consisted of the following:

City, County and School District taxes -		
Current and overdue	\$	6,421,927
Property acquired for taxes		4,030,188
Subtotal		10,452,115
Allowance for uncollectible amounts		(4,030,188)
Net Taxes Receivable	\$	<u>6,421,927</u>

**City of Newburgh, New York**

Notes to Financial Statements (Continued)  
December 31, 2013

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

Taxes receivable are partially offset by deferred tax revenues of \$2,841,041, which represents the portion of the receivable which will not be collected within the first sixty days of the subsequent year. School taxes receivable are classified as nonspendable in the fund financial statements in the amount of \$2,875,357, which represents school taxes 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:

Funds	Due From	Due To
General	\$ -	\$ 1,341,370
Capital Projects	-	273,830
Community Development	398,881	229,278
Non-Major Governmental	558,865	1,997,074
Water	81,340	-
Sewer	2,809,258	-
Sanitation	-	6,792
	<u>\$ 3,848,344</u>	<u>\$ 3,848,344</u>

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

**C. Capital Assets**

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

Class	Balance January 1, 2013	Additions	Balance December 31, 2013
<b>Governmental Activities</b>			
Capital Assets, not being depreciated			
Land	\$ 4,421,627	\$ -	\$ 4,421,627
Construction-in-progress	10,477,815	658,791	11,136,606
Total Capital Assets, not being depreciated	<u>\$ 14,899,442</u>	<u>\$ 658,791</u>	<u>\$ 15,558,233</u>

**City of Newburgh, New York**

Notes to Financial Statements (Continued)  
December 31, 2013

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

Class	Balance January 1, 2013	Additions	Balance December 31, 2013
Capital Assets, being depreciated			
Buildings	\$ 30,620,077	\$ -	\$ 30,620,077
Improvements other than buildings	100,975,054	455,650	101,430,704
Machinery and equipment	10,365,650	432,374	10,798,024
Infrastructure	23,244,650	-	23,244,650
Total Capital Assets, being depreciated	165,205,431	888,024	166,093,455
Less Accumulated Depreciation for			
Buildings	5,208,316	434,536	5,642,852
Improvements other than buildings	100,637,501	168,107	100,805,608
Machinery and equipment	8,735,645	429,638	9,165,283
Infrastructure	9,684,397	444,865	10,129,262
Total Accumulated Depreciation	124,265,859	1,477,146	125,743,005
Total Capital Assets, being depreciated, net	\$ 40,939,572	\$ (589,122)	\$ 40,350,450
<b>Governmental Activities</b>			
<b>Capital Assets, net</b>	<b>\$ 55,839,014</b>	<b>\$ 69,669</b>	<b>\$ 55,908,683</b>

Class	Balance January 1, 2013	Additions	Balance December 31, 2013
<b>Business-type Activities</b>			
Capital Assets, not being depreciated			
Land	\$ 10,249,642	\$ -	\$ 10,249,642
Construction-in-progress	4,584,392	5,112,593	9,696,985
Total Capital Assets, not being depreciated	\$ 14,834,034	\$ 5,112,593	\$ 19,946,627
Capital Assets, being depreciated			
Buildings	\$ 1,387,242	\$ -	\$ 1,387,242
Improvements other than buildings	415,722	-	415,722
Machinery and equipment	3,459,679	598,857	4,058,536
Infrastructure	49,880,166	1	49,880,167
Total Capital Assets, being depreciated	55,142,809	598,858	55,741,667

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

Class	Balance January 1, 2013	Additions	Balance December 31, 2013
Less Accumulated Depreciation for			
Buildings	\$ 300,648	\$ 17,517	\$ 318,165
Improvements other than buildings	364,148	36,843	400,991
Machinery and equipment	2,254,271	181,197	2,435,468
Infrastructure	19,431,790	685,416	20,117,206
Total Accumulated Depreciation	<u>22,350,857</u>	<u>920,973</u>	<u>23,271,830</u>
Total Capital Assets, being depreciated, net	<u>\$ 32,791,952</u>	<u>\$ (322,115)</u>	<u>\$ 32,469,837</u>
<b>Business-type Activities</b>			
<b>Capital Assets, net</b>	<u>\$ 47,625,986</u>	<u>\$ 4,790,478</u>	<u>\$ 52,416,464</u>

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

Governmental Activities:	
General Government support	\$ 162,486
Public Safety	1,093,088
Transportation	59,086
Culture and Recreation	59,086
Home and Community Services	<u>103,400</u>
Total Depreciation Expense - Government Activities	<u>\$ 1,477,146</u>
Business-type Activities:	
Water Fund	\$ 378,958
Sewer Fund	532,858
Sanitation Fund	<u>9,157</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 920,973</u>

**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.

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

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 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, 2014 are as follows:

	<u>Tier/Plan</u>	<u>Rate</u>
ERS	1 75I	28.8%
	2 75I	26.2
	3 A14	21.0
	4 A15	21.0
	5 A15	16.9
	6 A15	11.4
PFRS	1 384D	33.7
	2 375I	28.4
	2 384D	28.4
	3 384	23.9
	6 384D	16.0

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

	<u>ERS</u>	<u>PFRS</u>
2013	\$ 1,314,909	\$ 3,120,028
2012	1,204,206	2,632,195
2011	1,190,488	2,052,935

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	\$ 884,503
Community Development	19,188
Grants	6,363
Water	179,950
Sewer	63,819
Sanitation	<u>161,086</u>
	<u>\$ 1,314,909</u>

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

**E. Short-Term Capital Borrowings**

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

Purpose	Year of Original Issue	Balance January 1, 2013	New Issues	Balance December 31, 2013
Governmental Type Activities				
Capital Projects Fund				
Bond Anticipation Notes				
Various Projects	2013	\$ -	2,553,177	2,553,177
Business Type Activities				
Bond Anticipation Notes				
Sewer Fund				
Waste Water Treatment Plant	2013	-	236,500	236,500
Sanitation Fund				
Sanitation Truck	2013	-	220,000	220,000
		\$ -	\$ 3,009,677	\$ 3,009,677

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund or Proprietary Funds. 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.

Bond anticipation note interest expense of \$58,510 was recorded in the government-wide financial statements for governmental activities. Interest expense of \$10,839 and \$5,041 was recorded in the Sewer Fund and Sanitation Fund financial statements and in the government-wide financial statements for business-type activities.

**F. Long-Term Obligations**

The following table summarizes changes in the City's long-term obligations for the year ended December 31, 2013:

	Balance January 1, 2013	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2013	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable					
Capital Construction	\$ 28,339,244	\$ -	\$ 1,014,965	\$ 27,324,279	\$ 1,262,365
Other	7,073,000	-	211,181	6,861,819	389,782
	35,412,244	-	1,226,146	34,186,098	1,652,147

**City of Newburgh, New York**

Notes to Financial Statements (Continued)  
December 31, 2013

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

	Balance January 1, 2013	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2013	Due Within One Year
<b>Other Non-Current Liabilities</b>					
Capital Leases Payable	\$ 63,030	\$ -	\$ 28,365	\$ 34,665	\$ 30,127
Retirement Incentive Payable	487,713	-	46,687	441,026	50,189
Energy Performance Contract Payable	1,305,781	-	98,164	1,207,617	102,418
Claims Payable	2,611,072	1,994,053	2,358,626	2,246,499	444,221
Compensated Absences	5,648,116	-	840,989	4,807,127	480,000
Other Post Employment Benefit Obligation Payable	33,268,090	9,717,981	3,622,282	39,363,789	-
<b>Total Other Non-Current Liabilities</b>	<b>43,383,802</b>	<b>11,712,034</b>	<b>6,995,113</b>	<b>48,100,723</b>	<b>1,106,955</b>
<b>Governmental Activities - Long-Term Liabilities</b>	<b>\$ 78,796,046</b>	<b>\$ 11,712,034</b>	<b>\$ 8,221,259</b>	<b>\$ 82,286,821</b>	<b>\$ 2,759,102</b>
<b>Business-Type Activities</b>					
Bonds Payable	\$ 14,117,756	\$ -	\$ 378,854	\$ 13,738,902	\$ 612,853
Loans Payable	7,262,156	8,978,790	325,587	15,915,359	327,552
Compensated Absences	445,518	49,093	44,600	450,011	45,000
Other Post Employment Benefit Obligation Payable	3,099,704	969,809	258,209	3,811,304	-
<b>Business-Type Activities - Long-Term Liabilities</b>	<b>\$ 24,925,134</b>	<b>\$ 9,997,692</b>	<b>\$ 1,007,250</b>	<b>\$ 33,915,576</b>	<b>\$ 985,405</b>

