

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 26, 2020

NEW ISSUE/RENEWALS

BOND ANTICIPATION NOTES

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York.) Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "Tax Matters". The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

CITY OF KINGSTON ULSTER COUNTY, NEW YORK (the "City")

\$5,831,500

BOND ANTICIPATION NOTES, 2020

Dated Date: March 19, 2020

Maturity Date: March 19, 2021

Security and Sources of Payment: The Notes will constitute general obligations of the City and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes, and all the taxable real property within the City will be subject to the levy of ad valorem taxes, for such purpose, subject to applicable statutory limitations. See "Tax Levy Limitation Law" herein.

Prior Redemption: The Notes will not be subject to redemption prior to their maturity.

At the option of the purchaser(s), the Notes may either be registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC") as book-entry notes. Note certificates shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser at such interest rate.

Form and Denomination: The Notes to be issued in book-entry form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee, which will act as the securities depository for the Notes. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Individual purchases of the Notes to be issued in book-entry form may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination, which is or includes \$6,500. Noteholders will not receive certificates representing their ownership interest in the Notes to be issued in book-entry form purchased. See "Book-Entry System" herein.

Payment: Payment of the principal of and interest on the Notes to be issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in "street name." Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry System" herein. Payment of the principal of and interest on the Notes issued in the form registered to the purchaser(s) will be payable at such bank of trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on March 10, 2020 at the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of an approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Notes will be available for delivery in Jersey City, New Jersey or such other place as may be agreed upon with the purchaser(s) on or about March 19, 2020.

THE CITY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. IN ADDITION, THE CITY WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. (SEE "DISCLOSURE UNDERTAKING," HEREIN).

**CITY OF KINGSTON
ULSTER COUNTY, NEW YORK**

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Kingston, New York 12401
Telephone: 845/331-0080
Fax: 845/334-3944

CITY OFFICIALS

Steven T. Noble, Mayor

Andrea Shaut, Alderman-at-Large

Aldermen

First Ward – Jeffrey Ventura Morell
Second Ward – Douglas Koop
Third Ward – Reynolds Scott-Childress
Fourth Ward – Rita Worthington
Fifth Ward – Donald Tallerman
Sixth Ward – Anthony Davis
Seventh Ward – Patrick O'Reilly
Eighth Ward – Steven Schabot
Ninth Ward – Michele Hirsch

John R. Tuey, CPA, City Comptroller
Elisa Tinti, City Clerk
Kevin Bryant, Esq., Corporation Counsel

* * *

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
New York, New York

* * *

MUNICIPAL ADVISOR



Municipal Finance Advisory Service

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OFFICIAL STATEMENT

Relating to

**CITY OF KINGSTON
ULSTER COUNTY, NEW YORK**

\$5,831,500

BOND ANTICIPATION NOTES, 2020

This Official Statement, including the cover page and appendices thereto, has been prepared by the City of Kingston, Ulster County, New York (the "City") and presents certain information relating to the City's \$5,831,500 Bond Anticipation Notes, 2020 (the "Notes"). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes will be dated March 19, 2020 and will mature, without right of redemption prior to maturity, on March 19, 2021, with interest payable at maturity.

At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

For those Notes registered to the purchaser(s), a single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at the office of the City Comptroller in Kingston, New York.

For those Notes issued as book-entry notes registered to Cede & Co., DTC will act as securities depository for the Notes and owners will not receive certificates representing their respective interests in the Notes. Individual purchases of such registered Notes may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination, which is or includes \$6,500. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the City to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. See "Book-Entry System" herein.

The City will act as Paying Agent for the Notes. The City's contact information is as follows: John R. Tuey, CPA, City Comptroller, City of Kingston, 420 Broadway, Kingston, New York 12401, Phone (845) 331-0080, Fax (845) 334-3944 and email: jtuey@kingston-ny.gov.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Book-Entry System

In the event that the Notes are issued in registered book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered Notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

Disclosure Undertaking

This Official Statement is in a form "deemed final" by the City for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the City will provide an executed copy of its "Material Event Notices Certificate" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, timely notice not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Notes:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the City; note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a financial obligation (as defined in the Rule) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect noteholders, if material; and (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (iii) is not applicable, since no "debt services reserves" will be established for the Notes.

With respect to event (iv) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

With respect to event (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

With respect to events (xv) and (xvi), the term “financial obligation” means a (i) debt obligation (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with a Rule.

The City may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the City does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

The City's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the City, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the City to comply with the Undertaking will not constitute a default with respect to the Notes.

The City reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

Authorization and Purpose

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law and various bond ordinances adopted by the Common Council of said City. The proceeds of the Notes, along with \$48,500 in available funds, will be used to redeem \$1,880,000 outstanding bond anticipation notes maturing on March 20, 2020 and will provide original financing in the amount of \$4,000,000. The list of projects that will be financed by such amount are as follows:

Date of Authorization	Purpose	Amount Outstanding	Amount to be Paid	Additional Amount to be Issued	Total Amount to be Issued
02/06/2018	Replacement of Water Infrastructure	\$1,100,000	\$28,500	\$ 0	\$1,071,500
02/06/2018 & 01/07/2020	Cooper Lake Dam and Intake Rehabilitation	780,000	20,000	4,000,000	4,760,000
		<u>\$1,880,000</u>	<u>\$48,500</u>	<u>\$4,000,000</u>	<u>\$5,831,500</u>

Nature of Obligation

Each of the Notes when duly issued and paid for will constitute a contract between the City and the holder thereof.

Holders of any series of notes or bonds of the City may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the City and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the City has power and statutory authorization to levy ad valorem taxes on all real property within the City subject to such taxation by the City, subject to applicable statutory limitations. See “Tax Levy Limitation Law, herein.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the City’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “Tax Levy Limitation Law,” herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State’s highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the City’s faith and credit is both a commitment to pay and a commitment of the City’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the City’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean . . . So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted.... While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the City of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the City to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo). It also applies to independent special districts and to improvements districts as part of their parent municipalities tax levies.

The Tax Levy Limitations Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Each municipality, prior to adoption of each fiscal year budget, must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the tax levy limitation provisions.

While the Tax Levy Limitation Law may constrict an issuer’s power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer’s pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit and issuer’s levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors’ Provision

Each Note when duly issued and paid for will constitute a contract between the City and the holder thereof. Under current law, provision is made for contract creditors of the City to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property

As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

Authority to File For Municipal Bankruptcy

The Federal Bankruptcy Code allows public bodies, such as counties, city, town or village, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Notes should the City be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Notes to receive interest and principal from the City could be adversely affected by the restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the City (including the Notes) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature, as described below, authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder." Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The City is presently not working with the FRB and does not reasonably anticipate doing so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See "Nature of Obligation" and "State Debt Moratorium Law" herein.

No Past Due Debt

No principal of or interest on City indebtedness is past due. The City has never defaulted in the payment of the principal of and interest on any indebtedness.

THE CITY

Known previously over the past 300 years as Esopus, Wiltwyck and Swanenburg, prior to its present name, the City of Kingston was, in its early history, raided, burned and fought over by Indians, Dutch and British. The City, located on the west side of the Hudson River, has an area of approximately 7.4 square miles, a population of 23,419 (2017 U.S. Census), and is approximately 78 miles north of Manhattan and approximately 48 miles south of Albany, the State capital. Kingston was the first capital of the State. The City was incorporated in 1872, and is also known as the "Gateway to the Catskills". The County Seat of Ulster County is located in the City. Police and fire protection are provided by the City. The City provides park and recreational facilities.

Educational facilities are available through the Kingston City School District. Ulster Community College and State University at New Paltz are nearby. Health care is provided by Benedictine Hospital and Kingston Hospital.

Residents are served by passage railroads in Poughkeepsie (Metro North) and Rhinecliff (Amtrak), numerous bus lines, Interstate Route 87 (New York State Thruway), New York Routes 28 and 32, as well as U.S. Route 9W. Travel to the eastern side of the Hudson River is available via the Kingston-Rhinecliff Bridge.

Governmental Organization

Subject to the State Constitution, the City operates pursuant to the City Charter and in accordance with other laws governing the City, including the General Municipal Law, and the Local Finance Law, generally to the extent that such laws are applicable to a city operating under a charter form of government.

The Common Council is the legislative and policy-making body of the City, consisting of nine Aldermen elected from various wards within the City and one Alderman elected at-large. The Alderman at-large is the presiding officer. The Mayor is the chief executive officer of the City government. The term of office of the Mayor is four years and members of the Common Council are elected for two years with the general City election being held in odd-numbered years.

The City Comptroller, appointed by the Common Council, is the chief fiscal officer of the City with responsibility for control and administration of fiscal affairs, and is responsible for accounting for all revenues and disbursements; for preparation and payment of employee payrolls; for custody and investment of all City funds; supervision of tax billing, and tax and revenue collections, administration of tax lien sales, and management of bank accounts.

Financial Organization and Budgetary Procedures

The City Comptroller is the chief fiscal officer, and accounting officer.

The Mayor prepares an annual budget estimate for the ensuing fiscal year and submits it to the Common Council for consideration. The Common Council makes any changes deemed appropriate. Additional changes (if any) are made and the budget is adopted. The budget is not subject to referendum and must comply with the Tax Levy Limit Law.

Employees

The City provides services through approximately 304 full-time employees. Union representation of full time employees is as follows:

<u>Name of Union</u>	<u>Approximate Membership</u>	<u>Date Contract Expires</u>
Civil Service Employees Association.....	129	12-31-20
Kingston Professional Fire Fighters' Association	50	12-31-19 ^a
Kingston Police Benevolent Association.....	73	12-31-16 ^a
American Federation of State, County & Municipal Employees ..	21	12-31-21

a. Currently in negotiations.

Selected Wealth and Income Indicators

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017^a</u>
City of Kingston	\$14,341	\$18,662	\$24,117	\$25,785
County of Ulster	14,921	20,842	28,532	32,453
State of New York	16,501	23,389	30,948	35,752

	<u>Median Household Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017^a</u>
City of Kingston	\$29,133	\$31,594	\$44,939	\$45,487
County of Ulster	34,033	42,551	56,434	61,652
State of New York	32,965	43,393	55,217	62,765

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimates (2013-2017)

Population

<u>Year</u>	<u>City of Kingston</u>	<u>Ulster County</u>	<u>New York State</u>
1990	23,095	165,304	17,990,455
2000	23,456	177,749	18,976,457
2010	23,893	182,493	19,378,102
2017	23,419	180,129	19,798,228

Source: United States Bureau of the Census

Building Permit Activity

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
New One or Two Family Residences	2	3	4	7	2
New Commercial/Industrial Buildings	-	-	-	4	1
New Multiple Residences Occupancies	-	-	1	2	2
Additions, Alterations or Repairs on Existing Buildings	116	176	211	222	1,085
All Other Permits (Pools, Sheds, Decks, Etc.)	403	422	599	526	250

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Selected Listing of Larger Employers within and in the vicinity of Kingston

Non-Retail Employers

<u>Name</u>	<u>Employees</u>	<u>Product</u>	<u>Location</u>
County of Ulster	A	Government	Kingston
Health Alliance of the Hudson Valley	A	Health Services	Kingston/New Paltz
State Correctional Facilities	A	Correctional Services	Wallkill/Napanoch
SUNY New Paltz	A	Educational Services	New Paltz
Bank of America, N.A.	B	Finance	Kingston
Mohonk Mountain House	B	Resort/Hotel	New Paltz
SUNY Ulster	B	Educational Services	Stone Ridge
BOCES	C	Educational Services	New Paltz/Port Ewen
City of Kingston	C	Government	Kingston
Hudson Valley Resort & Spa	C	Resort/Hotel	Kerhonkson
Kingston Consolidated School District	C	Educational Services	Kingston
Northeast Center for Special Care	C	Health Services	Lake Katrine
Ten Broeck Commons	C	Health Services	Lake Katrine
Honor's Haven	C	Resort/Hotel	Ellenville
Ulster Savings	C	Finance/Insurance	Kingston
Ametek Rotron	D	Electrical Manufacturing	Woodstock
Brooklyn Bottling Company	D	Food Manufacturing	Milton
CH Energy Group	D	Utility	Kingston
Ellenville Central School District	D	Educational Services	Ellenville
Ellenville Regional Hospital	D	Health Services	Ellenville
Elna Magnetics	D	Electrical Manufacturing	Saugerties
Fair Rite Products	D	Electronic Manufacturing	Wallkill
Fala Technologies	D	Electronic Manufacturing	Kingston
Full Moon Resort	D	Resort/Hotel	Shandaken
Gateway Community Industries	D	Miscellaneous Manufacturing	Kingston
GHI Insurance	D	Insurance	Lake Katrine
HUCK International	D	Metal Manufacturing	Kingston

Retail Businesses

<u>Name</u>	<u>Employees</u>	<u>Product</u>	<u>Location</u>
Wal-Mart	B	Retail – All	Kingston
Hannaford	C	Retail - Grocery	Kingston (2)/Highland/Plattekill
Adams Fairacre Farms	D	Retail – Grocery/Garden	Kingston
Home Depot	D	Retail – Home Supply	Kingston
Kohl's	D	Retail – Department Store	Kingston
Lowe's	D	Retail – Home Supply	Kingston/Highland
Price Chopper	D	Retail – Grocery	Saugerties
Sam's Club	D	Retail – All	Kingston
Shop Rite	D	Retail – Grocery	Kingston/New Paltz
Target	D	Retail – Department Store	Kingston

Key:

A Greater than 1,000 employees

B 500-999 employees

C 250-499 employees

D 100-249 employees

Source: Ulster County Official Statement dated November 19, 2019.