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

**Bonds Payable**

Bonds payable at December 31, 2013 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at December 31, 2013
Various Purposes	1999	\$ 7,195,000	May, 2019	4.77 %	\$ 3,010,000
Refunding Bonds	1999	2,650,000	September, 2014	4.75	155,000
Public Improvements	2003	1,000,000	December, 2023	4.69	605,000
Public Improvements	2008	9,043,100	July, 2033	4.0 - 5.00	6,460,000
Public Improvements	2008	12,210,000	September, 2036	4.0 - 5.50	11,015,000
Public Improvements	2012	20,825,000	June, 2035	5.0 - 5.75	20,800,000
Deficit Funding	2012	6,090,000	June, 2035	5.00	5,880,000
		<b>\$ 59,013,100</b>			<b>\$ 47,925,000</b>

Interest expenditures of \$2,161,396 were recorded in the fund financial statements in the General Fund. Interest expense of \$1,449,979 was recorded in the government-wide financial statements for governmental activities. Interest expense of \$583,320, \$262,173 and \$11,962 was recorded in the Water, Sewer and Sanitation Funds financial statements and in the government-wide financial statements for business-type activities.

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

**Loans Payable**

The City, in 2001, 2005 and 2013, received loans from the New York State Environmental Facilities Corporation in the amounts of \$4,273,923, \$5,674,277 and \$8,978,790, 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, 2013 was \$15,915,359.

**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, 2013</u>	<u>Date Final Payment</u>
2010	Phone System	<u>\$ 133,011</u>	<u>\$ 2,646</u>	7.30 %	<u>\$ 34,665</u>	February, 2015

Interest expenditures/expenses of \$3,522 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 \$53,598 was recorded in the fund financial statements in the General Fund and in the government-wide financial statements. The balance due at December 31, 2013 was \$1,207,617.

**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, including interest, has been charged to the General Fund. The remaining liability for this program is \$441,026 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, 2013 including interest payments of \$27,289,745 are as follows:

**City of Newburgh, New York**

Notes to Financial Statements (Continued)  
December 31, 2013

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

Year Ending December 31,	Governmental Activities - Bonds		Business-Type Activities - Bonds		Business-Type Activities - Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,652,147	\$ 1,665,737	\$ 612,853	\$ 687,428	\$ 327,552	\$ -
2015	1,663,386	1,582,446	526,613	656,807	509,093	-
2016	1,737,474	1,498,435	552,526	630,299	9,130,696	-
2017	1,810,227	1,410,682	564,773	602,449	333,447	-
2018	1,894,802	1,318,787	585,198	573,868	335,412	-
2019-2023	8,584,185	5,300,918	2,760,815	2,459,791	1,706,531	-
2024-2028	6,518,115	3,438,126	3,036,885	1,779,511	1,755,655	-
2029-2033	6,465,990	1,959,654	3,724,011	926,103	1,446,973	-
2034-2036	3,859,772	319,344	1,375,228	79,762	370,000	-
	<u>\$ 34,186,098</u>	<u>\$ 18,494,129</u>	<u>\$ 13,738,902</u>	<u>\$ 8,396,018</u>	<u>\$ 15,915,359</u>	<u>\$ -</u>

Year Ending December 31,	Governmental Activities - Capital Lease		Governmental Activities - Energy Performance Contract		Governmental Activities - Retirement Incentive Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
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	-	-	141,316	30,016	67,026	16,240
2019-2023	-	-	629,218	56,110	149,510	17,022
2024-2028	-	-	-	-	-	-
2029-2033	-	-	-	-	-	-
2034-2036	-	-	-	-	-	-
	<u>\$ 34,665</u>	<u>\$ 1,669</u>	<u>\$ 1,207,617</u>	<u>\$ 256,093</u>	<u>\$ 441,026</u>	<u>\$ 141,836</u>

Year Ending December 31,	Total City Combined Obligations		
	Principal	Interest	Total
2014	\$ 2,775,286	\$ 2,437,206	\$ 5,212,492
2015	2,864,440	2,313,520	5,177,960
2016	11,590,183	2,194,276	13,784,459
2017	2,887,116	2,069,491	4,956,607
2018	3,023,754	1,938,911	4,962,665
2019-2023	13,830,259	7,833,841	21,664,100
2024-2028	11,310,655	5,217,637	16,528,292
2029-2033	11,636,974	2,885,757	14,522,731
2034-2036	5,605,000	399,106	6,004,106
	<u>\$ 65,523,667</u>	<u>\$ 27,289,745</u>	<u>\$ 92,813,412</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

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

vacation leave to the following year. Police employees may accumulate compensatory time up to a maximum of 96 hours. In addition to the \$450,011 recorded in the Proprietary Funds, a \$4,807,127 liability for compensated absences at December 31, 2013 has been reflected in the government-wide financial statements for the governmental funds.

**Claims Payable**

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

An analysis of the unpaid claim liabilities is as follows:

	Year Ended December 31, 2013		Year Ended December 31, 2012	
	Workers' Compensation	General Liability	Workers' Compensation	General Liability
Balance - Beginning of Year	\$ 1,961,924	\$ 486,564	\$ 2,269,619	\$ 934,379
Provision for Claims and Claims Adjustment Expenses	1,364,780	592,636	278,213	762,606
Claims and Claims Adjustment Expenses Paid	(1,611,270)	(747,356)	(585,908)	(1,210,421)
Balance - End of Year	<u>\$ 1,715,434</u>	<u>\$ 331,844</u>	<u>\$ 1,961,924</u>	<u>\$ 486,564</u>
Current Portion	<u>\$ 196,000</u>	<u>\$ 49,000</u>	<u>\$ 196,000</u>	<u>\$ 49,000</u>

At December 31, 2013, claims payable also included \$199,221 for tax certiorari judgements settled subsequent to year end.

**Other Post Employment Benefit Obligations Payable**

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the City may vary according to length of service. The cost of providing post employment health care benefits is shared between the City and the retired employee. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. The cost of retiree health care benefits is

**City of Newburgh, New York**

Notes to Financial Statements (Continued)  
December 31, 2013

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

The number of participants as of December 31, 2013 was as follows:

2013	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 1/1/13	\$ 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>\$ 18,589,441</u>	<u>\$ 2,335,839</u>	<u>\$ 20,925,280</u>
UAAL as a Percentage of Covered Payroll	<u>653.87%</u>	<u>409.95%</u>	<u>626.64%</u>
Annual Required Contribution	\$ 10,311,154	\$ 1,025,077	\$ 11,336,231
Interest on Net OPEB Obligation	1,330,724	123,988	1,454,712
Adjustment to Annual Required Contribution	<u>(1,923,897)</u>	<u>(179,256)</u>	<u>(2,103,153)</u>
Annual OPEB Cost	9,717,981	969,809	10,687,790
Contributions Made	<u>(3,622,282)</u>	<u>(258,209)</u>	<u>(3,880,491)</u>
Increase in Net OPEB Obligation	6,095,699	711,600	6,807,299
Net OPEB Obligation - Beginning of Year	<u>33,268,090</u>	<u>3,099,704</u>	<u>36,367,794</u>
Net OPEB Obligation - End of Year	<u>\$ 39,363,789</u>	<u>\$ 3,811,304</u>	<u>\$ 43,175,093</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
2013	\$ 10,687,790	36.31 %	\$ 43,175,093
2012	10,049,731	35.64 %	36,367,794
2011	10,672,123	32.22 %	29,899,780

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

recognized as an expenditure as claims are paid within the government funds. The City has recognized revenues and expenditures of \$28,547 for Medicare Part D payments made directly to its health insurance carrier on behalf of its retirees.

The City's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 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 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. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The City is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. 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:

Year Ended December 31,	Pre-65 Medical	Post-65 Medical	Prescription Drug
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
2020	5.50	5.50	5.50

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.