The following represents a listing of a business and number of employees by section within a 15 mile radius of the City.

<u>Sector</u>	<u>Businesses</u>		<u>Employees</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, Forestry, Fishing & Hunting	43	0.54%	99	0.16%
Mining	4	0.05	11	0.02
Utilities	9	0.11	111	0.18
Construction	542	6.85	1,968	3.14
Manufacturing	247	3.12	3,637	5.81
Wholesale Trade	268	3.39	1,522	2.43
Retail Trade	1,092	13.80	10,055	16.06
Transportation & Warehousing	177	2.24	1,584	2.53
Information	216	2.73	1,470	2.35
Finance & Insurance	238	3.01	3,472	5.54
Real Estate, Rental & Leasing	313	3.96	1,394	2.23
Professional, Scientific & Tech Services	1,015	12.83	3,081	4.92
Management of Companies & Enterprises	10	0.13	14	0.02
Administrative & Support & Waste Management & Remediation Services	887	11.21	2,454	3.92
Educational Services	118	1.49	3,129	5.00
Health Care & Social Assistance	901	11.39	11,887	18.98
Arts, Entertainment & Recreation	191	2.41	801	1.28
Accommodation & Food Services	486	6.14	3,225	5.15
Other Services (except Public Administration)	885	11.18	4,785	7.64
Public Administration	<u>271</u>	<u>3.42</u>	<u>7,926</u>	<u>12.66</u>
Totals	<u>7,913</u>	<u>100.00%</u>	<u>62,625</u>	<u>100.00%</u>

Unemployment Rate Statistics

<u>Annual Averages:</u>	<u>City of Kingston (%)</u>	<u>Ulster County (%)</u>	<u>New York State (%)</u>
2014	6.3	6.3	6.4
2015	4.9	4.9	5.3
2016	4.3	4.3	4.9
2017	4.5	4.5	4.6
2018	3.9	3.9	4.1
2019	3.6	3.6	4.0

Source: New York State Department of Labor.

INDEBTEDNESS OF THE CITY

Constitutional Requirements

The New York State Constitution limits the power of the City (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the City and the Notes.

Purpose and Pledge. The City shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute or the weighted average period of probable usefulness thereof; and no installment may be more than fifty per centum in excess of the smallest prior installment, unless the City has authorized the issuance of indebtedness having substantially level or declining annual debt service. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

General. The City is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the City so as to prevent abuses in the exercise of such powers; however, as has been noted under "Nature of Obligation", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the City to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limit Law. See "Tax Levy Limitation Law," herein.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness subject, of course, to the constitutional and provisions set forth above. The power to spend money, however, generally derives from other law, including the City Law and the General Municipal Law.

Pursuant to the Local Finance Law, the City authorizes the incurrence of indebtedness by the adoption of a bond ordinance approved by at least two-thirds of the members of the Common Council, the finance board of the City. Certain such resolutions may be subject to permissive referendum, or may be submitted to the City voters at the discretion of the Common Council.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. Except on rare occasions, the City complies with this estoppel procedure. The City is in compliance with such requirements with respect to the other bond ordinances authorizing the issuance of the Notes.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds and notes subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. See "Payment and Maturity" under "Constitutional Requirements".

In addition, under each bond resolution, the Common Council may delegate, and has delegated, power to issue and sell bonds, to the City Comptroller, the chief fiscal officer of the City.

In general, the Local Finance Law contains similar provisions providing the City with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the Office of Real Property Tax Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the City by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limitation Law, imposes a statutory limitation on the power of the City to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limitation Law. See "Nature of Obligation" and "Tax Levy Limitation Law," herein.

Computation of Debt Limit and Calculation of Net Debt Contracting Margin^a
(As of February 26, 2020)

Fiscal Year Ending <u>December 31:</u>	Assessed <u>Valuation</u>	State Equalization <u>Rate (%)</u>	Full <u>Valuation</u>
2016	\$1,380,129,553	100	\$1,380,129,553
2017	1,392,117,447	100	1,392,117,447
2018	1,427,133,713	100	1,427,133,713
2019	1,504,905,000	100	1,504,905,000
2020	1,630,350,022	100	<u>1,630,350,022</u>
Total Five Year Full Valuation			\$7,334,635,735
Average Five Year Full Valuation			1,466,927,147
Debt Limit - 7% of Average Full Valuation			102,684,900
Inclusions:			
Outstanding Bonds:			
General Purposes			10,904,816
Library Purposes			460,000
Sewer Purposes			10,189,517
Water Purposes			<u>5,545,762</u>
Sub-Total			27,100,095
Bond Anticipation Notes			<u>6,577,462</u>
Total Inclusions			<u>33,677,557</u>
Exclusions:			
Sewer Debt			3,700,000
Water Bonds			5,545,762
Water Notes			1,880,000
Note Appropriations			480,000
Bond Appropriations			<u>1,668,095</u>
Total Exclusions			13,273,857
Total Net Indebtedness			<u>20,403,700</u>
Net Debt Contracting Margin			<u><u>\$82,281,200</u></u>
Percent of Debt Limit Exhausted			19.87%

^a. See also "Water System Improvements" Herein.

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,482,000	\$ 846,830	\$ 3,328,830
2021	2,426,000	771,332	3,197,332
2022	2,361,000	698,785	3,059,785
2023	2,146,000	628,748	2,774,748
2024	2,101,000	563,531	2,664,531
2025	2,021,000	489,651	2,510,651
2026	1,790,000	423,034	2,213,034
2027	1,605,000	365,284	1,970,284
2028	1,455,000	314,070	1,769,070
2029	1,445,000	265,996	1,710,996
2030	1,405,000	218,699	1,623,699
2031	1,320,000	173,397	1,493,397
2032	995,000	136,013	1,131,013
2033	750,000	108,894	858,894
2034	770,000	84,950	854,950
2035	785,000	59,816	844,816
2036	505,000	39,153	544,153
2037	505,000	23,056	528,056
2038	440,000	7,425	447,425
Totals	\$27,307,000	\$6,218,662	\$33,525,662

a. The subsidies received from the Environmental Facilities Corporation (EFC) have not been deducted from the interest due on approximately \$8.4 million in loans through EFC. Does not reflect payments made to date.

Lease-Purchase Obligations

In addition, the City has entered into Lease-Purchase Agreements for the following purposes: purchase of equipment, energy performance measures and purchase of vehicles.

Fiscal Year Ending <u>December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 430,446	\$ 39,769	\$ 470,215
2021	351,769	24,421	376,190
2022	363,775	12,415	376,190
Totals	\$1,145,990	\$ 76,605	\$1,222,595

Trend of City Indebtedness

	Fiscal Year Ending December 31:				
	2015	2016	2017	2018	2019
Debt Outstanding End of Year:					
Bonds	\$26,547,628	\$23,603,000	\$20,686,000	\$29,874,000	\$27,307,000
BANs	8,132,117	10,968,333	13,005,886	6,997,462	11,612,462
EFC Notes		482,959	1,973,713	2,074,582	2,728,815
Lease Purchase Obligations	2,566,980	2,141,815	1,962,959	1,561,624	1,145,990
Total Debt Outstanding	\$37,246,725	\$37,196,107	\$37,628,558	\$40,507,668	\$42,794,267

a. See also “Water System Improvements – Environmental Facilities Corporation” herein.

Details of Short-Term Indebtedness Outstanding

The City has \$1,880,000 in bond anticipation notes outstanding for Water System improvements within the City due March 20, 2020 and \$9,732,462 for various projects due August 26, 2020. The issuance of the Notes, along with \$48,500 in available funds will redeem such notes maturing on March 20, 2020.

Water System Improvements

The City began a three phase project in 2014 which includes construction of improvements to the Foxhall Avenue Pump Station, the Edmund T. Cloonan Water Treatment Plant and the installation of a system to better monitor and operate water system facilities. The improvements to the Foxhall Ave Pump Stations and the Edmund T. Cloonan Water Treatment Plant were completed and the system-wide monitoring system is expected to be completed in 2020. The City adopted bond ordinances in the amount of \$3,160,400 on June 3, 2014, in the amount of \$1,000,000 on May 5, 2015 and in the amount of \$600,000 on June 4, 2019 to authorize the projects. The project was awarded a Federal grant of \$679,737. The balance will be funded through a combination of a zero-interest loan, \$2,039,213, and a market rate loan, \$550,268, through the NYS Environmental Facilities Corporation (EFC) under the Drinking Water State Revolving Loan Fund (DWSRF). The City has received \$679,737 in grants toward the project. The City has also drawn down \$2,473,715 in short-term financing through EFC and, upon completion, such amount is expected to be converted to long-term subsidized bonds.

On October 6, 2015, the City adopted a bond ordinance in the amount of \$3,500,000 for transmission main rehabilitation and improvements. The project was awarded a New York State Water Infrastructure Investment Act (WIIA) grant of \$2,034,000. The balance of the project will be financed through a subsidized loan through the EFC in the amount of \$1,356,000. To date, \$1,017,000 has been drawn down from the balance of the WIIA grant. The City has also drawn down \$769,814 in short-term financing through EFC. Construction is expected to be completed on the project in 2020.

On June 6, 2017, the City adopted a bond ordinance in the amount of \$1,500,000 for water system improvements. The project was awarded a New York State WIIA grant of \$900,000. The balance of the project will be financed through a subsidized loan through the EFC in the amount of \$600,000. Construction is expected to begin on the project in 2020.

On February 6, 2018, the City adopted a bond ordinance in the amount of \$1,500,000 for water infrastructure related to the NYS DOT 587 Roundabout. To date the City has borrowed \$1,500,000 towards the project.

The City will begin a project in 2020 for Cooper Lake Dam and Intake Remediation. The City adopted bond ordinances in the amount of \$800,000 on February 6, 2018, in the amount of \$7,000,000 on September 10, 2019, and in the amount of \$7,200,000 on January 7, 2020. To date the City has borrowed \$800,000 towards the projects design. An additional \$4,000,000 will be borrowed in this issuance.

Sewer System Improvements

On April 5, 2016, the City adopted a bond ordinance in the amount of \$2,350,000 for the Wastewater Treatment Plan upgrades and improvements. The project was awarded a grant of \$587,500 grant and \$1,762,500 in subsidized financing through EFC. As of the date of this Statement, the City has drawn down \$293,750 from the grant and \$468,679 in short-term financing from EFC.

Authorized but Unissued Indebtedness

The City has authorized but unissued debt in the amount of \$59,303,638 for various public improvements in the City. It is expected that the City will receive grant funds for a significant portion of the authorized but unissued amount and therefore the amount to be financed will be reduced.

Capital Program

The City is generally responsible for providing services as required to the citizens on a City-wide basis. The City maintains a road system necessitating road resurfacing and improvements and the acquisition of machinery and, from time to time, equipment. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. In addition, the City owns, operates, maintains and improves recreation facilities. As has been noted, the City generally has provided the financing for water and sewer purposes and maintains primary responsibility for these functions. In general, needs for capital funding for the above described projects which the City has responsibility are anticipated to continue and to be in approximately the same amounts or less than has prevailed in the past.

The City’s proposed capital improvement plan for the years 2020-2023 is set forth below.

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Total</u>
Police Department	\$ 0	\$ 230,000	\$ 230,000	\$ 230,000	\$ 690,000
Fire Department	540,000	125,000	50,000	50,000	765,000
Department of Public Works	452,000	1,063,000	420,000	375,000	2,310,000
Recreation Department	0	325,000	325,000	325,000	975,000
General Government	3,936,500	3,055,800	1,550,000	0	8,542,300
Sewer Department	<u>150,000</u>	<u>4,746,115</u>	<u>4,746,115</u>	<u>1,650,000</u>	<u>11,292,230</u>
 Total	 <u>\$5,078,500</u>	 <u>\$9,544,915</u>	 <u>\$7,321,115</u>	 <u>\$2,630,000</u>	 <u>\$24,574,530</u>

Sources: Capital Improvement Plan of the City.