**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	\$ -	\$ 147,272
Capital Projects	23,265	-
Non-Major Governmental Grants	124,007	-
Water	140,252	-
Sewer	-	140,252
	\$ 287,524	\$ 287,524

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 amounts that do not meet the definition of "restricted" or "net investment in capital assets".

City of Newburgh, New York

Notes to Financial Statements (Continued)  
December 31, 2013

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

**I. Fund Balances**

	2013					2012				
	General Fund	Capital Projects Fund	Community Development Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Community Development Fund	Non-Major Governmental Funds	Total
Nonspendable										
Prepaid expenditures	\$ 1,046,027	\$ -	\$ -	\$ 2,595	\$ 1,048,622	\$ 862,500	\$ -	\$ -	\$ 10,985	\$ 873,485
Long-term receivables	2,875,357	-	-	-	2,875,357	2,531,035	-	-	-	2,531,035
Total Nonspendable	3,921,384	-	-	2,595	3,923,979	3,393,535	-	-	10,985	3,404,520
Restricted										
Insurance	721,836	-	-	-	721,836	5,386	-	-	-	5,386
Debt service	90,920	-	-	-	90,920	90,920	-	-	-	90,920
Capital projects	-	4,088,585	-	-	4,088,585	-	5,146,681	-	-	5,146,681
Trusts	-	-	-	23,605	23,605	-	-	-	20,718	20,718
Total Restricted	812,756	4,088,585	-	23,605	4,924,946	96,306	5,146,681	-	20,718	5,263,705
Assigned										
Purchases on order										
General government support	66,274	-	-	-	66,274	228,440	-	-	-	228,440
Public safety	3,772	-	-	-	3,772	53,591	-	-	-	53,591
Transportation	-	-	-	-	-	65,448	-	-	-	65,448
Home and community services	-	-	-	-	-	69	-	-	-	69
Total Assigned	70,046	-	-	-	70,046	347,548	-	-	-	347,548
Subsequent year's expenditures										
Community development	736,000	-	-	-	736,000	561,000	-	1,754,077	-	561,000
Total Assigned	806,046	-	-	-	2,668,610	908,548	-	1,754,077	-	2,662,625
Unassigned										
Purchases on order										
Major Funds	3,700,155	-	-	-	3,700,155	3,643,292	-	-	-	3,643,292
Grants	-	-	-	(2,595)	(2,595)	-	-	-	(10,985)	(10,985)
Total Unassigned	3,700,155	-	-	(2,595)	3,697,560	3,643,292	-	-	(10,985)	3,632,307
Total Fund Balances	\$ 9,240,341	\$ 4,088,585	\$ 1,862,564	\$ 23,605	\$ 15,215,095	\$ 8,041,681	\$ 5,146,681	\$ 1,754,077	\$ 20,718	\$ 14,963,157

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

Certain elements of 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 \$79,700 in 2013.

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

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

**C. Contingencies**

**Compliance Audits**

The City participates in a number of programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government or agency. An independent audit of these programs has been performed for all prior years and will be conducted for all applicable 2013 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, 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
January 1, 2013	-	131,126,332	131,126,332	-	20,925,280	626.64

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**City of Newburgh, New York**

General Fund  
Comparative Balance Sheet  
December 31,

	2013	2012
<b>ASSETS</b>		
Cash and equivalents	\$ 6,198,665	\$ 3,556,909
Taxes receivable		
City, County and School District taxes	6,421,927	5,481,787
Property acquired for taxes	4,030,188	3,432,631
	10,452,115	8,914,418
Allowance for uncollectible amounts	(4,030,188)	(3,432,631)
	6,421,927	5,481,787
Other receivables		
Accounts	480,419	535,873
Due from other governments	3,576,555	3,592,315
	4,056,974	4,128,188
Prepaid expenditures	1,046,027	862,500
Total Assets	<u>\$ 17,723,593</u>	<u>\$ 14,029,384</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 1,887,360	\$ 848,779
Due to component unit - Local Development Corporation	416,716	416,716
Due to other governments	48,033	7,396
Due to school districts	961,129	934,209
Due to other funds	1,341,370	353,272
Overpayments	165,807	137,779
Unearned revenues	821,796	867,756
Total Liabilities	5,642,211	3,565,907
Deferred inflows of resources		
Deferred tax revenues	2,841,041	2,421,796
Total Liabilities and Deferred Inflows of Resources	8,483,252	5,987,703
Fund balance		
Nonspendable	3,921,384	3,393,535
Restricted	812,756	96,306
Assigned	806,046	908,548
Unassigned	3,700,155	3,643,292
Total Fund Balance	9,240,341	8,041,681
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 17,723,593</u>	<u>\$ 14,029,384</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,

	2013			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Real property taxes	\$ 19,862,564	\$ 19,862,564	\$ 18,874,929	\$ (987,635)
Other tax items	1,028,869	1,028,869	1,312,135	283,266
Non-property taxes	10,545,000	10,545,000	11,223,891	678,891
Departmental income	695,400	695,400	1,084,617	389,217
Intragovernmental charges	3,384,448	3,384,448	2,790,266	(594,182)
Intergovernmental charges	197,779	197,779	192,125	(5,654)
Use of money and property	60,500	60,500	81,099	20,599
Licenses and permits	217,800	217,800	220,596	2,796
Fines and forfeitures	611,000	611,000	612,109	1,109
State aid	5,318,729	5,318,729	5,472,890	154,161
Federal aid	13,000	13,000	107,497	94,497
Miscellaneous	177,000	177,000	158,499	(18,501)
<b>Total Revenues</b>	<b>42,112,089</b>	<b>42,112,089</b>	<b>42,130,653</b>	<b>18,564</b>
<b>EXPENDITURES</b>				
Current				
General government support	8,280,265	8,182,708	6,406,993	1,775,715
Public safety	25,323,305	25,679,097	25,364,899	314,198
Transportation	2,735,886	2,730,575	2,576,467	154,108
Culture and recreation	890,431	903,943	889,538	14,405
Home and community services	390,689	390,689	324,891	65,798
Employee benefits	1,592,000	1,743,062	1,863,355	(120,293)
Debt service				
Principal	1,352,461	1,352,461	1,352,675	(214)
Interest	2,456,600	2,218,600	2,218,516	84
<b>Total Expenditures</b>	<b>43,021,637</b>	<b>43,201,135</b>	<b>40,997,334</b>	<b>2,203,801</b>
Excess (Deficiency) of Revenues Over Expenditures	(909,548)	(1,089,046)	1,133,319	2,222,365
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	1,000	1,000	212,613	211,613
Bonds issued	-	-	-	-
Transfers out	-	-	(147,272)	(147,272)
<b>Total Other Financing Sources (Uses)</b>	<b>1,000</b>	<b>1,000</b>	<b>65,341</b>	<b>64,341</b>
<b>Net Change in Fund Balance</b>	<b>(908,548)</b>	<b>(1,088,046)</b>	<b>1,198,660</b>	<b>2,286,706</b>
<b>FUND BALANCE (DEFICIT)</b>				
Beginning of Year	908,548	1,088,046	8,041,681	6,953,635
End of Year	\$ -	\$ -	\$ 9,240,341	\$ 9,240,341

2012

Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 19,483,461	\$ 19,483,461	\$ 17,519,568	\$ (1,963,893)
848,243	848,243	1,469,313	621,070
10,100,000	10,100,000	10,934,768	834,768
817,244	817,244	1,151,289	334,045
3,485,962	3,485,962	2,850,962	(635,000)
205,710	205,710	173,902	(31,808)
372,000	372,000	196,920	(175,080)
235,000	235,000	472,708	237,708
540,000	540,000	566,784	26,784
5,077,625	5,077,625	5,176,200	98,575
13,000	13,000	160,096	147,096
233,000	233,000	376,887	143,887
<u>41,411,245</u>	<u>41,411,245</u>	<u>41,049,397</u>	<u>(361,848)</u>
7,912,355	7,505,904	6,372,301	1,133,603
23,111,678	23,447,240	23,210,416	236,824
2,634,060	2,668,588	2,492,075	176,513
858,185	836,204	704,350	131,854
283,742	253,008	229,767	23,241
1,758,228	1,765,672	1,657,012	108,660
1,080,271	1,080,432	1,080,432	-
<u>2,390,675</u>	<u>2,093,670</u>	<u>2,068,429</u>	<u>25,241</u>
<u>40,029,194</u>	<u>39,650,718</u>	<u>37,814,782</u>	<u>1,835,936</u>
<u>1,382,051</u>	<u>1,760,527</u>	<u>3,234,615</u>	<u>1,474,088</u>
1,000	1,000	254,428	253,428
-	-	7,073,000	7,073,000
<u>(1,602,772)</u>	<u>(1,981,248)</u>	<u>(499,273)</u>	<u>1,481,975</u>
<u>(1,601,772)</u>	<u>(1,980,248)</u>	<u>6,828,155</u>	<u>8,808,403</u>
(219,721)	(219,721)	10,062,770	10,282,491
<u>219,721</u>	<u>219,721</u>	<u>(2,021,089)</u>	<u>(2,240,810)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,041,681</u>	<u>\$ 8,041,681</u>

**City of Newburgh, New York**

**General Fund  
Schedule of Revenues and Other Financing Sources Compared to Budget  
Year Ended December 31, 2013  
(With Comparative Actuals for 2012)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
<b>REAL PROPERTY TAXES</b>	\$ 19,862,564	\$ 19,862,564	\$ 18,874,929	\$ (987,635)	\$ 17,519,568
<b>OTHER TAX ITEMS</b>					
Gain on sale of tax acquired property	55,000	55,000	28,560	(26,440)	65,603
Payments in lieu of taxes	280,369	280,369	439,015	158,646	321,801
Interest and penalties on real property taxes	693,500	693,500	844,560	151,060	1,081,909
	1,028,869	1,028,869	1,312,135	283,266	1,469,313
<b>NON-PROPERTY TAXES</b>					
Non-property tax distribution from County	9,170,000	9,170,000	9,771,414	601,414	9,548,145
Utilities gross receipts taxes	1,150,000	1,150,000	1,168,248	18,248	995,283
Franchise fees	225,000	225,000	284,229	59,229	391,340
	10,545,000	10,545,000	11,223,891	678,891	10,934,768
<b>DEPARTMENTAL INCOME</b>					
Tax search charges	55,000	55,000	86,570	31,570	78,825
Tax sale advertising	-	-	104,341	104,341	121,404
Comptroller	65,500	65,500	265,795	200,295	297,659
Assessor fees	500	500	1,175	675	800
Clerk fees	19,000	19,000	17,422	(1,578)	16,464
Civil service fees	1,000	1,000	14,965	13,965	6,774
Corporation counsel	200	200	718	518	1,950
Police	102,000	102,000	103,163	1,163	119,027
Fire	500	500	13,350	12,850	1,237
Public pound	1,000	1,000	786	(214)	1,006
Safety inspection	225,000	225,000	221,920	(3,080)	265,705
Vital statistics	70,000	70,000	70,500	500	67,230

Parking lot fees	6,500	6,500	12,061	5,561	7,100
Metered parking	60,000	60,000	47,861	(12,139)	51,316
Parks and recreation	49,000	49,000	60,840	11,840	75,506
Summer camp	15,000	15,000	21,400	6,400	15,590
Planning and zoning fees	20,000	20,000	36,625	16,625	18,796
Architectural review	5,200	5,200	4,275	(925)	4,150
Miscellaneous	-	-	850	850	750
	695,400	695,400	1,084,617	389,217	1,151,289
<b>INTRAGOVERNMENTAL CHARGES</b>					
Industrial Development Agency	-	-	25,818	25,818	-
Charges for services to other funds					
Water Fund	1,357,603	1,357,603	1,057,603	(300,000)	1,073,843
Sewer Fund	1,480,601	1,480,601	1,180,601	(300,000)	1,252,377
Sanitation Fund	546,244	546,244	526,244	(20,000)	524,742
	3,384,448	3,384,448	2,790,266	(594,182)	2,850,962
<b>INTERGOVERNMENTAL CHARGES</b>					
Civil service	72,779	72,779	67,125	(5,654)	67,235
Community resource officers	100,000	100,000	100,000	-	106,667
Urban renewal	25,000	25,000	25,000	-	-
	197,779	197,779	192,125	(5,654)	173,902
<b>USE OF MONEY AND PROPERTY</b>					
Earnings on investments	14,000	14,000	6,518	(7,482)	130,270
Rental of real property	46,500	46,500	74,581	28,081	66,650
	60,500	60,500	81,099	20,599	196,920
<b>LICENSES AND PERMITS</b>					
Business and occupational licenses	21,000	21,000	18,132	(2,868)	17,758
Dog licenses	1,600	1,600	2,325	725	2,302
Building permits	70,000	70,000	89,559	19,559	320,421
Street opening permits	50,000	50,000	43,050	(6,950)	62,125
Other permits	75,200	75,200	67,530	(7,670)	70,102
	217,800	217,800	220,596	2,796	472,708

(Continued)

**City of Newburgh, New York**

**General Fund  
Schedule of Revenues and Other Financing Sources Compared to Budget (Continued)  
Year Ended December 31, 2013  
(With Comparative Actuals for 2012)**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
<b>FINES AND FORFEITURES</b>					
Fines and forfeited bail	\$ 565,000	\$ 565,000	\$ 541,796	\$ (23,204)	\$ 498,869
Parking violations	46,000	46,000	70,313	24,313	67,915
	611,000	611,000	612,109	1,109	566,784
<b>STATE AID</b>					
Per capita	4,464,856	4,464,856	4,464,656	(200)	4,464,656
Mortgage tax	110,000	110,000	174,404	64,404	154,328
Court facilities	400,000	400,000	260,357	(139,643)	262,087
Stop D.W.I.	5,000	5,000	11,056	6,056	6,809
Consolidated highway improvement program	230,000	230,000	441,676	211,676	241,438
State highway maintenance	85,000	85,000	84,508	(492)	-
Youth programs	23,873	23,873	22,144	(1,729)	4,456
Other State Aid	-	-	11,900	11,900	-
Disaster assistance	-	-	2,189	2,189	42,426
	5,318,729	5,318,729	5,472,890	154,161	5,176,200
<b>FEDERAL AID</b>					
Bulletproof vest grant	-	-	7,932	7,932	-
Disaster assistance	-	-	69,246	69,246	127,277
Other	13,000	13,000	30,319	17,319	32,819
	13,000	13,000	107,497	94,497	160,096

<b>MISCELLANEOUS</b>								
Refund of prior year's expenditures	-	-	26,256	26,256	117,316			
Medicare part D reimbursement	95,000	95,000	28,547	(66,453)	123,853			
Gifts and donations	10,000	10,000	11,891	1,891	5,780			
Employee health contributions	72,000	72,000	72,541	541	67,674			
Other	-	-	19,264	19,264	62,264			
	<u>177,000</u>	<u>177,000</u>	<u>158,499</u>	<u>(18,501)</u>	<u>376,887</u>			
<b>TOTAL REVENUES</b>	<b>42,112,089</b>	<b>42,112,089</b>	<b>42,130,653</b>	<b>18,564</b>	<b>41,049,397</b>			
<b>OTHER FINANCING SOURCES</b>								
Insurance recoveries	1,000	1,000	212,613	211,613	254,428			
Bonds issued	-	-	-	-	7,073,000			
	<u>1,000</u>	<u>1,000</u>	<u>212,613</u>	<u>211,613</u>	<u>7,327,428</u>			
<b>TOTAL OTHER FINANCING SOURCES</b>								
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 42,113,089</b>	<b>\$ 42,113,089</b>	<b>\$ 42,343,266</b>	<b>\$ 230,177</b>	<b>\$ 48,376,825</b>			