The City is also in the midst of a four year capital plan which includes construction of various improvements to the Water System to improve operational effectiveness or efficiencies, improve service delivery, or water quality. The majority of the funding for the capital plan is proposed to come directly from the operations budget, either from direct budget appropriations or from debt payments. Since the major source of operating income is from water rates, the Capital Improvement Plan will have an impact on water rates. Opportunities to fund some of these projects have recently become available and the Water Department was successful in obtaining \$2.5 million in grant funding and \$1.4 million in a zero interest loan from state and federal agencies. The Water Department will continue to look for similar cost effective funding opportunities to underwrite the Capital Improvement Plan.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Ulster	11/07/2019	7.70	\$ 8,807,104	\$ 8,198,111
Kingston CSD	10/30/2019	34.03	<u>27,463,912</u>	<u>9,612,369</u>
Totals			<u><u>\$36,271,016</u></u>	<u><u>\$17,810,480</u></u>

Sources: State Comptroller’s Special Report on Municipal Affairs for 2018 or more recently published Official Statements.

Debt Ratios
(As of February 26, 2020)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage Of Full Value (%)^b</u>
Total Direct Debt	\$35,977,557	\$1,536	2.21
Net Direct Debt	20,403,700	871	1.25
Total Direct & Applicable Total Overlapping Debt	72,248,573	3,085	4.43
Net Direct & Applicable Net Overlapping Debt	38,214,180	1,632	2.34

- a. The current estimated population of the City is 23,419.
- b. The full valuation of taxable real property in the City for 2018-19 is \$1,630,350,022.

FINANCES OF THE CITY

Financial Statements and Accounting Procedures

The City maintains its financial records in accordance with the Uniform System of Accounts for Cities prescribed by the State Comptroller. The financial records of the City are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2018 and such report is attached as Appendix C. In addition, the financial affairs of the City are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the City has complied with the requirements of various State and Federal statutes. The City also prepares an Annual Financial Report Update Document (unaudited) (the “AUD”) that is filed with the State Comptroller.

Fund Structure and Accounts

The City utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are three basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) proprietary funds that account for operations of a commercial nature; and, (3) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The City presently maintains the following governmental funds: General Fund, Special Revenue Funds, Capital Projects Fund, Debt Service Fund and Proprietary Funds (Water and Sewer). Fiduciary funds consist of a Trust and Agency Fund. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

The City's governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual - that is, when they become "measurable" and "available" to finance expenditures to the current period. Revenues are susceptible to accrual include real property taxes, intergovernmental revenues (State and Federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting that is when the related fund liability is incurred. An exception to this general rule is unmatured interest on general long-term debt which is recognized when due.

Investment Policy

The primary objectives of the City's investment activities are, in priority order:

- *Legal*: to conform with all applicable federal, state and other legal requirements;
- *Safety*: to adequately safeguard principal;
- *Liquidity*: to provide sufficient liquidity to meet all operating requirements;
- *Yield*: to obtain a reasonable rate of return.

The Common Council's responsibility for administration of the investment program is delegated to the City Comptroller who shall establish written procedures for the operation of the investment program consistent with these investment policies. Such procedures shall include internal controls to provide a satisfactory level of accountability based upon records incorporating the description and amounts of investments, the fund(s) for which they are held, the place(s) where kept, and other relevant information, including dates of sale or other dispositions and amounts realized. In addition, the internal control procedures shall describe the responsibilities and levels of authority for key individuals involved in the investment program.

Pursuant to the statutes of the State of New York and its adopted Investment Policy, the City is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments:

- Special time deposit accounts in, or certificates of deposit issued by, a bank or trust company located and authorized to do business in the State of New York.
- Obligations of the United States of America;
- Obligations guaranteed by agencies of the United States of America, where the payment of principal and interest are guaranteed by the United States of America.
- Obligations of the State of New York;
- With the approval of the State Comptroller, obligations issued pursuant to Local Finance Law §24.00 or 25.00 (i.e., Tax Anticipation Notes and Revenue Anticipation Notes) by any municipality, school district or district corporation in the State of New York other than the City.
- Obligations of the City, but only with moneys in a reserve fund established pursuant to General Municipal Law.
- Repurchase Agreements in accordance with the investment guidelines as defined in the New York Liquid Asset Fund Municipal Cooperation Agreement.

Any investments made by the City pursuant to law are required to be payable or redeemable at the option of the City within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. These statutes also require that the City's investments, unless registered or inscribed in the name of the City, must be purchased through, delivered to and held in custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit insurance and the eligible securities utilized for such collateral must be held by a third party financial institution, pursuant to security and custodial agreements. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

Financial Operations

The City Comptroller functions as the chief fiscal officer as provided in Section 2 of the Local Finance Law; in this role, the Comptroller is responsible for the City's accounting and financial reporting activities. In addition, the Mayor is the City's budget officer and must therefore prepare the annual tentative budget for submission to the Common Council. Budgetary control during the year is the responsibility of the Comptroller. Pursuant to Section 30 of the Local Finance Law, the Comptroller has been authorized to issue or renew certain specific types of notes. As required by law, the Comptroller must execute an authorizing certificate which then becomes a matter of public record.

The Common Council, as a whole, serves as the finance board of the City and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

City finances are operated primarily through the General Fund. All real property taxes and most of the other City revenues are credited to this fund. Current operating expenditures are paid from these funds subject to available appropriations. The City also has water and sewer departments, which are accounted for within separate funds. Capital projects and equipment purchases are accounted for in special capital projects funds. The City observes a calendar year for operating and reporting purposes.

Revenues

The City receives most of its revenues from real property taxes and assessments. A summary of such revenues for the five recently completed fiscal years may be found in Appendix A.

Real Property Taxes

See "Real Property Tax Information", herein.

State Aid

The City receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the City, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the City, in this year of future years, the City may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

Based on the audited results, the City received approximately 11.99% of its total General Fund operating revenue from State aid in 2018. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

Although the City cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years or whether there will be additional Federal Stimulus Act monies made available to pay State aid in future years, the City may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing.

The following table sets forth the percentage of the City's General Fund revenue comprised of State and Federal Aid for each of the fiscal years 2014 through 2018 and as budgeted for 2019 and 2020.

Fiscal Year Ended <u>December 31:</u>	General Fund <u>Total Revenue</u>	State & <u>Federal Aid</u>	State Aid To <u>Revenues (%)</u>
2014	\$36,830,208	\$4,442,594	12.06
2015	38,887,343	4,487,525	11.54
2016	40,084,751	4,451,696	11.11
2017	41,910,927	4,683,159	11.17
2018	43,609,003	5,229,157	11.99
2019 (Budgeted)	43,976,477	5,191,110	11.80
2020 (Budgeted)	44,464,333	3,886,027	8.74

Source: Audited Financial Statements (2013-2018), and Adopted Budgets of the City (2019-2020).

Expenditures

The major categories of expenditure for the City are General Government Support, Public Safety, Health, Transportation, Economic Assistance and Opportunity, Culture and Recreation, Home and Community Services, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

2020 Adopted Budget

The 2020 Budget of the City calls for total expenditures of \$44,464,333 which is an increase of \$487,856 over the 2019 Adopted Budget. The City appropriated \$1,457,190 in general fund balance to balance the 2020 Budget.

2019 Adopted Budget

The 2019 Budget of the City calls for total expenditures of \$43,976,477 which is an increase of \$1,456,909 over the 2018 Adopted Budget. The City appropriated \$904,082 in general fund balance to balance the 2019 Budget.

Results of Operations: 2018 (Audited)

Based upon audited results, the City's revenues exceeded its expenditures by \$1,722,001 in its General Fund for the fiscal year which ended December 31, 2018, which resulted in an increase in fund balance from \$9,183,680 at the beginning of the fiscal year to \$10,905,681 at the end of the fiscal year.

Results of Operations: 2017 (Audited)

Based upon audited results, the City's revenues exceeded its expenditures by \$1,795,545 in its General Fund for the fiscal year which ended December 31, 2017, which resulted in an increase in fund balance from \$7,388,135 at the beginning of the fiscal year to \$9,183,680 at the end of the fiscal year.

Results of Operations: 2016 (Audited)

Based upon audited results, the City's revenues exceeded its expenditures by \$865,427 in its General Fund for the fiscal year which ended December 31, 2016, which resulted in an increase in fund balance from \$6,522,708 at the beginning of the fiscal year to \$7,388,135 at the end of the fiscal year.

Results of Operations: 2015 (Audited)

Based upon audited results, the City's revenues exceeded its expenditures by \$1,298,182 in its General Fund for the fiscal year which ended December 31, 2015, which resulted in an increase in fund balance from \$5,224,526 at the beginning of the fiscal year to \$6,522,708 at the end of the fiscal year.

Results of Operations: 2014 (Audited)

Based upon audited results, the City's revenues exceeded its expenditures by \$117,825 in its General Fund for the fiscal year which ended December 31, 2014, which resulted in an increase in fund balance from \$5,106,701 at the beginning of the fiscal year to \$5,224,526 at the end of the fiscal year.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the City as "No Designation" (Fiscal Score: 6.7%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released January 31, 2013. The purpose of such audit was to examine the City's internal controls procedures from the period January 1, 2011 – January 31, 2012. The complete report and the City's response may be found on the OSC's official website. Reference to this website implies no warranty of accuracy of information therein.

Pension Systems

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the State and Local Police and Fire Retirement System ("PFRS" and together with ERS, the "Retirement System"). The Retirement System is a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for "Tier 6" employees, as discussed below, whose benefits vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement System are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 and before January 1, 2010 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. On December 10, 2009, then Governor Paterson signed into law the creation of a new Tier 5, which is effective for new ERS employees hired on or after January 1, 2010. New ERS employees in Tier 5 contribute 3% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service.

Pension reform legislation changed the billing cycle for employer contributions to the ERS retirement system to match budget cycles of the City. Under the previous method, the City was not provided with required payment until after the budget was implemented. Under the reforms implemented, the employer contribution for a given fiscal year is based on the value of the pension fund on the prior April 1, instead of the following April 1. As a result, the City is notified of and can include the actual cost of the employer contribution in its budget. Legislation also required a minimum payment of 4.5% of payroll each year, including years in which investment performance of the fund would make a lower employer contribution possible.

In addition, the pension payment date for all local governments was changed from December 15 to February 1 and permits the legislative body of a municipality to establish a retirement contribution reserve fund for the purpose of financing retirement contributions in the future. The New York State Retirement System has advised the City that municipalities can elect to make employer contribution payments in the December or the following February, as required. If such payments are made in the December prior to the scheduled payment date in February, such payments may be made at a discount amount.

On March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Members of the PFRS are divided into four tiers. The plans adopted for PFRS employees are noncontributory for Tier 1 and Tier 2 employees. PFRS members that were hired between July 1, 2009 to January 8, 2010 are currently in Tier 3, which has a 3% employee contribution rate by members. There is no Tier 4 in PFRS. PFRS members hired after January 9, 2010 are in Tier 5 which also requires a 3% employee contribution. PFRS members hired after April 1, 2012 are in Tier 6, which also originally has a 3% contribution requirement for members for fiscal year 2012-2013; however, as of April 1, 2013, Tier 6 PFRS members are required to contribute a specific percentage of their annual salary, as follows, until retirement or until the member has reached 32 years of service credit, whichever occurs first: \$45,000.00 or less contributes 3%; \$45,000.01 to \$55,000.00 contributes 3.5%; \$55,000.01 to \$75,000.00 contributes 4.5%; \$75,000.01 to \$100,000.00 contributes 5.75%; and more than \$100,000.00 contributes 6%.

The City is required to contribute an actuarially determined rate. The required contributions for the five most recently completed fiscal years are as follows:

Contributions to the Retirement Systems

Fiscal Year Ending <u>December 31:</u>	Total Amount of <u>Contribution</u>
2015	\$4,154,765
2016	4,367,192
2017	4,196,697
2018	4,739,752
2019	4,521,084
2020 (Budgeted)	4,202,344

Due to prior poor performance of the investment portfolio of the Retirement System, the employer contribution rates for required pension contributions has increased. To help mitigate the impact of such increases, legislation has been enacted that permits local governments and school districts to amortize a portion of such contributions. The City has elected to amortize certain contribution costs in the 2005 through 2007 fiscal years, inclusive, and the 2012 through 2015 fiscal years inclusive. As of December 31, 2019, the total unpaid liability across all funds is \$0 as the City has elected to prepay amortized amounts prior to their maturity.

Other Post-Employment Benefits

The City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended December 31, 2018, the City adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 45, based on actuarial valuation, an annual required contribution (“ARC”) will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the employer’s current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

For the fiscal year ended December 31, 2018, the City implemented GASB 75. The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other post-employment benefits. The City’s total OPEB liability at December 31, 2018 is as follows:

Total OPEB Liability at Dec 31, 2017	<u>\$154,073,954</u>
Charges for the Year:	
Service Cost	4,228,337
Interest	5,544,492
Differences Between Expected and Actual Experience	1,934,543
Benefit Payments	(3,505,480)
Net Changes in total OPEB liability	<u>8,201,892</u>
Total OPEB Liability at Dec 31, 2018	<u>\$162,275,846</u>

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years, if there are less than 200 members.