City of Newburgh, New York

General Fund  
 Schedule of Expenditures and Other Financing Uses Compared to Budget  
 Year Ended December 31, 2013  
 (With Comparative Actuals for 2012)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
<b>GENERAL GOVERNMENT SUPPORT</b>					
City Council	\$ 110,524	\$ 112,324	\$ 94,516	\$ 17,808	\$ 94,265
Unified City Court	484,796	388,007	374,830	13,177	239,622
Traffic Violations Bureau	-	265,143	185,610	79,533	-
Mayor	61,363	66,963	61,763	5,200	57,930
City Manager	406,894	406,894	365,246	41,648	392,783
City Comptroller	706,797	708,661	681,800	26,861	694,023
Tax Collection	359,420	289,383	320,459	(31,076)	333,204
Assessment	213,734	213,734	239,837	(26,103)	192,153
Property Management	189,393	199,393	220,962	(21,569)	197,397
City Clerk	415,981	415,981	401,952	14,029	394,166
Corporation Counsel	2,003,486	1,831,922	1,433,456	398,466	1,575,003
Civil Service Commission	176,944	176,945	131,948	44,997	130,061
Engineering	476,955	476,955	448,008	28,947	327,717
Elections	52,000	52,000	35,897	16,103	75,240
Records management	18,708	22,708	20,528	2,180	19,289
Municipal buildings	153,056	153,056	136,183	16,873	127,341
Central printing	160,070	160,070	142,904	17,166	141,742
Data processing	372,543	378,438	330,545	47,893	370,608
Costs of debt issuance	175,000	143,241	190,827	(47,586)	170,261
Special items					
Auditing services	125,430	125,430	56,573	68,857	-
Municipal association dues	6,731	6,731	13,562	(6,831)	6,731
Uncollectible property taxes	705,440	705,440	-	705,440	-
Miscellaneous					
Contractual	15,000	15,000	-	15,000	-
Judgments and claims	340,000	590,000	519,587	70,413	832,765
Contingency	550,000	278,289	-	278,289	-
	<u>8,280,265</u>	<u>8,182,708</u>	<u>6,406,993</u>	<u>1,775,715</u>	<u>6,372,301</u>

**PUBLIC SAFETY**

Police	13,967,552	13,992,552	13,849,122	143,430	13,100,323
Police	296,447	296,447	275,441	21,006	302,072
Court transportation	281,486	281,486	264,715	16,771	282,012
Traffic control	157,967	59,653	70,869	(11,216)	121,931
On-street parking	59,258	84,258	82,685	1,573	73,195
Public pound					
	<u>14,762,710</u>	<u>14,714,396</u>	<u>14,542,832</u>	<u>171,564</u>	<u>13,879,533</u>

**Fire**

Fire	9,954,427	10,317,227	10,195,626	121,601	8,748,761
Code enforcement	606,168	647,474	626,441	21,033	582,122

	<u>10,560,595</u>	<u>10,964,701</u>	<u>10,822,067</u>	<u>142,634</u>	<u>9,330,883</u>
	<u>25,323,305</u>	<u>25,679,097</u>	<u>25,364,899</u>	<u>314,198</u>	<u>23,210,416</u>

**TRANSPORTATION**

Public works administration	388,758	395,158	383,146	12,012	374,503
Streets and bridges	738,314	726,354	654,509	71,845	704,084
Highway resurfacing	230,000	230,000	171,196	58,804	229,558
Garage	413,751	429,377	437,590	(8,213)	418,186
Police garage	240,404	236,404	215,264	21,140	225,010
Snow removal	299,659	288,282	222,855	65,427	64,485
Street lighting	415,000	415,000	487,288	(72,288)	471,788
Off-street parking	10,000	10,000	4,619	5,381	4,461
	<u>2,735,886</u>	<u>2,730,575</u>	<u>2,576,467</u>	<u>154,108</u>	<u>2,492,075</u>

**CULTURE AND RECREATION**

Parks	304,364	310,275	322,628	(12,353)	282,966
Shade tree commission	1,000	1,000	1,000	-	1,000
Drowning Park planning committee	-	5,200	5,000	200	-
Dutch reformed church	2,500	2,500	851	1,649	1,010
Recreation	247,967	247,968	221,360	26,608	219,691
Riverfront facilities	5,000	3,620	1,979	1,641	
Delano-Hitch pool	80,340	80,340	53,601	26,739	58,001

(Continued)

**City of Newburgh, New York**

**General Fund**

**Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)**

Year Ended December 31, 2013

(With Comparative Actuals for 2012)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
<b>CULTURE AND RECREATION (Continued)</b>					
Delano-Hitch park and stadium maintenance	\$ 95,178	\$ 95,958	\$ 71,410	\$ 24,548	\$ 59,220
Youth and family	41,645	52,522	131,946	(79,424)	23,127
Summer playgrounds on wheels	17,861	17,861	13,375	4,486	14,262
Summer youth camp services	43,152	43,152	28,704	14,448	22,325
Youth voice project	14,579	3,702	-	3,702	50
Historian	3,095	3,095	2,644	451	2,866
Celebrations	24,750	27,750	26,187	1,563	12,323
Senior citizen recreation	9,000	9,000	8,853	147	7,509
	<u>890,431</u>	<u>903,943</u>	<u>889,538</u>	<u>14,405</u>	<u>704,350</u>
<b>HOME AND COMMUNITY SERVICES</b>					
Zoning Board	7,112	7,112	4,772	2,340	5,721
Planning Board	6,162	6,162	4,082	2,080	5,103
Architectural review commission	10,006	10,006	7,176	2,830	8,072
Waterfront advisory committee	3,725	3,725	2,625	1,100	3,500
Planning and management development	363,684	363,684	306,236	57,448	207,371
	<u>390,689</u>	<u>390,689</u>	<u>324,891</u>	<u>65,798</u>	<u>229,767</u>
<b>EMPLOYEE BENEFITS</b>					
Hospitalization, medical and dental - Unallocated	20,000	20,000	12,838	7,162	12,503
Workers' compensation benefits	1,565,000	1,716,062	1,845,858	(129,796)	1,639,518
Employee assistance program	7,000	7,000	4,659	2,341	4,991
	<u>1,592,000</u>	<u>1,743,062</u>	<u>1,863,355</u>	<u>(120,293)</u>	<u>1,657,012</u>

**DEBT SERVICE**

Principal								
Bonds	1,226,151	1,226,151	1,226,146	5	960,214			
Capital leases	28,145	28,145	28,365	(220)	26,131			
Energy performance contract	98,165	98,165	98,164	1	94,087			
	<u>1,352,461</u>	<u>1,352,461</u>	<u>1,352,675</u>	<u>(214)</u>	<u>1,080,432</u>			
Interest								
Bonds	2,161,398	2,161,398	2,161,396	2	886,510			
Capital leases	3,603	3,603	3,522	81	5,616			
Bond anticipation notes	-	-	-	-	884,471			
Tax anticipation notes	238,000	-	-	-	234,156			
Energy performance contract	53,599	53,599	53,598	1	57,676			
	<u>2,456,600</u>	<u>2,218,600</u>	<u>2,218,516</u>	<u>84</u>	<u>2,068,429</u>			
	<u>3,809,061</u>	<u>3,571,061</u>	<u>3,571,191</u>	<u>(130)</u>	<u>3,148,861</u>			
<b>TOTAL EXPENDITURES</b>	<u>43,021,637</u>	<u>43,201,135</u>	<u>40,997,334</u>	<u>2,203,801</u>	<u>37,814,782</u>			
<b>OTHER FINANCING USES</b>								
Transfers out								
Grants Fund	-	-	124,007	(124,007)	117,797			
Capital Projects Fund	-	-	23,265	(23,265)	381,476			
	<u>-</u>	<u>-</u>	<u>147,272</u>	<u>(147,272)</u>	<u>499,273</u>			
<b>TOTAL OTHER FINANCING USES</b>	<u>-</u>	<u>-</u>	<u>147,272</u>	<u>(147,272)</u>	<u>499,273</u>			
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 43,021,637</u>	<u>\$ 43,201,135</u>	<u>\$ 41,144,606</u>	<u>\$ 2,056,529</u>	<u>\$ 38,314,055</u>			

City of Newburgh, New York

Capital Projects Fund  
Comparative Balance Sheet  
December 31,

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 6,879,718	\$ 5,397,084
Due from other governments	<u>202,925</u>	<u>2,040,868</u>
 Total Assets	 <u>\$ 7,082,643</u>	 <u>\$ 7,437,952</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 167,051	\$ 66,442
Due to other funds	273,830	2,224,829
Bond anticipation notes payable	<u>2,553,177</u>	<u>-</u>
 Total Liabilities	 2,994,058	 2,291,271
 Fund balance		
Restricted	<u>4,088,585</u>	<u>5,146,681</u>
 Total Liabilities and Fund Balance	 <u>\$ 7,082,643</u>	 <u>\$ 7,437,952</u>