At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the City had decided to continue funding the expenditure on a pay-as-you-go basis.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The City derives a significant portion of its annual revenue through a direct real property tax.

The following table presents the total tax levy, by purpose, with adjustments and collection performance for recent fiscal years.

Tax Levy and Collection Record

Fiscal Year Ending December 31:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Taxes on Roll	\$25,154,916	\$25,384,219	\$25,641,801	\$25,672,660	\$25,657,010	\$25,930,051
Collected During Year	24,112,950	24,224,442	24,738,826	24,955,431	24,906,834	25,179,708
Uncollected Amount	1,041,966	1,159,777	902,975	916,729	750,176	750,343
Percent Collected	95.86	95.43	96.48	97.21	97.08	97.11
Tax Rate Per \$1,000						
Homestead	\$14.33	\$14.61	\$14.99	\$14.92	\$14.71	\$14.39
Non-Homestead	22.14	22.86	23.49	23.31	22.50	20.53

a. Includes the County, Library, and Relevies.

Constitutional Tax Limit

The Constitution limits the amount that may be raised by the City ad valorem tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the City plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the City for the 2020 fiscal year is as follows:

2% Limitation of Five Year Average Full Valuation	\$29,338,543
Plus Exclusions	<u>2,858,843</u>
Maximum Taxing Power	32,197,386
Tax Levy Subject to Tax Limit	<u>\$14,792,097</u>
Tax Margin	<u><u>\$14,546,446</u></u>

The following table sets forth the percentage of the City’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2014 through 2018, inclusive, and budgeted for the year ending December 31, 2019 and December 31, 2020.

Fiscal Year Ended December 31:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2014	\$36,830,208	\$14,994,481	40.71
2015	38,887,343	16,591,621	42.67
2016	40,084,751	17,167,464	42.83
2017	41,910,927	18,168,172	43.35
2018	43,609,003	17,316,107	39.71
2019 (Budgeted)	43,976,477	17,709,231	40.27
2020 (Budgeted)	44,464,333	17,693,207	39.79

Source: Audited Financial Statements (2014-2018), Adopted Budget of the City (2019-2020).

*Represents the City’s Real Property Tax Levy. It does not include the amount levied to fund the local share of the Safety Net Assistance Program. Such program is a State-mandated program that provides assistance to individuals and families who do not qualify for Federally-funded programs.

Tax Collection Procedure

The City collects its own taxes, and is also responsible for collection of its delinquent taxes and delinquent taxes of the Kingston City School District. The District notifies the City of the uncollected taxes and the City reimburses the District the following year.

City taxes are payable in two installments. The first half is due forty-five days after adoption of the budget and the second half is due on hundred twenty days after the adoption of the budget. In the calendar month when taxes are due a penalty of 2% is added to the end of the month. During the first calendar month after which taxes are due, penalties are imposed at the rate of 6%. Thereafter, penalties are imposed at the rate of 1% per month on each half amount due.

The City of Kingston buys all outstanding tax liens and enters into an “IN REM” proceeding which is a lawsuit against the property owner and attempts to have the liens redeemed. This procedure takes approximately one year and if at that time the lien is not resolved, the City sells or otherwise disposes of the property.

Large Taxable Properties 2020 Assessment Roll^a

Name	Type	Assessed Valuation
Central Hudson Corp	Utility	\$61,620,547
Kingston Village LLC	Commercial	17,970,000
Herzog Supply Co. Inc	Shopping Center	11,845,500
Kingston Motel Corp	Motel	9,700,000
J Dutch Village LLC	Commercial	7,898,000
Fairview Gardens LLC	Apartments	7,457,000
Ulster Savings Bank	Commercial	7,440,000
Orchard Hills North LLC	Apartments	6,992,000
Orchard Hills South LLC	Apartments	5,914,000
CSX Transportation Inc	Commercial	5,699,093
Total ^a		<u>\$142,536,140</u>

a. Represents 8.74% of the total taxable Assessed Valuation of the City for 2020.

Tax Certiorari Claims

In common with other municipalities, there are a number of tax certiorari proceedings involving properties that are subject to the levy of City of Kingston ad valorem taxes. The plaintiffs in these matters have asserted that their properties are over-assessed and are seeking assessment reductions. Historically, tax certiorari claims have been settled through negotiations, resulting in assessed value adjustments substantially less than originally claimed and with some claims being outright withdrawn or dismissed. Additionally, the City of Kingston has a strong practice of pursuing resolutions to tax certiorari claims prospectively. Over the past 5 years, the City of Kingston has averaged less than \$10,000 per year in tax certiorari refunds when carrying an average annual exposure of around \$500,000.

LITIGATION

It is the opinion of Corporation Counsel that there are no significant claims or actions pending which the City has not asserted an adequate defense. There is one pending matter that is expected to have an estimated financial exposure to the Sewer Fund in the range of \$500,000 to \$1,300,000. It is the opinion of the Corporation Counsel that this matter would not have an adverse material effect on the financial condition of the City, in view of the City's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

CYBERSECURITY

The City, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the City invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage City digital networks and systems and the costs of remedying any such damage could be substantial.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

The financial and economic condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In some years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

There are a number of general factors which could have a detrimental effect on the ability of the City to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the City. Unforeseen developments could also result in substantial increases in City expenditures, thus placing strain on the City's financial condition. These factors may have an effect on the market price of the Notes.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the City. Any such future legislation would have an adverse effect on the market value of the Notes (See "Tax Exemption" herein).

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the City and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the City and hence upon the market price of the Notes. See "Tax Levy Limitation Law" herein.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is excluded from adjusted gross income for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The City has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York and its political subdivisions (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owners or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigations, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incidental to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix B.

RATING

The Notes are not rated. The City's outstanding bonds are currently rated "A1" by Moody's Investors Service ("Moody's"), 7 WTC at 250 Greenwich Street, New York, NY 10007, Phone: (212) 553-4055 and Fax: (212) 298-6761 and "AA-" by Standard & Poor's Corporation ("S&P") 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153. These ratings reflect only the view of the rating agencies and any desired explanation of the significance of such rating should be obtained from Moody's and S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Notes or the availability of a secondary market for such Notes.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the City on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the City and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

OTHER MATTERS

The City is in compliance with the procedure for the validation of the Notes provided in Title 6 of Article 2 of the Local Finance Law.

There is no bond or note principal or interest past due.

The fiscal year of the City is January 1 to December 31.

This Official Statement does not include the financial data of any political subdivision of the State of New York having power to levy taxes within the City, except as expressed in the "Calculation of Estimated Overlapping and Underlying Indebtedness."

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of John R. Tuey, CPA, City Comptroller, City of Kingston, 420 Broadway, Kingston, New York 12401, Phone (845) 331-0080, Fax (845) 334-3944 and email: jtuey@kingston-ny.gov or from the office of Munistat Services Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Notes is to be construed as a contract with the holders of the Notes.

To the extent any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Orrick, Herrington & Sutcliffe LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Notes, including this Official Statement.

The preparation and distribution of this Official Statement have been approved by the City Comptroller pursuant to the power delegated to him by the authorizing note resolutions to sell and deliver the Notes.

This Official Statement has been duly executed and delivered by the City Comptroller of the City of Kingston.

CITY OF KINGSTON, NEW YORK

By: s/s JOHN R. TUEY, CPA
City Comptroller and Chief Fiscal Officer

March , 2020

APPENDIX A

FINANCIAL INFORMATION

RBT CPAs, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RBT CPAs also has not performed any procedures relating to this Official Statement.

**Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund**

	Fiscal Year Ending December 31:				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
REVENUES:					
Real property taxes	\$ 14,994,481	\$ 16,591,621	\$ 17,167,464	\$ 18,168,172	\$ 17,316,107
Other property tax items	893,457	1,126,135	1,036,276	960,495	750,585
Non property tax items	12,718,865	13,082,816	13,609,148	13,977,330	14,424,888
Departmental income	1,793,339	1,604,592	2,347,725	1,875,820	2,431,571
Intergovernmental charges	598,362	437,788	65,000	80,791	237,896
Use of money & property	29,158	11,780	28,477	49,536	146,787
Licenses & permits	277,201	341,404	565,322	577,757	812,331
Fines and forfeitures	218,896	224,443	206,344	265,238	184,695
Sale of property & comp. for loss	664,090	797,524	145,580	137,588	954,918
Miscellaneous/Interfund local sources	199,765	157,470	359,570	1,135,041	1,050,068
Interfund Revenues			100,000		
State aid and Federal Aid	4,442,594	4,487,525	4,451,696	4,683,159	5,299,157
Total Revenues	<u>36,830,208</u>	<u>38,863,098</u>	<u>40,082,602</u>	<u>41,910,927</u>	<u>43,609,003</u>
EXPENDITURES:					
General government support	4,808,002	4,621,122	5,622,147	5,734,640	4,105,022
Public safety	18,031,292	18,742,792	19,450,322	19,396,090	13,376,605
Health	28,242	29,292	49,591	87,740	163,343
Transportation	3,114,761	3,055,481	3,142,448	3,109,850	2,051,720
Economic assistance & opportunity	165,716	231,475	171,637	259,696	200,393
Culture and recreation	1,915,404	1,955,309	1,918,316	2,205,521	1,725,462
Home and community services	3,068,335	3,305,775	3,240,465	3,292,696	2,403,565
Employee benefits	3,460,168	3,428,303	2,962,134	2,981,990	14,850,425
Capital Outlay					487,856
Debt service	757,161	809,479	526,872	1,088,337	722,284
Total expenditures	<u>35,349,081</u>	<u>36,179,028</u>	<u>37,083,932</u>	<u>38,156,560</u>	<u>40,086,675</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,481,127	2,684,070	2,998,670	3,754,367	3,522,328
OTHER SOURCES/USES:					
Operating transfers in		24,245	34		
Operating transfers out	(1,363,302)	(1,410,133)	(2,133,277)	(1,958,822)	(1,800,327)
Total Other Sources/Uses	<u>(1,363,302)</u>	<u>(1,385,888)</u>	<u>(2,133,243)</u>	<u>(1,958,822)</u>	<u>(1,800,327)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	117,825	1,298,182	865,427	1,795,545	1,722,001
FUND BALANCE - BEGINNING OF YEAR	5,106,701	5,224,526	6,522,708	7,388,135	9,183,680
PRIOR PERIOD ADJUSTMENT					
ADJUSTED FUND EQUITY - BEGINNING OF YEAR	<u>5,106,701</u>	<u>5,224,526</u>	<u>6,522,708</u>	<u>7,388,135</u>	<u>9,183,680</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,224,526</u>	<u>\$ 6,522,708</u>	<u>\$ 7,388,135</u>	<u>\$ 9,183,680</u>	<u>\$ 10,905,681</u>

Source: Audited Annual Financial Reports of the City (2014-2018)
Table itself is NOT audited.

Statement of Revenues, Expenditures and Changes In Fund Balances/Net Assets
Enterprise Fund (Water Department)
Fiscal Year Ending December 31:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
OPERATING REVENUES:					
Departmental income	\$ 4,023,090	\$ 4,260,023	\$ 4,196,092	\$ 4,212,040	\$ 4,693,820
Miscellaneous local sources	101,246	51,907	307,794	292,610	11,579
Total Operating Revenues	<u>4,124,336</u>	<u>4,311,930</u>	<u>4,503,886</u>	<u>4,504,650</u>	<u>4,705,399</u>
OPERATING EXPENDITURES:					
Personal Services	1,661,568	2,611,356	2,635,427	2,707,962	2,795,894
Real property taxes	268,099	272,425	274,565	287,631	295,833
Contractual services and Other Expenses	1,670,357	695,900	624,215	696,570	619,188
Depreciation and amortization	530,634	569,416	581,955	671,736	679,396
Total Operating Expenditures	<u>4,130,658</u>	<u>4,149,097</u>	<u>4,116,162</u>	<u>4,363,899</u>	<u>4,390,311</u>
Operating Income	(6,322)	162,833	387,724	140,751	315,088
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	1,430	1,175	879	1,113	
Interest expense	(141,097)	(170,440)	(148,229)	(147,847)	7,728
Rental income			48,926	49,897	56,311
State Grant Revenue					194,996
Interest on Bonds and Notes					(175,147)
Other Income	44,474			288,683	
Sale of capital asset	9,416		1,534	36,923	269
Total Nonoperating Revenue (Expenses)	<u>(85,777)</u>	<u>(169,265)</u>	<u>(96,890)</u>	<u>228,769</u>	<u>84,157</u>
Income Before Transfers	(92,099)	(6,432)	290,834	369,520	399,245
Transfers In					
Changes in Net Assets	(92,099)				
Prior Period Adjustments*		(17,901)	18,884	482	(5,194,249)
FUND EQUITY/NET ASSETS					
BEGINNING OF YEAR	<u>4,160,439</u>	<u>4,050,438</u>	<u>4,062,889</u>	<u>4,354,204</u>	<u>(470,525)</u>
FUND EQUITY/NET ASSETS					
FUND BALANCE - END OF YEAR	<u>\$ 4,068,340</u>	<u>\$ 4,044,006</u>	<u>\$ 4,353,723</u>	<u>\$ 4,723,724</u>	<u>\$ (71,280)</u>

Source: Audited Annual Financial Reports of the City (2014-2018)

Table itself is NOT audited.

*Adjustments reflect the accounting changes effective for fiscal years beginning after June 15, 2017, due to the transition to GASB 75. The new standard requires a change from reporting the unfunded actuarial accrued liability in the financial statements to recognizing the unfunded actuarial accrued liability on the balance sheet.

**Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Fund (Sewer)**

	Fiscal Year Ending December 31:				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
OPERATING REVENUES:					
Charges for Services	\$ 5,195,426	\$ 4,900,947	\$ 4,929,705	\$ 4,944,163	\$ 5,177,379
State Aid	43,104	402,587	54,960	165,485	171,050
Federal Aid					
Miscellaneous	23,156	38,037	74,258	6,374	38,295
Total Operating Revenues	5,261,686	5,341,571	5,058,923	5,116,022	5,386,724
OPERATING EXPENDITURES:					
Personal Services	2,381,169	2,487,497	2,704,933	2,831,263	2,560,187
Contractual Services and Other Expenses	1,394,385	1,142,136	1,344,955	1,372,786	1,365,644
Depreciation and Amortization	924,765	942,701	1,018,063	1,064,525	1,088,982
Total Operating Expenditures	4,700,319	4,572,334	5,067,951	5,268,574	5,014,813
Operating Income (Loss)	561,367	769,237	(9,028)	(152,552)	371,911
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	4,796	4,796	368	776	
Federal Grant Revenue					1,743,076
Interest on Bonds and Notes					(454,215)
Interest Expense	(289,423)	(272,846)	(292,799)	(329,811)	111,253
Sale of Capital Assets			2,948	31,541	1,357
Total Nonoperating Revenue (Expenses)	(284,627)	(268,050)	(289,483)	(297,494)	1,401,471
Income Before Transfers and Contributions	276,740	501,187	(298,511)	(450,046)	1,773,382
Transfers	(20,076)	70,663			
Changes in Net Assets	256,664	571,850	(298,511)	(450,046)	1,773,382
Total Net Assets-Beginning of the Year	7,761,637	8,018,301	8,584,558	8,286,047	7,836,001
Prior Period Adjustment*		(5,593)			(6,232,061)
Total Net Assets-End of the Year	\$ 8,018,301	\$ 8,584,558	\$ 8,286,047	\$ 7,836,001	\$ 3,377,322

Source: Audited Annual Financial Reports of the City (2014-2018)

Table itself is NOT audited.

*Adjustments reflect the accounting changes effective for fiscal years beginning after June 15, 2017, due to the transition to GASB 75. The new standard requires a change from reporting the unfunded actuarial accrued liability in the financial statements to recognizing the unfunded actuarial accrued liability on the balance sheet.

Balance Sheets
General Fund
Fiscal Year Ending December 31:

	<u>2017</u>	<u>2018</u>
ASSETS:		
Cash	\$ 6,513,544	\$ 8,842,781
Taxes Receivable	5,134,336	5,047,900
Due From Other Governments	2,338,552	2,520,157
Other Receivables	1,233,267	856,235
State and Federal Aid Receivables	1,516,877	1,257,248
Inventory	10,736	8,396
Prepaid Expenses	646,643	640,785
Due from Other Funds	2,569,899	3,873,668
Total Assets	<u>19,963,854</u>	<u>23,047,170</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable and Accrued Liabilites	1,397,633	1,553,771
Due to Other Funds	1,015,633	1,881,523
Due to Other Governments	4,008,481	3,738,821
Other Liabilities	620	
Deferred Revenue	4,357,807	4,967,374
Total Liabilities	<u>10,780,174</u>	<u>12,141,489</u>
Fund Balances:		
Nonspendable Fund Balance	657,379	649,181
Restricted Fund Balance		
Assigned Appropriated	932,177	904,082
Assigned Unappropriated	617,837	1,176,192
Unassigned	6,976,287	8,176,226
Total Fund Balances	<u>9,183,680</u>	<u>10,905,681</u>
Total Liabilities and Fund Balances	<u>\$ 19,963,854</u>	<u>\$ 23,047,170</u>

Source: Audited Annual Financial Report of the City (2017-2018)
Table itself is NOT audited.

GENERAL FUND BUDGET SUMMARIES

Fiscal Year Ending December 31

	<u>2019</u>	<u>2020</u>
Revenues:		
Real Property Taxes & Items	\$ 17,709,231	\$ 17,693,207
Non Property Taxes	15,245,000	16,020,000
Other Local Sources	4,927,054	5,407,909
State Aid	4,411,222	3,679,350
Federal Aid	779,888	206,677
Appropriated Fund Balance	<u>904,082</u>	<u>1,457,190</u>
Total Revenues	\$ <u>43,976,477</u>	\$ <u>44,464,333</u>
Expenditures:		
General Government	\$ 7,070,173	\$ 7,721,678
Public Safety	20,517,830	20,978,502
Health	175,650	172,464
Transportation	3,113,834	2,686,610
Economic Assistance	1,210,202	976,702
Culture & Recreation	2,525,411	2,682,708
Home & Community Services	3,616,934	3,745,310
Employee Benefits	3,493,000	3,418,000
Debt Service	1,688,377	1,437,793
Interfund Transfers	<u>565,066</u>	<u>644,566</u>
Total Expenditures	\$ <u>43,976,477</u>	\$ <u>44,464,333</u>

Source: Adopted Budgets of the City (2019 -2020)

APPENDIX B

FORM OF BOND COUNSEL'S OPINION

March 19, 2020

City of Kingston,
County of Ulster,
State of New York

Re: City of Kingston, Ulster County, New York
\$5,831,500 Bond Anticipation Note, 2020

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an \$5,831,500 Bond Anticipation Note, 2020 (the "Obligation"), of the City of Kingston, Ulster County, New York (the "Obligor"), dated March 19, 2020, numbered _____, of the denomination of \$ _____, bearing interest at the rate of _____ % per annum, payable at maturity, and maturing March 19, 2021.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgement of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/es

APPENDIX C

AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

RBT CPAs, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RBT CPAs also has not performed any procedures relating to this Official Statement.

FINANCIAL REPORT
AUDITED
CITY OF KINGSTON, NEW YORK
For the Year Ended December 31, 2018

Audited for:

Common Council
CITY OF KINGSTON, NEW YORK

Audited by:

RBT CPAs, LLP
11 Racquet Road
Newburgh, NY 12550
(845) 567-9000

CITY OF KINGSTON, NEW YORK

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Common Council
City of Kingston, New York
420 Broadway
Kingston, New York 12401

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingston, New York, (the "City") as of and for the year ended December 31, 2018, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's Water Fund, as shown on the Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Balance – Proprietary Funds. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Water Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, based on our audit and the report of the other auditors, 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Kingston, New York, as of December 31, 2018, and the respective changes in financial position and, where applicable, the cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons, and schedules of changes in the City's total other postemployment benefit liability (OPEB) and related ratios, OPEB contributions and assumptions, proportionate share of the net pension liability and related ratios, and employer contributions on pages 4-10 and 51-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the City of Kingston, New York's basic financial statements. The accompanying schedule of indebtedness and the schedule of expenditures of federal awards and state transportation assistance, as required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Title 17, Part 43 of *NYCRR*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules 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 statement, 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 schedules of indebtedness and expenditures of federal awards and state transportation assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As described in Note XVI to the financial statements, net position as of January 1, 2018 has been restated to reflect the implementation of GASB 75. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 24, 2019, 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 and the results of that testing, and not to provide an opinion on 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.

RBT CPAs, LLP

Newburgh, NY
September 24, 2019

**CITY OF KINGSTON, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The accompanying management discussion and analysis of the City of Kingston's (the "City") financial performance has been prepared to provide an overview of the City's financial activities for the year ended December 31, 2018. This discussion and analysis is only an introduction and should be read in conjunction with the City's financial statements.

Requests For Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to John Tuey, Comptroller, City of Kingston, 420 Broadway, Kingston, NY 12401.

2018 Financial Highlights

- The City's Governmental net position (defined as assets plus deferred outflows less liabilities and deferred inflows) was a negative \$(97,345,708) at December 31.
- The governmental total net position decreased by \$2,714,166 for the year ending December 31, however the cumulative effect of implementing GASB 75 and other net position adjustments reduced net position by an additional (\$79,828,214).
- At December 31, the proportionate share of the net pension liability for both retirement systems was included in total liabilities in the amount of \$3,423,220.
- As of the close of the year, the City's governmental funds reported an ending fund balance of \$10,462,845, an increase of \$7,701,862 in comparison with the prior year.
- As of the close of the year, the City's Proprietary Funds reported an ending net position of \$3,306,042, an increase of \$2,172,627 in comparison with the prior year, before implementation of GASB 75. The cumulative effect of implementing GASB 75 and other net position adjustments reduced net position by (\$11,426,310), resulting in a net change of (\$9,253,683).
- At the end of the year, unassigned fund balance for the General Fund was \$8,176,226.
- At the end of the year, unrestricted net position for the Proprietary Funds was a negative (\$13,229,957).

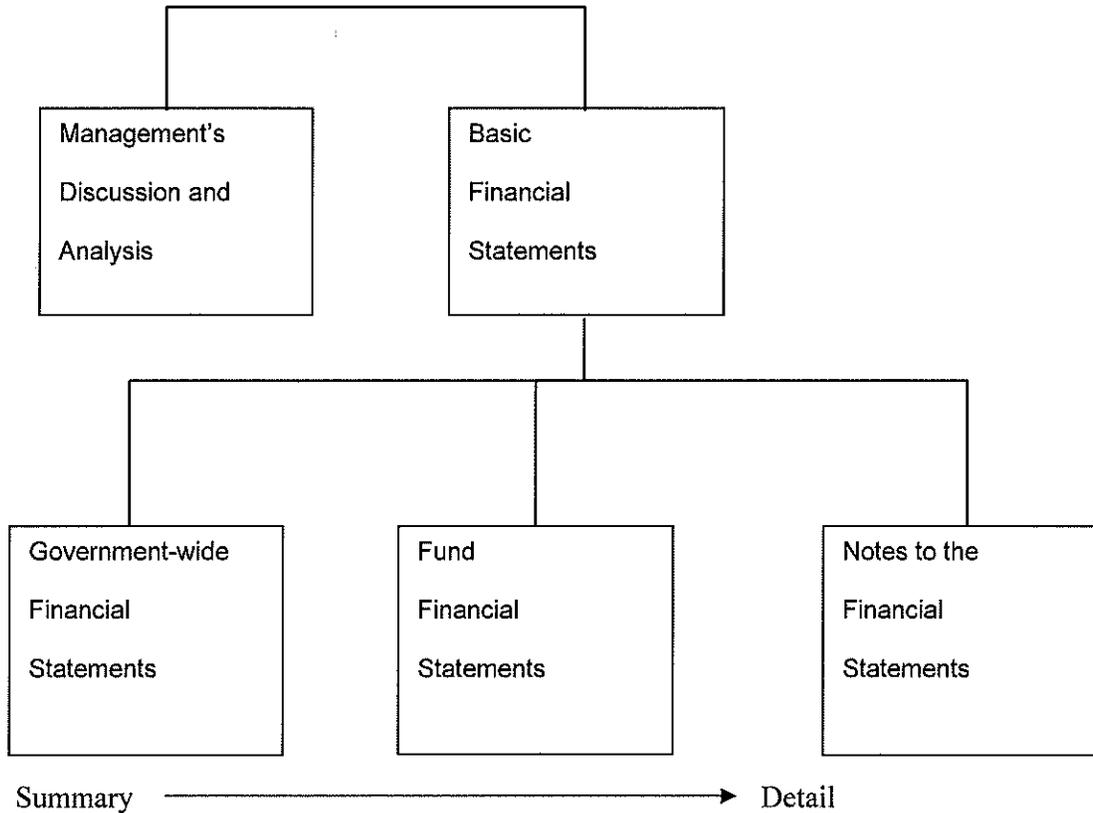
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City's financial position through the use of government-wide statements and fund financial statements. Each view will be explained in more detail following this narrative. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the City.

**CITY OF KINGSTON, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Required Components of the City's Basic Financial Statements

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements, they include: 1) the governmental, proprietary and fiduciary fund statements and 2) reconciliations to the government-wide financial statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position is one way to gauge the City's financial condition.

The governmental activities include most of the City's basic services such as public safety, road maintenance and administration. Property taxes, sales tax, charges for services and state aid finance most of these activities.

**CITY OF KINGSTON, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a group of self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in New York, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as New York State general municipal law and local finance law or the City's budget ordinance.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in reconciliations that are a part of the fund financial statements.