**City of Newburgh, New York**

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

---

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Use of money and property	\$ 19,529	\$ 19,487
State aid	417,881	215,947
Federal aid	<u>228,032</u>	<u>-</u>
 Total Revenues	 665,442	 235,434
 <b>EXPENDITURES</b>		
Capital outlay	<u>1,746,803</u>	<u>447,248</u>
 Deficiency of Revenues Over Expenditures	 <u>(1,081,361)</u>	 <u>(211,814)</u>
 <b>OTHER FINANCING SOURCES</b>		
Bonds issued	-	10,436,768
Transfers in	<u>23,265</u>	<u>381,476</u>
 Total Other Financing Sources	 <u>23,265</u>	 <u>10,818,244</u>
 Net Change in Fund Balance	 (1,058,096)	 10,606,430
 <b>FUND BALANCE (DEFICIT)</b>		
Beginning of Year	<u>5,146,681</u>	<u>(5,459,749)</u>
 End of Year	 <u>\$ 4,088,585</u>	 <u>\$ 5,146,681</u>

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**City of Newburgh, New York**

Community Development Fund  
 Comparative Balance Sheet  
 December 31,

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 2,003,499</u>	<u>\$ 1,606,834</u>
Receivables		
Due from other governments	949,452	1,333,969
Loans receivable, net of allowance for uncollectible amounts of \$120,711 in 2013 and 170,711 in 2012	586,236	595,755
Due from other funds	<u>398,881</u>	<u>398,881</u>
	<u>1,934,569</u>	<u>2,328,605</u>
Total Assets	<u><u>\$ 3,938,068</u></u>	<u><u>\$ 3,935,439</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 321,658	\$ 63
Due to other funds	229,278	262,694
Unearned revenues	<u>1,524,568</u>	<u>1,918,605</u>
Total Liabilities	2,075,504	2,181,362
Fund balance		
Assigned	<u>1,862,564</u>	<u>1,754,077</u>
Total Liabilities and Fund Balance	<u><u>\$ 3,938,068</u></u>	<u><u>\$ 3,935,439</u></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,

	2013			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Departmental income	\$ -	\$ -	\$ 89,521	\$ 89,521
Use of money and property	-	-	30,487	30,487
Federal aid	1,333,969	1,333,969	1,164,078	(169,891)
Miscellaneous	-	-	2,839	2,839
<b>Total Revenues</b>	<u>1,333,969</u>	<u>1,333,969</u>	<u>1,286,925</u>	<u>(47,044)</u>
<b>EXPENDITURES</b>				
Current				
Home and community services	1,333,969	1,333,969	1,178,438	155,531
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<u>1,333,969</u>	<u>1,333,969</u>	<u>1,178,438</u>	<u>155,531</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	-	108,487	108,487
<b>FUND BALANCE</b>				
Beginning of Year	-	-	1,754,077	1,754,077
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,862,564</u>	<u>\$ 1,862,564</u>

2012

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)
-	-	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**

Non-Major Governmental Funds  
 Combining Balance Sheet  
 December 31, 2013  
 (With Comparative Totals for 2012)

	Special Purpose Fund	Grants Fund	Total Non-Major Governmental Funds	
			2013	2012
<b>ASSETS</b>				
Cash and equivalents	\$ 23,605	\$ 1,081,848	\$ 1,105,453	\$ 378,537
Due from other governments	-	454,818	454,818	365,857
Due from other funds	-	558,865	558,865	354,310
Prepaid expenditures	-	2,595	2,595	10,985
<b>Total Assets</b>	<b>\$ 23,605</b>	<b>\$ 2,098,126</b>	<b>\$ 2,121,731</b>	<b>\$ 1,109,689</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ 44,476	\$ 44,476	\$ 50,759
Due to other governments	-	40,084	40,084	40,084
Due to other funds	-	1,997,074	1,997,074	990,849
Unearned revenues	-	16,492	16,492	7,279
<b>Total Liabilities</b>	<b>-</b>	<b>2,098,126</b>	<b>2,098,126</b>	<b>1,088,971</b>
Fund balances (deficits)				
Nonspendable	-	2,595	2,595	10,985
Restricted	23,605	-	23,605	20,718
Unassigned	-	(2,595)	(2,595)	(10,985)
<b>Total Fund Balances</b>	<b>23,605</b>	<b>-</b>	<b>23,605</b>	<b>20,718</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 23,605</b>	<b>\$ 2,098,126</b>	<b>\$ 2,121,731</b>	<b>\$ 1,109,689</b>

**City of Newburgh, New York**

Non-Major Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes  
 in Fund Balances  
 Year Ended December 31, 2013  
 (With Comparative Totals for 2012)

	Special Purpose Fund	Grants Fund	Total Non-Major Governmental Funds	
			2013	2012
<b>REVENUES</b>				
Use of money and property	\$ -	\$ 544	\$ 544	\$ 322
State aid	-	255,394	255,394	365,935
Federal aid	-	1,126,139	1,126,139	1,426,854
Miscellaneous	3,075	44,297	47,372	38,063
<b>Total Revenues</b>	<b>3,075</b>	<b>1,426,374</b>	<b>1,429,449</b>	<b>1,831,174</b>
<b>EXPENDITURES</b>				
Current				
General government support	-	40,275	40,275	10,500
Public safety	-	473,231	473,231	749,834
Transportation	-	353,061	353,061	343,770
Culture and recreation	188	592,606	592,794	845,217
Home and community services	-	91,208	91,208	7,500
<b>Total Expenditures</b>	<b>188</b>	<b>1,550,381</b>	<b>1,550,569</b>	<b>1,956,821</b>
Excess (Deficiency) of Revenues Over Expenditures	2,887	(124,007)	(121,120)	(125,647)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	124,007	124,007	117,797
<b>Net Change in Fund Balances</b>	<b>2,887</b>	<b>-</b>	<b>2,887</b>	<b>(7,850)</b>
<b>FUND BALANCES</b>				
Beginning of Year	20,718	-	20,718	28,568
End of Year	<u>\$ 23,605</u>	<u>\$ -</u>	<u>\$ 23,605</u>	<u>\$ 20,718</u>

City of Newburgh, New York

Special Purpose Fund  
Comparative Balance Sheet  
December 31,

---

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 23,605</u>	<u>\$ 20,718</u>
 <b>FUND BALANCE</b>		
Restricted	<u>\$ 23,605</u>	<u>\$ 20,718</u>

**City of Newburgh, New York**

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

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	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Miscellaneous	\$ 3,075	\$ 9,924
<b>EXPENDITURES</b>		
Current		
Culture and recreation	<u>188</u>	<u>17,774</u>
Excess (Deficiency) of Revenues Over Expenditures	2,887	(7,850)
<b>FUND BALANCE</b>		
Beginning of Year	<u>20,718</u>	<u>28,568</u>
End of Year	<u><u>\$ 23,605</u></u>	<u><u>\$ 20,718</u></u>

City of Newburgh, New York

Grants Fund  
 Comparative Balance Sheet  
 December 31,

	2013	2012
<b>ASSETS</b>		
Cash and equivalents	\$ 1,081,848	\$ 357,819
Due from other governments	454,818	365,857
Due from other funds	558,865	354,310
Prepaid expenditures	2,595	10,985
<b>Total Assets</b>	<b><u>\$ 2,098,126</u></b>	<b><u>\$ 1,088,971</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 44,476	\$ 50,759
Due to other governments	40,084	40,084
Due to other funds	1,997,074	990,849
Unearned revenues	16,492	7,279
<b>Total Liabilities</b>	<b><u>2,098,126</u></b>	<b><u>1,088,971</u></b>
Fund balance (deficit)		
Nonspendable	2,595	10,985
Unassigned	(2,595)	(10,985)
<b>Total Fund Balance</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 2,098,126</u></b>	<b><u>\$ 1,088,971</u></b>