Proprietary Funds – Proprietary funds are funds used to account for business-type activities. The proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Fiduciary Funds – The City acts in an agency capacity for assets that are ultimately transferred to others, such as guarantee and bid deposits. These funds are excluded from the government-wide financial statements because the City cannot use these assets to finance operations.

The City adopts an annual budget for certain funds as required by municipal law. The budget is a legally adopted document that incorporates input from the citizens and management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes management to obtain funds from identified sources to finance these current period activities. The budgetary comparison demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget document. The schedule shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual revenues, expenditures and ending balances; and 4) the variance between the final budget and actual revenues and expenditures. The schedule is presented as required supplementary information.

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.

**CITY OF KINGSTON, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
GOVERNMENTAL ACTIVITIES
NET POSITION**

	2018	Prior to Restatement 2017	\$ Change	% Change
Current Assets	\$ 24,555,508	\$ 24,292,274	\$ 263,234	1.08%
Capital Assets	44,863,290	44,740,012	123,278	0.28%
Total Assets	<u>69,418,798</u>	<u>69,032,286</u>	<u>386,512</u>	<u>0.56%</u>
Deferred Outflows of Resources	<u>9,622,146</u>	<u>7,709,821</u>	<u>1,912,325</u>	<u>24.80%</u>
Current Liabilities	7,567,290	15,399,820	(7,832,530)	-50.86%
Long-Term Liabilities	161,386,509	74,834,346	86,552,163	115.66%
Total Liabilities	<u>168,953,799</u>	<u>90,234,166</u>	<u>78,719,633</u>	<u>87.24%</u>
Deferred Inflows of Resources	<u>7,432,853</u>	<u>1,311,269</u>	<u>6,121,584</u>	<u>466.84%</u>
Net Position:				
Net Investment in Capital Assets	30,620,227	28,869,773	1,750,454	6.06%
Restricted	167,515	275,298	(107,783)	-39.15%
Unrestricted (As Restated)	(128,133,450)	(43,948,399)	(84,185,051)	191.55%
Total Net Position	<u>\$ (97,345,708)</u>	<u>\$ (14,803,328)</u>	<u>\$ (82,542,380)</u>	<u>557.59%</u>

Management's Explanation of Changes

Short-term liabilities primarily decreased as the City re-financed \$11,930,000 of its Bond Anticipation Notes into a serial bond. The increase in long-term liabilities and the decrease in net position of the City's governmental activities is primarily due to the adoption of the GASB Statement No. 75. The implementation of GASB Statement No 75 is explained in Note XVI of the financial statements.

**CITY OF KINGSTON, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
GOVERNMENTAL ACTIVITIES
CHANGES IN NET POSITION**

	2018	%	2017	%	\$ Change	% Change
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,429,660	7.37%	\$ 3,457,197	7.46%	\$ (27,537)	-0.80%
Operating and Capital Grants	3,537,233	7.60%	4,894,737	10.57%	(1,357,504)	-27.73%
General Revenues:						
Real Property Taxes	17,614,013	37.85%	18,671,932	40.30%	(1,057,919)	-5.67%
Real Property Tax Items	750,585	1.61%	960,495	2.07%	(209,910)	-21.85%
Non Property Taxes	14,424,888	31.00%	13,977,330	30.17%	447,558	3.20%
Use of Money and Property	256,462	0.55%	49,925	0.11%	206,537	413.69%
State and Federal Aid	3,538,193	7.60%	4,086,434	8.82%	(548,241)	-13.42%
Sale of Property and Compensation for Loss	954,918	2.05%	137,588	0.30%	817,330	594.04%
Miscellaneous	2,032,570	4.37%	91,831	0.20%	1,940,739	2113.38%
Total Revenues	46,538,522	100.00%	46,327,469	100.00%	211,053	0.46%
Expenses:						
General Government	6,707,077	13.62%	5,202,407	10.38%	1,504,670	28.92%
Public Safety	27,732,096	56.31%	28,162,549	56.21%	(430,453)	-1.53%
Public Health	246,715	0.50%	111,053	0.22%	135,662	122.16%
Transportation	4,808,215	9.76%	6,003,590	11.98%	(1,195,375)	-19.91%
Economic Assistance and Opportunity	392,965	0.80%	356,645	0.71%	36,320	10.18%
Culture and Recreation	3,413,430	6.93%	3,258,546	6.50%	154,884	4.75%
Home and Community Services	5,493,154	11.15%	6,264,169	12.50%	(771,015)	-12.31%
Interest on Debt	459,036	0.93%	739,730	1.48%	(280,694)	-37.95%
Total Expenses	49,252,688	100.00%	50,098,689	99.98%	(846,001)	-1.69%
 Increase/(Decrease) in Net Position	 <u>\$ (2,714,166)</u>		 <u>\$ (3,771,220)</u>		 <u>1,057,054</u>	 <u>-28.03%</u>

Management's Explanation of Changes

Total revenues in 2018 were relatively unchanged from 2017 (up .46%). The change in Miscellaneous Revenues represents a change in financial presentation for reimbursements of City services. Total expenses are down \$846,001 and 1.69% from 2017, with the largest fluctuations being General Government (up \$1,504,670 and 28.92%) and Transportation (down \$1,195,375 and 19.91%), resulting from changes in the employee benefit presentation and allocation percentages.

**CITY OF KINGSTON, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Funds Financial Analysis

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

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the year.

The General Fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the General Fund was \$8,176,226. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 20 percent of total General Fund expenditures.

At December 31, 2018, the governmental funds of the City reported a combined fund balance of \$10,462,845, a 270 percent increase over the prior year end. Included in this change in fund balance are decreases in the Special Grant Fund and increases in the General, Capital Project and Debt Service Funds.

General Fund Budgetary Highlights: During the year, the City revised the General Fund budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Capital Asset and Debt Administration – Governmental Activities

Capital Assets: The City's investment in capital assets for its governmental activities as of December 31, 2018 totaled \$44,863,290 (net of accumulated depreciation). These assets include land, construction in progress, buildings, improvements, infrastructure, and machinery and equipment.

Debt: As of December 31, 2018, the City had total debt outstanding for its governmental activities of \$14,243,063. The debt is backed by the full faith and credit of the City. The City's governmental debt decreased by \$1,627,176 during the 2018 year.

For more detailed information on capital assets and long-term debt, see the notes to the basic financial statements.

**CITY OF KINGSTON, NEW YORK
REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As shown in the following table, proprietary funds' revenues increased by \$2,167,629 from 2017 to 2018. Expenses also decreased from 2017 to 2018 by \$85,524. Overall, net position decreased by \$9,253,683 from 2017 to 2018. As of December 31, 2018, net position was \$3,306,042.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
PROPRIETARY FUNDS
CHANGES IN NET POSITION**

	2018	2017	\$ Change	% Change
Revenues				
Charges for Services	\$ 9,871,199	\$ 9,156,203	\$ 714,996	7.81%
Other Revenues	2,335,914	873,402	1,462,512	167.45%
Total Revenues	12,207,113	10,029,605	2,177,508	21.71%
Expenses				
Personal Services and Benefits	5,356,081	5,539,225	(183,144)	-3.31%
Maintenance and Operating Costs	2,280,665	2,356,987	(76,322)	-3.24%
Depreciation	1,768,378	1,736,261	32,117	1.85%
Interest and Other	629,362	477,658	151,704	31.76%
Total Expenses	10,034,486	10,110,131	(75,645)	-0.75%
Change in Net Position	2,172,627	(80,526)	2,253,153	-2798.04%
Net position - beginning, as previously stated	12,559,725	12,640,251	(80,526)	-0.64%
Prior Period Adjustment	(11,426,310)	-	(11,426,310)	-100.00%
Net position - beginning, as restated	1,133,415	12,640,251	(11,506,836)	-91.03%
Net position - ending	\$ 3,306,042	\$ 12,559,725	\$ (9,253,683)	-73.68%

Capital Asset and Debt Administration – Proprietary Funds

Capital Assets: The City's investment in capital assets for its business activities as of December 31, 2018 totaled \$41,542,290 (net of accumulated depreciation). These assets include land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

Debt: As of December 31, 2018, the City had total debt outstanding pertaining to its business-type activities of \$26,271,309. The debt is backed by the full faith and credit of the City. The City's total long-term debt pertaining to those business-type activities increased by \$4,512,989 during the 2018 year.

For more detailed information on capital assets and long-term debt, see the notes to the basic financial statements.

**CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Cash And Cash Equivalents	\$ 11,937,359	\$ 3,186,679	\$ 15,124,038	\$ 3,104,258
Cash - Restricted	-	1,265,018	1,265,018	400,674
Taxes Receivable (Note I. H)	5,047,900	-	5,047,900	-
Due From Other Governments	3,058,734	213,254	3,271,988	-
Notes Receivable (Note I. I)	1,083,491	-	1,083,491	115,342
Other Receivables	4,077,849	2,761,811	6,839,660	19,661
Inventories	8,396	154,729	163,125	-
Prepaid Items	1,215,367	293,719	1,509,086	472
Internal Balances	(1,873,588)	1,897,432	23,844	-
Long Term Receivables	-	-	-	785,247
	<u>24,555,508</u>	<u>9,772,642</u>	<u>34,328,150</u>	<u>4,425,654</u>
Capital Assets, not being depreciated	2,858,094	9,111,620	11,969,714	-
Capital Assets, being depreciated, net	42,005,196	32,430,670	74,435,866	2,947,386
Total Capital Assets, net (Note V)	<u>44,863,290</u>	<u>41,542,290</u>	<u>86,405,580</u>	<u>2,947,386</u>
Total Assets	<u>69,418,798</u>	<u>51,314,932</u>	<u>120,733,730</u>	<u>7,373,040</u>
DEFERRED OUTFLOWS OF RESOURCES				
OPEB (Note VII)	1,391,109	156,541	1,547,650	-
Other	-	14,445	14,445	-
Pension (Note VI)	8,231,037	1,081,416	9,312,453	-
Total Deferred Outflows of Resources	<u>9,622,146</u>	<u>1,252,402</u>	<u>10,874,548</u>	<u>-</u>
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES				
	<u>79,040,944</u>	<u>52,567,334</u>	<u>131,608,278</u>	<u>7,373,040</u>

See accompanying notes to basic financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION – (CONTINUED)
DECEMBER 31, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
LIABILITIES				
Accounts Payable	\$ 1,924,857	\$ 613,724	\$ 2,538,581	\$ 9,160
Accrued Liabilities	832,885	321,924	1,154,809	5,753
Due to Other Governments	2,096,514	-	2,096,514	-
Non-Current Liabilities:				
Due and Payable Within One Year:				
Bond Anticipation Notes Payable (Note VIII)	1,030,433	5,967,030	6,997,463	-
Notes Payable	-	-	-	131,458
Landfill Remediation Liability (Note IX)	34,303	-	34,303	-
Installment Obligations Payable (Note IX)	135,411	280,222	415,633	-
Bonds Payable (Note IX)	1,311,848	1,255,152	2,567,000	-
Retirement System Obligations (Note IX)	201,039	14,898	215,937	-
Due and Payable More Than One Year:				
Notes Payable	-	-	-	678,645
Bond Anticipation Notes Payable (Note XI)	-	2,074,582	2,074,582	-
Landfill Remediation Liability (Note IX)	498,705	-	498,705	-
Installment Obligations Payable (Note IX)	338,413	807,578	1,145,991	-
Bonds Payable (Note IX)	11,426,958	15,886,745	27,313,703	-
Compensated Absence Liability (Note IX)	2,634,006	437,977	3,071,983	-
Share of Net Pension Liability (Note VI)	3,423,220	293,826	3,717,046	-
Other Post-Employment Benefits (Note VII)	142,091,750	20,184,095	162,275,845	-
Retirement System Obligations (Note IX)	973,457	73,259	1,046,716	-
Total Liabilities	<u>168,953,799</u>	<u>48,211,012</u>	<u>217,164,811</u>	<u>825,016</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenue	-	120,678	120,678	-
Pension (Note VI)	7,432,853	929,602	8,362,455	-
Total Deferred Inflows of Resources	<u>7,432,853</u>	<u>1,050,280</u>	<u>8,483,133</u>	<u>-</u>
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES				
	<u>176,386,652</u>	<u>49,261,292</u>	<u>225,647,944</u>	<u>825,016</u>
NET POSITION				
Net Investment in Capital Assets	30,620,227	15,270,981	49,527,414	2,837,283
Restricted for Economic and Community Development	167,515	-	167,515	-
Restricted for Special Projects	-	1,265,018	-	400,674
Unrestricted	(128,133,450)	(13,229,957)	(143,734,595)	3,310,067
TOTAL NET POSITION	<u>\$ (97,345,708)</u>	<u>\$ 3,306,042</u>	<u>\$ (94,039,666)</u>	<u>\$ 6,548,024</u>

See accompanying notes to basic financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

FUNCTIONS/PROGRAMS	CHANGES IN NET POSITION										COMPONENT UNITS
	PRIMARY GOVERNMENT					BUSINESS-					
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL ACTIVITIES	TOTAL ACTIVITIES	TOTAL	
Governmental Activities:											
General Government Support	\$ (6,707,077)	\$ 793,739	\$ 44,897	\$ -	\$ (5,868,441)	\$ -	\$ (5,868,441)	\$ -	\$ (5,868,441)	\$ -	
Public Safety	(27,732,096)	1,533,429	45,335	445,099	(25,708,233)	-	(25,708,233)	-	(25,708,233)	-	
Health	(246,715)	50,668	56,248	-	(139,799)	-	(139,799)	-	(139,799)	-	
Transportation	(4,808,215)	412,282	10,867	2,108,458	(2,276,608)	-	(2,276,608)	-	(2,276,608)	-	
Economic Assistance & Opportunity	(392,965)	14,736	-	30,835	(347,394)	-	(347,394)	-	(347,394)	-	
Culture and Recreation	(3,413,430)	356,702	204,740	-	(2,851,988)	-	(2,851,988)	-	(2,851,988)	-	
Home and Community Services	(5,493,154)	268,104	-	590,754	(4,634,296)	-	(4,634,296)	-	(4,634,296)	-	
Interest on Long-Term Debt	(459,036)	-	-	-	(459,036)	-	(459,036)	-	(459,036)	-	
Total Governmental Activities	(49,252,688)	3,429,660	362,087	3,175,146	(42,285,795)	-	(42,285,795)	-	(42,285,795)	-	
Business-type Activities:											
Water Fund	(4,565,189)	4,761,710	-	194,996	-	-	391,517	-	391,517	-	
Sewer Fund	(5,467,671)	5,215,674	-	1,914,126	-	-	1,662,129	-	1,662,129	-	
Total Business-type Activities	(10,032,860)	9,977,384	-	2,109,122	-	-	2,053,646	-	2,053,646	-	
Total Primary Government	\$ (59,285,548)	\$ 13,407,044	\$ 362,087	\$ 5,284,268	(42,285,795)	-	2,053,646	(40,232,149)	(40,232,149)	-	
Component Units:											
Kingston Local Development Corp.	\$ (123,234)	\$ 135,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,040	
Kingston Land Bank, Inc.	-	-	-	-	-	-	-	-	-	-	
Total Component Units	\$ (123,234)	\$ 135,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,040	
General revenues											
Real Property Taxes					17,614,013				17,614,013		
Real Property Tax Items					750,585				750,585		
Non-Property Tax Items					14,424,888				14,424,888		
Use of Money and Property					256,462		118,981		375,443		6,396
Sale of Property and Compensation for Loss					954,918		-		954,918		
Miscellaneous					2,032,570		-		2,032,570		
State and Federal Aid					3,538,193		-		3,538,193		
Total General Revenues					39,571,629		118,981		39,690,610		6,396
Change in Net Position					(2,714,166)		2,172,627		(541,539)		18,436
Net Position - Beginning, As Previously Stated					(14,803,328)		12,559,725		(2,243,603)		6,529,588
Cumulative Effect Adjustment (Note XVI)					(79,828,214)		(11,426,310)		(91,254,524)		-
Net Position - Beginning, Restated					(94,631,542)		1,133,415		(93,498,127)		6,529,588
Net Position - Ending					(97,345,708)		3,306,042		(94,039,666)		6,548,024

See accompanying notes to the financial statements.

**CITY OF KINGSTON, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Special Grant	Capital Projects	Debt Service	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 8,842,781	\$ 196,060	\$ 49,378	\$ 2,849,140	\$ 11,937,359
Receivables:					
Taxes	5,047,900	-	-	-	5,047,900
Other	856,235	-	19,700	-	875,935
Inventory	8,396	-	-	-	8,396
Mortgage Loans Receivable	-	1,083,491	-	-	1,083,491
Due from Other Funds (Note IV)	3,873,668	-	428,728	336,281	4,638,677
Due from Other Governments	2,520,157	-	30,577	508,000	3,058,734
State and Federal Receivable	1,257,248	172,459	1,772,207	-	3,201,914
Prepaid Expenses	640,785	-	-	-	640,785
Total Assets	\$ 23,047,170	\$ 1,452,010	\$ 2,300,590	\$ 3,693,421	\$ 30,493,191
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 930,038	\$ 74,826	\$ 919,993	\$ -	\$ 1,924,857
Accrued Liabilities	623,733	-	-	2,472	626,205
Bond Anticipation Notes Payable (Note VIII)	-	-	1,030,433	-	1,030,433
Due to Other Funds (Note IV)	1,881,523	-	1,920,771	2,709,971	6,512,265
Due to Other Governments	3,738,821	86,453	-	-	3,825,274
Total Liabilities	7,174,115	161,279	3,871,197	2,712,443	13,919,034
Deferred Inflows of Resources	4,967,374	1,123,216	4,787	15,935	6,111,312
Fund Balance:					
Nonspendable	649,181	-	-	-	649,181
Assigned Appropriated	904,082	-	4,555,175	-	5,459,257
Assigned Unappropriated	1,176,192	167,515	-	965,043	2,308,750
Unassigned	8,176,226	-	(6,130,569)	-	2,045,657
Total Fund Balance	10,905,681	167,515	(1,575,394)	965,043	10,462,845
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,047,170	\$ 1,452,010	\$ 2,300,590	\$ 3,693,421	\$ 30,493,191

See accompanying notes to the financial statements.

CITY OF KINGSTON, NEW YORK
RECONCILIATION OF THE TOTAL GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Total Governmental Funds	Long-Term Assets and Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	\$ 11,937,359	\$ -	\$ -	\$ 11,937,359
Receivables				
Taxes	5,047,900	-	-	5,047,900
Other	4,077,849	-	-	4,077,849
Inventory	8,396	-	-	8,396
Mortgage Loans Receivable	1,083,491	-	-	1,083,491
Due from Other Funds	4,638,677	-	(6,512,265)	(1,873,588)
Due from Other Governments	3,058,734	-	-	3,058,734
Prepaid Expenses	640,785	574,582	-	1,215,367
Capital Assets, net		44,863,290	-	44,863,290
Deferred Outflows of Resources - Other	-	1,391,109	-	1,391,109
Deferred Outflows of Resources - Pension	-	8,231,037	-	8,231,037
Total Assets and Deferred Outflows	\$ 30,493,191	\$ 55,060,018	\$ (6,512,265)	\$ 79,040,944
LIABILITIES				
Accounts Payable	\$ 1,924,857	\$ -	\$ -	\$ 1,924,857
Accrued Liabilities	626,205	206,680	-	832,885
Bond Anticipation Notes Payable	1,030,433	-	-	1,030,433
Landfill Remediation Payable	-	533,008	-	533,008
Installment Obligations Payable	-	473,824	-	473,824
Bonds Payable	-	12,738,806	-	12,738,806
Due to Other Funds	6,512,265	-	(6,512,265)	-
Due to Other Governments	3,825,274	(1,728,760)	-	2,096,514
Retirement System Obligations	-	1,174,496	-	1,174,496
Compensated Absences	-	2,634,006	-	2,634,006
Net Pension Liability-Proportionate Share	-	3,423,220	-	3,423,220
Other Postemployment Benefits	-	142,091,750	-	142,091,750
Deferred Inflows of Resources - Deferred Revenue	6,111,312	(6,111,312)	-	-
Deferred Inflows of Resources - Pension	-	7,432,853	-	7,432,853
Total Liabilities and Deferred Inflows	20,030,346	162,868,571	(6,512,265)	176,386,652
Total Fund Balances	10,462,845	(107,808,553)	-	(97,345,708)
Total Liabilities, Deferred Inflows and Fund Balances	\$ 30,493,191	\$ 55,060,018	\$ (6,512,265)	\$ 79,040,944

See accompanying notes to the financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Special Grant	Capital Projects	Debt Service	Total Governmental Funds
Revenues:					
Real Property Taxes	\$ 17,316,107	\$ -	\$ -	\$ -	\$ 17,316,107
Real Property Tax Items	750,585	-	-	-	750,585
Non Property Tax Items	14,424,888	-	-	-	14,424,888
Departmental Income	2,431,571	-	-	-	2,431,571
Intergovernmental Charges	237,896	-	-	-	237,896
Use of Money and Property	146,787	-	5	373	147,165
Licenses and Permits	812,331	-	-	-	812,331
Fines and Forfeitures	184,695	-	-	-	184,695
Sale of Property and Compensation for Loss	954,918	-	-	-	954,918
Miscellaneous	1,050,068	18,404	48,844	36,560	1,153,876
State Aid	4,393,455	48,875	1,208,835	-	5,651,165
Federal Aid	905,702	621,542	584,756	-	2,112,000
Total Revenues	43,609,003	688,821	1,842,440	36,933	46,177,197
Expenditures:					
General Government	4,105,022	-	-	5,731	4,110,753
Public Safety	13,376,605	-	-	-	13,376,605
Health	163,343	-	-	-	163,343
Transportation	2,051,720	-	2,501	-	2,054,221
Economic Assistance and Opportunity	200,393	-	-	-	200,393
Culture and Recreation	1,725,462	-	3,296	-	1,728,758
Home and Community Services	2,403,565	700,488	-	-	3,104,053
Employee Benefits	14,850,425	-	-	-	14,850,425
Capital Outlay	487,856	-	3,373,570	-	3,861,426
Debt Service	722,284	-	17,408	1,841,260	2,580,952
Total Expenditures	40,086,675	700,488	3,396,775	1,846,991	46,030,929
Excess/(Deficiency) of Revenues Over Expenditures	3,522,328	(11,667)	(1,554,335)	(1,810,058)	146,268
Other Financing Sources/(Uses):					
BANS Redeemed from Appropriations	-	-	519,594	-	519,594
Proceeds from Obligations	-	-	7,036,000	-	7,036,000
Operating Transfers In	-	-	78,355	2,066,481	2,144,836
Operating Transfers Out	(1,800,327)	-	(344,509)	-	(2,144,836)
Total Other Financing Sources/(Uses)	(1,800,327)	-	7,289,440	2,066,481	7,555,594
Change in Fund Balances	1,722,001	(11,667)	5,735,105	256,423	7,701,862
Fund Balances - Beginning, Previously Stated	9,183,680	275,298	(7,310,499)	708,620	2,857,099
Prior Period Adjustment (Note XVI)	-	(96,116)	-	-	(96,116)
Fund Balances - Beginning, as Restated	9,183,680	179,182	(7,310,499)	708,620	2,760,983
Fund Balances - Ending	\$ 10,905,681	\$ 167,515	\$(1,575,394)	\$ 965,043	\$ 10,462,845

See accompanying notes to the financial statements.

**CITY OF KINGSTON, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Asset Transactions	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
Revenues:						
Real Property Taxes	\$ 17,316,107	\$ 297,906	\$ -	\$ -	\$ -	\$ 17,614,013
Real Property Tax Items	750,585	-	-	-	-	750,585
Non Property Tax Items	14,424,888	-	-	-	-	14,424,888
Departmental Income	2,431,571	27,231	-	-	-	2,458,802
Intergovernmental/Grant Income	237,896	-	-	-	-	237,896
Use of Money and Property	147,165	109,297	-	-	-	256,462
Licenses and Permits	812,331	-	-	-	-	812,331
Fines and Forfeitures	184,695	-	-	-	-	184,695
Sale of Property and Compensation for Loss	954,918	-	-	-	-	954,918
Miscellaneous	1,153,876	673,840	-	-	-	1,827,716
State and Federal Aid	7,763,165	(746,949)	-	-	-	7,016,216
Total Revenues	46,177,197	361,325	-	-	-	46,538,522
Expenditures:						
General Government	4,110,753	(204,860)	556,159	-	2,245,025	6,707,077
Public Safety	13,376,605	-	548,571	-	13,806,920	27,732,096
Health	163,343	-	-	-	83,372	246,715
Transportation	2,054,221	-	1,361,366	-	1,392,628	4,808,215
Economic Assistance and Opportunity	200,393	-	-	-	192,572	392,965
Culture and Recreation	1,728,758	-	404,176	-	1,280,496	3,413,430
Home and Community Services	3,104,053	-	867,876	(33,802)	1,555,027	5,493,154
Capital Outlay	3,861,426	-	(3,861,426)	-	-	-
Employee Benefits	14,850,425	6,347,622	-	(642,007)	(20,556,040)	-
Debt Service	2,580,952	158,360	-	(2,280,276)	-	459,036
Total Expenditures	46,030,929	6,301,122	(123,278)	(2,956,085)	-	49,252,688
Excess/(Deficiency) of Revenues Over Expenditures	146,268	(5,939,797)	123,278	2,956,085	-	(2,714,166)
Other Financing Sources/(Uses):						
BANS Redeemed from Appropriations	519,594	-	-	(519,594)	-	-
Proceeds from Obligations	7,036,000	-	-	(7,036,000)	-	-
Operating Transfers In	2,144,836	-	-	-	(2,144,836)	-
Operating Transfers Out	(2,144,836)	-	-	-	2,144,836	-
Total Other Financing Sources/(Uses)	7,555,594	-	-	(7,555,594)	-	-
Change in Fund Balances	\$ 7,701,862	\$(5,939,797)	\$ 123,278	\$(4,599,509)	\$ -	\$(2,714,166)