**City of Newburgh, New York**

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

	<u>2013</u>	<u>2012</u>
<b>REVENUES</b>		
Use of money and property	\$ 544	\$ 322
State aid	255,394	365,935
Federal aid	1,126,139	1,426,854
Miscellaneous	<u>44,297</u>	<u>28,139</u>
 Total Revenues	 <u>1,426,374</u>	 <u>1,821,250</u>
<b>EXPENDITURES</b>		
Current		
General government support	40,275	10,500
Public safety	473,231	749,834
Transportation	353,061	343,770
Culture and recreation	592,606	827,443
Home and community services	<u>91,208</u>	<u>7,500</u>
 Total Expenditures	 <u>1,550,381</u>	 <u>1,939,047</u>
 Deficiency of Revenues Over Expenditures	 (124,007)	 (117,797)
<b>OTHER FINANCING SOURCES</b>		
Transfers in	<u>124,007</u>	<u>117,797</u>
 Net Change in Fund Balance	 -	 -
<b>FUND BALANCE</b>		
Beginning of Year	<u>-</u>	<u>-</u>
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,

	2013	2012
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 5,198,132	\$ 6,296,234
Receivables		
Accounts	1,961,490	2,009,902
Due from other funds	81,340	2,141,258
	<u>2,042,830</u>	<u>4,151,160</u>
Prepaid expenses	49,355	43,041
Total Current Assets	<u>7,290,317</u>	<u>10,490,435</u>
Noncurrent assets		
Capital assets		
Land	7,248,449	7,248,449
Construction-in-progress	4,523,380	2,875,994
Buildings and improvements	935,688	935,688
Improvements other than buildings	404,164	404,164
Machinery and equipment	1,969,136	1,937,457
Infrastructure	21,360,958	21,360,957
Less accumulated depreciation	<u>(10,795,315)</u>	<u>(10,416,357)</u>
Total Capital Assets, net	<u>25,646,460</u>	<u>24,346,352</u>
Total Assets	<u>32,936,777</u>	<u>34,836,787</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	303,371	46,721
Accrued interest payable	243,407	204,415
Due to other funds	-	2,913,251
Retainages payable	77,963	-
Current maturities of bonds payable	380,067	257,613
Current maturities of loans payable	327,552	325,587
Current portion of compensated absences	<u>27,000</u>	<u>27,000</u>
Total Current Liabilities	<u>1,359,360</u>	<u>3,774,587</u>
Noncurrent liabilities		
Bonds payable, less current maturities	8,126,765	8,506,832
Loans payable, less current maturities	6,609,017	6,936,569
Compensated absences, less current portion	243,094	242,200
Other post employment benefit obligations payable	<u>2,010,154</u>	<u>1,743,780</u>
Total Noncurrent Liabilities	<u>16,989,030</u>	<u>17,429,381</u>
Total Liabilities	<u>18,348,390</u>	<u>21,203,968</u>
<b>NET POSITION</b>		
Net investment in capital assets	11,148,025	7,979,290
Unrestricted	<u>3,440,362</u>	<u>5,653,529</u>
Total Net Position	<u>\$ 14,588,387</u>	<u>\$ 13,632,819</u>

**City of Newburgh, New York**

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

	2013	2012
<b>OPERATING REVENUES</b>		
Metered sales	\$ 5,362,330	\$ 5,678,374
Penalties	298,353	67,468
Federal aid	7,247	-
Miscellaneous	232,980	15,427
<b>Total Operating Revenues</b>	<u>5,900,910</u>	<u>5,761,269</u>
<b>OPERATING EXPENSES</b>		
Personal services	1,007,386	1,032,012
Depreciation	378,958	410,695
Supplies	256,949	255,322
Utilities	176,815	180,643
Insurance	206,500	210,700
Contractual	655,823	594,977
Fees for services	851,103	863,143
Employee benefits	970,368	933,729
<b>Total Operating Expenses</b>	<u>4,503,902</u>	<u>4,481,221</u>
<b>Income from Operations</b>	<u>1,397,008</u>	<u>1,280,048</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	1,629	4,641
Interest expense	(583,321)	(393,045)
<b>Total Non-Operating Expenses</b>	<u>(581,692)</u>	<u>(388,404)</u>
<b>Income Before Transfers</b>	815,316	891,644
Transfers In	140,252	144,310
<b>Change in Net Position</b>	955,568	1,035,954
<b>NET POSITION</b>		
Beginning of Year	<u>13,632,819</u>	<u>12,596,865</u>
End of Year	<u>\$ 14,588,387</u>	<u>\$ 13,632,819</u>

**City of Newburgh, New York**

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

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees from customers and miscellaneous	\$ 5,942,075	\$ 6,278,627
Cash received from Federal and State aid	7,247	-
Cash payments for goods and services	(4,810,105)	526,476
Cash payments to employees	(1,710,486)	(1,667,457)
Net Cash From Operating Activities	<u>(571,269)</u>	<u>5,137,646</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Due from other funds	2,059,918	(2,141,258)
Transfers in	140,252	144,310
Net Cash From Non-Capital Financing Activities	<u>2,200,170</u>	<u>(1,996,948)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,601,103)	(112,150)
Proceeds from debt	-	4,537,533
Principal paid on debt	(583,200)	(5,223,681)
Interest paid on debt	(544,329)	(305,423)
Net Cash From Capital and Related Financing Activities	<u>(2,728,632)</u>	<u>(1,103,721)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	1,629	4,641
Net Change in Cash and Equivalents	<u>(1,098,102)</u>	<u>2,041,618</u>
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>6,296,234</u>	<u>4,254,616</u>
End of Year	<u>\$ 5,198,132</u>	<u>\$ 6,296,234</u>
<b>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income from operations	\$ 1,397,008	\$ 1,280,048
Adjustments to reconcile income from operations to net cash from operating activities		
Depreciation	378,958	410,695
Changes in operating assets and liabilities		
Accounts receivable	48,412	282,046
Due from other governments	-	235,312
Prepaid expenses	(6,314)	(467)
Accounts payable	256,650	(51,839)
Due to other funds	(2,913,251)	2,683,567
Compensated absences	894	56,108
Other post employment benefit obligations payable	266,374	242,176
Net Cash From Operating Activities	<u>\$ (571,269)</u>	<u>\$ 5,137,646</u>

City of Newburgh, New York

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

	2013	2012
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 1,953,007	\$ 2,469,173
Restricted cash	7,260,152	-
Receivables		
Accounts	2,076,274	1,935,866
Due from other governments	816,101	486,036
Due from other funds	2,809,258	4,010,201
	5,701,633	6,432,103
Prepaid expenses	19,718	15,502
Total Current Assets	14,934,510	8,916,778
Noncurrent assets		
Capital assets		
Land	3,001,193	3,001,193
Construction-in-progress	5,173,605	1,708,398
Buildings and improvements	451,554	451,554
Improvements other than buildings	11,558	11,558
Machinery and equipment	1,108,348	956,160
Infrastructure	28,519,209	28,519,209
Less accumulated depreciation	(11,905,292)	(11,372,434)
Total Capital Assets, net	26,360,175	23,275,638
Total Assets	41,294,685	32,192,416
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	103,513	960,116
Accrued interest payable	28,348	137,503
Retainages payable	174,706	-
Unearned revenues	467,360	500,000
Bond anticipation notes payable	236,500	-
Current maturities of bonds payable	227,240	120,978
Current portion of compensated absences	7,300	7,700
Total Current Liabilities	1,244,967	1,726,297
Noncurrent liabilities		
Bonds payable, less current maturities	4,785,094	5,012,333
Loans payable	8,978,790	-
Compensated absences, less current portion	65,575	69,306
Other post employment benefit obligations payable	680,951	557,380
Total Noncurrent Liabilities	14,510,410	5,639,019
Total Liabilities	15,755,377	7,365,316
<b>NET POSITION</b>		
Net investment in capital assets	19,892,635	19,021,574
Unrestricted	5,646,673	5,805,526
Total Net Position	\$ 25,539,308	\$ 24,827,100

**City of Newburgh, New York**

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

	2013	2012
<b>OPERATING REVENUES</b>		
Metered sales	\$ 5,277,297	\$ 4,983,825
Penalties	258,713	55,504
Reimbursement from Town	225,016	-
State aid	-	74,250
Federal aid	9,002	222,748
Miscellaneous	23,000	30,237
<b>Total Operating Revenues</b>	<u>5,793,028</u>	<u>5,366,564</u>
<b>OPERATING EXPENSES</b>		
Personal services	386,428	369,999
Depreciation	532,858	518,471
Supplies and materials	446,241	386,041
Utilities	153,137	137,839
Insurance	206,500	210,700
Contractual	1,670,703	3,977,697
Fees for services	974,101	1,041,677
Employee benefits	298,771	296,456
<b>Total Operating Expenses</b>	<u>4,668,739</u>	<u>6,938,880</u>
<b>Income (Loss) from Operations</b>	<u>1,124,289</u>	<u>(1,572,316)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	1,180	12,831
Interest expense	(273,009)	(225,986)
<b>Total Non-Operating Expenses</b>	<u>(271,829)</u>	<u>(213,155)</u>
<b>Income (Loss) Before Transfers</b>	852,460	(1,785,471)
Transfers Out	(140,252)	(144,310)
<b>Change in Net Position</b>	712,208	(1,929,781)
<b>NET POSITION</b>		
Beginning of Year	<u>24,827,100</u>	<u>26,756,881</u>
End of Year	<u>\$ 25,539,308</u>	<u>\$ 24,827,100</u>

**City of Newburgh, New York**

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

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees from customers and miscellaneous	\$ 5,280,913	\$ 5,805,942
Cash received from Federal and State aid	9,002	296,998
Cash payments for goods and services	(4,311,501)	(4,843,305)
Cash payments to employees	(565,759)	(542,607)
Net Cash From Operating Activities	<u>412,655</u>	<u>717,028</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Due from other funds	1,200,943	(2,543,179)
Transfers out	(140,252)	(144,310)
Net Cash From Non-Capital Financing Activities	<u>1,060,691</u>	<u>(2,687,489)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(3,442,689)	(1,314,656)
Proceeds from debt	9,215,290	4,647,699
Principal paid on debt	(120,977)	(5,115,187)
Interest paid on debt	(382,164)	(135,440)
Increase in restricted cash	(7,260,152)	-
Net Cash From Capital and Related Financing Activities	<u>(1,990,692)</u>	<u>(1,917,584)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	1,180	12,831
Net Change in Cash and Equivalents	(516,166)	(3,875,214)
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>2,469,173</u>	<u>6,344,387</u>
End of Year	<u>\$ 1,953,007</u>	<u>\$ 2,469,173</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income (loss) from operations	\$ 1,124,289	\$ (1,572,316)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	532,858	518,471
Changes in operating assets and liabilities		
Accounts receivable	(140,408)	213,557
Due from other governments	(330,065)	555,459
Prepaid expenses	(4,216)	1,356
Accounts payable	(856,603)	909,293
Unearned revenues	(32,640)	(32,640)
Compensated absences	(4,131)	11,024
Other post employment benefit obligations payable	123,571	112,824
Net Cash From Operating Activities	<u>\$ 412,655</u>	<u>\$ 717,028</u>

**City of Newburgh, New York**

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

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 539,018	\$ 433,308
Accounts receivable	1,090,262	852,033
Prepaid expenses	<u>43,493</u>	<u>36,117</u>
Total Current Assets	<u>1,672,773</u>	<u>1,321,458</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	981,052	566,062
Less accumulated depreciation	<u>(571,223)</u>	<u>(562,066)</u>
Total Capital Assets, net	<u>409,829</u>	<u>3,996</u>
Total Assets	<u>2,082,602</u>	<u>1,325,454</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	137,772	69,348
Due to other funds	6,792	159,755
Bond anticipation notes payable	220,000	-
Unearned revenues	1,097	-
Current maturities of bonds payable	5,546	263
Current portion of compensated absences	<u>10,700</u>	<u>9,900</u>
Total Current Liabilities	<u>381,907</u>	<u>239,266</u>
Noncurrent liabilities		
Bonds payable, less current maturities	214,190	219,737
Compensated absences, less current portion	96,342	89,412
Other post employment benefit obligations payable	<u>1,120,199</u>	<u>798,544</u>
Total Noncurrent Liabilities	<u>1,430,731</u>	<u>1,107,693</u>
Total Liabilities	<u>1,812,638</u>	<u>1,346,959</u>
<b>NET POSITION</b>		
Net investment in capital assets	11,341	3,996
Unrestricted	<u>258,623</u>	<u>(25,501)</u>
Total Net Position	<u>\$ 269,964</u>	<u>\$ (21,505)</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>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
Fees	\$ 3,505,396	\$ 2,929,147
Miscellaneous	<u>16,230</u>	<u>14,490</u>
Total Operating Revenues	<u>3,521,626</u>	<u>2,943,637</u>
<b>OPERATING EXPENSES</b>		
Personal services	797,832	779,567
Depreciation	9,157	11,990
Supplies and materials	108,736	104,845
Insurance	88,500	90,300
Contractual	811,693	785,886
Fees for services	437,744	434,442
Employee benefits	<u>959,633</u>	<u>862,362</u>
Total Operating Expenses	<u>3,213,295</u>	<u>3,069,392</u>
Income (Loss) from Operations	<u>308,331</u>	<u>(125,755)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	143	218
Interest expense	<u>(17,005)</u>	<u>(4,736)</u>
Total Non-Operating Expenses	<u>(16,862)</u>	<u>(4,518)</u>
Change in Net Position	291,469	(130,273)
<b>NET POSITION</b>		
Beginning of Year	<u>(21,505)</u>	<u>108,768</u>
End of Year	<u>\$ 269,964</u>	<u>\$ (21,505)</u>

**City of Newburgh, New York**

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

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees from customers and miscellaneous	\$ 3,284,494	\$ 3,068,760
Cash payments for goods and services	(1,385,625)	(1,427,255)
Cash payments to employees	(1,428,080)	(1,378,071)
	<u>470,789</u>	<u>263,434</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Due to other funds	<u>(152,963)</u>	<u>(175,062)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from debt	220,000	220,000
Principal paid on debt	(264)	(220,000)
Interest paid on debt	(17,005)	(4,736)
Acquisition of capital assets	<u>(414,990)</u>	<u>-</u>
	<u>(212,259)</u>	<u>(4,736)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>143</u>	<u>218</u>
	105,710	83,854
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>433,308</u>	<u>349,454</u>
End of Year	<u>\$ 539,018</u>	<u>\$ 433,308</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES</b>		
Income (Loss) from operations	\$ 308,331	\$ (125,755)
Adjustments to reconcile income (loss) from operations to net cash from operating activities		
Depreciation	9,157	11,990
Changes in operating assets and liabilities		
Accounts receivable	(238,229)	125,123
Prepaid expenses	(7,376)	2,808
Accounts payable	68,424	(14,590)
Unearned revenues	1,097	-
Compensated absences	7,730	(2,277)
Other post employment benefit obligations payable	<u>321,655</u>	<u>266,135</u>
	<u>\$ 470,789</u>	<u>\$ 263,434</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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 2, 2014.

**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.

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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

July 2, 2014

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

**Independent Auditors' 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, 2013. 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, 2013.

## **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

July 2, 2014

City of Newburgh, New York

Schedule of Expenditures of Federal Awards  
Year Ending December 31, 2013

<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	\$ 493,342
Safety Incentive Grants	20.604	2,299
Total U.S. Department of Transportation		<u>495,641</u>
<u>U.S. Department of Justice</u>		
Indirect Programs - Passed through New York State Department of Justice		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4,485
Project Safe Neighborhoods Grants	16.609	18,920
Bulletproof Vest Partnership Program	16.607	7,932
Indirect Program - Passed through Orange County		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	33,669
Total U.S. Department of Justice		<u>65,006</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	21,873
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs		
Community Development Block Grant	14.218	1,164,078
HUD Economic Development Initiative	14.251	76,575
Total U.S. Department of Housing and Urban Development		<u>1,240,653</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	577,800
<u>U.S. Department of Homeland Security</u>		
Direct Program		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	125,208
Indirect Program - Passed through New York State Division of Homeland Security and Emergency Services		
Public Assistance (Presidentially Declared Disasters)	97.036	85,495
Total U.S. Department of Homeland Security		<u>210,703</u>
Total		<u>\$ 2,611,676</u>

(1) Catalog of Federal Domestic Assistance number.  
The accompanying notes are an integral part of this schedule.

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Newburgh, New York ("City") under programs of the federal government for the year ended December 31, 2013. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, which establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments.

**City of Newburgh, New York**

**Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2013**

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None

**City of Newburgh, New York**

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2013

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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  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditors' report issued on compliance for major programs

Unmodified

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
20.205	Highway Planning and Construction Grants
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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

\$300,000  
 Yes  No