See accompanying notes to the financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	WATER FUND	SEWER FUND	TOTAL
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash And Cash Equivalents	\$ 2,399,914	\$ 786,765	\$ 3,186,679
Receivables:			
Charges For Services	686,931	1,067,520	1,754,451
Other	351,292	656,068	1,007,360
Internal Balances (Note IV)	-	1,908,398	1,908,398
Prepaid Expenses	250,225	43,494	293,719
Due From Other Governments	37,736	175,518	213,254
Inventories - Net Of Allowance	154,729	-	154,729
Total Current Assets	3,880,827	4,637,763	8,518,590
Non Current Assets:			
Restricted Cash And Cash Equivalents	1,265,018	-	1,265,018
Capital Assets:			
Land	118,729	244,930	363,659
Buildings, Improvements And Infrastructure, Net Of Depreciation	9,282,480	21,164,830	30,447,310
Machinery And Equipment, Net Of Depreciation	661,005	1,322,355	1,983,360
Construction In Progress	4,473,108	4,274,853	8,747,961
Total Capital Assets (Note V)	14,535,322	27,006,968	41,542,290
Total Non-Current Assets	15,800,340	27,006,968	42,807,308
DEFERRED OUTFLOWS OF RESOURCES	628,693	623,709	1,252,402
Total Assets And Deferred Outflows Of Resources	20,309,860	32,268,440	52,578,300

See accompanying notes to the financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2018

	WATER FUND	SEWER FUND	TOTAL
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 74,169	\$ 539,555	\$ 613,724
Accrued Liabilities	107,024	214,900	321,924
Internal Balances (Note IV)	10,966	-	10,966
Bond Anticipation Notes Payable (Note VIII)	2,300,000	3,667,030	5,967,030
Current Portion of Bonds, Notes, and Loans Payable (Note IX)	496,282	1,039,092	1,535,374
Retirement System Obligations (Note IX)	-	14,898	14,898
Compensated Absence Liability (Note IX)	16,840	-	16,840
Total Current Liabilities	3,005,281	5,475,475	8,480,756
Non-Current Liabilities:			
Bond Anticipation Notes Payable (Note IX)	1,934,213	140,369	2,074,582
Retirement System Obligations (Note IX)	-	73,259	73,259
Compensated Absence Liability (Note IX)	179,323	241,814	421,137
Bonds, Notes, and Loans Payable (Note IX)	5,806,914	10,887,409	16,694,323
Other Postemployment Benefits (Note IX)	8,798,759	11,385,336	20,184,095
Proportionate Share of Net Pension Liability (Note IX)	157,705	136,121	293,826
Total Non-Current Liabilities	16,876,914	22,864,308	39,741,222
Total Liabilities	19,882,195	28,339,783	48,221,978
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Other	-	120,678	120,678
Deferred Inflows - Pension	498,945	430,657	929,602
Total Deferred Inflows of Resources	498,945	551,335	1,050,280
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	20,381,140	28,891,118	49,272,258
NET POSITION			
Net Investment in Capital Assets	3,997,913	11,273,068	15,270,981
Restricted	1,265,018	-	1,265,018
Unrestricted (Deficit)	(5,334,211)	(7,895,746)	(13,229,957)
Total Net Position	\$ (71,280)	\$ 3,377,322	\$ 3,306,042

See accompanying notes to the financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for Services	\$ 4,693,820	\$ 5,177,379	\$ 9,871,199
Program Grants and Subsidies	-	171,050	171,050
Other Revenue	11,579	38,295	49,874
Total Operating Revenues	4,705,399	5,386,724	10,092,123
OPERATING EXPENSES			
Personal Services	2,795,894	2,560,187	5,356,081
Real Property Taxes	295,833	-	295,833
Maintenance, Operations and Contractual Services	619,188	1,365,644	1,984,832
Depreciation	679,396	1,088,982	1,768,378
Total Operating Expenses	4,390,311	5,014,813	9,405,124
Net Operating Income	315,088	371,911	686,999
Non-Operating Income and (Expense)			
Rental Income	56,311	-	56,311
Federal Grant Revenue	-	1,743,076	1,743,076
State Grant Revenue	194,996	-	194,996
Interest Income	7,728	111,253	118,981
Net Gain on Sale Of Property	269	1,357	1,626
Interest on Bonds and Notes	(175,147)	(454,215)	(629,362)
Total Non-Operating Income and (Expense)	84,157	1,401,471	1,485,628
Change in Net Position	399,245	1,773,382	2,172,627
Net Position, beginning	4,723,724	7,836,001	12,559,725
Prior Period Adjustment - (Note XVI)	(5,194,249)	(6,232,061)	(11,426,310)
Net Position, beginning, as adjusted	(470,525)	1,603,940	1,133,415
Net Position, ending	\$ (71,280)	\$ 3,377,322	\$ 3,306,042

See accompanying notes to the financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2018

	WATER FUND	SEWER FUND	TOTAL
Cash Flows From Operating Activities:			
Cash Received From Users	\$ 4,664,842	\$ 3,916,181	\$ 8,581,023
Cash Paid To Employees	(4,936,522)	(2,560,187)	(7,496,709)
Cash Paid For Operating Expenses	1,483,183	(1,798,837)	(315,654)
Net Cash Provided by Operating Activities	1,211,503	(442,843)	768,660
Cash Flows From Capital and Related Financing Activities:			
Proceeds From Capital Debt	2,300,000	-	2,300,000
Proceed From Sale of Capital Assets	2,653	1,357	4,010
Federal Grant Revenue	8,904	1,743,076	1,751,980
State Grant Revenue	194,996	-	194,996
Purchase of Fixed Assets	(1,535,543)	(5,267,620)	(6,803,163)
Interest Payments on Bonded Indebtedness	(136,155)	(454,215)	(590,370)
Principal Payments on Bonded Indebtedness	(568,257)	(623,396)	(1,191,653)
Principal Payments on Long-Term Lease Obligations	-	(223,836)	(223,836)
Loans Provided/Paid, net	-	3,626,775	3,626,775
Net Cash Provided (Used) by Capital and Related Financing Activities	266,598	(1,197,859)	(931,261)
Cash Flows From Investing Activities:			
Rental Income	56,311	-	56,311
Interest Received	7,729	111,253	118,982
Net Cash Provided by Investing Activities	64,040	111,253	175,293
Net Increase (Decrease) in Cash and Cash Equivalents	1,542,141	(1,529,449)	12,692
Cash and Cash Equivalents at January 1, 2018	2,122,791	2,316,214	4,439,005
Cash and Cash Equivalents at December 31, 2018	\$ 3,664,932	\$ 786,765	\$ 4,451,697
Reconciliation Of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 315,088	\$ 371,911	\$ 686,999
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	679,396	1,088,982	1,768,378
Changes in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(40,557)	(1,470,543)	(1,511,100)
Decrease (Increase) in Inventories	(21,175)	-	(21,175)
Decrease (Increase) in Prepaid Items	(15,463)	(42,571)	(58,034)
Decrease (Increase) in Due From Related Party	6,386	(119,784)	(113,398)
Increase (Decrease) in Accounts Payable	25,055	(402,589)	(377,534)
Increase (Decrease) in Deferred Outflows/Inflows, net	235,958	(243,722)	(7,764)
Increase(Decrease) in Accrued Expenses and Other Liabilities	26,815	375,473	402,288
Net Cash Provided by Operating Activities	\$ 1,211,503	\$ (442,843)	\$ 768,660

See accompanying notes to the financial statements.

**CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2018**

	AGENCY FUNDS	EXPENDABLE TRUST
ASSETS		
Cash and Cash Equivalents	\$ 407,940	\$ 174,259
Due from Other Funds	-	322
Total Assets	\$ 407,940	\$ 174,581
LIABILITIES		
Escrow Funds Returnable and Other Liabilities	\$ 383,774	\$ 1,030
Due to Other Funds	24,166	-
Total Liabilities	407,940	1,030
NET POSITION	-	173,551
Total Liabilities and Net Position	\$ 407,940	\$ 174,581

See accompanying notes to the financial statements.

**CITY OF KINGSTON, NEW YORK
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 DECEMBER 31, 2018**

	EXPENDABLE TRUST
EARNINGS	
Donations and Grants	\$ 25,445
Interest	46
Total Earnings	25,491
DEDUCTIONS	
Recreation Expenses	12,382
Total Deductions	12,382
Change in Net Position	13,109
Net Position Held in Trust - Beginning	160,442
Net Position Held in Trust - Ending	\$ 173,551

See accompanying notes to the financial statements.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

City of Kingston, New York, (the "City") was established in 1872, and operates in accordance with its Charter and the various other applicable laws of the State of New York. The City operates under a Mayor/Council form of government. The Common Council is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Comptroller serves as chief financial officer. The City provides the following services to its residents: public safety, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

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 component units are included in the City's reporting entity because of their operational or financial relationship with the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America for governmental units as established by the Governmental Accounting Standards Board (GASB). The notes to the financial statements are an integral part of the statements and are intended to be read with them.

The City of Kingston Local Development Corporation (the "KLDC"), a not-for-profit corporation which was incorporated on June 1, 1994, administers economic development loans for businesses within the City of Kingston. It also developed and operates a business park for the City. It is governed by a board which is appointed by the Mayor. The City of Kingston Local Development Corporation financial statements are available at their offices located at Kingston City Hall, 420 Broadway, Kingston, New York. The KLDC is included in the City of Kingston's reporting entity as a discretely presented component unit.

The Kingston City Land Bank, Inc., (the "Land Bank"), a not-for-profit corporation, was incorporated on November 9, 2018 for the purpose of acquiring title to City-owned and other distressed properties in the City of Kingston, removing barriers to redevelopment, and returning them to the tax rolls in viable condition under sound management and ownership. It is governed by a board which includes, and is appointed by, the Mayor. The Land Bank's financial statements are available at its office at City Hall, 420 Broadway, Kingston, NY. The Land Bank is included in the City of Kingston's reporting entity as a discretely presented component unit.

The Kingston-Ulster Empire Zone was created by New York State to foster the creation of jobs, enhance the property tax base and encourage investment. The Mayor appoints the majority of the board. Activity for the Kingston-Ulster Empire Zone was minimal for the past year as the program is no longer supported by New York State. Therefore, since financial statements have not been prepared, the limited Empire Zone information has not been included in these financial statements.

The Dietz Stadium is jointly administered with the Kingston City School District and is excluded from the financial statements.

There were no significant transactions with component units other than that the City processes the payroll for, and is then reimbursed by, the KDLC.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net position and activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenue.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-wide and Fund Financial Statements – Continued

The statement of activities demonstrates the degree to which the 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, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in 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.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major funds:

- 1) Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following are the City's major governmental fund types:
 - a) General Fund - the principal operating fund and includes all operations not accounted for and reported in another fund.
 - b) Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects. This fund is used to account for the activities of the Community Development Office which are funded by the U.S. Department of Housing and Urban Development ("HUD"). Effective as of fiscal year 2017, this fund utilizes a December 31 year-end, whereas the fund formerly reported a year end of June 30.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

- c) Debt Service Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on general obligation long term debt. Debt Service Funds are used when legally mandated for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.
 - d) Capital Projects Funds - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital facilities and equipment (other than those financed by business-type/proprietary funds).
- 2) Proprietary Funds - The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles are similar to businesses in the private sector. Both of the City's proprietary funds are classified as enterprise funds. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, is to be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City's Water and Sewer activities are accounted for as major enterprise funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Fiduciary Funds are used to report assets which are held in a trust or agency capacity for others and are, therefore, not available to support City programs.

D. Pervasiveness of Estimates

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

E. Budgetary Data

Operating budgets - must be submitted by the Mayor in the form of a tentative budget to the Common Council at their regular meeting in October for the following calendar year. The tentative budget includes proposed expenditures and the proposed means of financing for the General and Sewer funds. After public hearings are conducted to obtain taxpayer comments, the Common Council adopts the budgets. Once adopted, the Common Council may amend the legally adopted budgets when unexpected modifications are required within NYS guidelines.

Other funds - capital projects are budgeted over the life of the respective projects and are also subjected to the Council review and approval process. Formal budgets are not required for the Water Fund (an enterprise fund); however, a budget is prepared as a guideline for expenditures. Budgetary controls for the Community Development office are established in accordance with applicable grant agreements which may cover more than one year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over expenditure of established appropriations. Open encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Property Taxes

The City of Kingston real property taxes are levied annually no later than December 31 and become a lien on January 1. The City of Kingston real property taxes are due in two installments. The first installment is due 45 days after the passage of the tax levy and the second is due 120 days later. Taxes for County purposes apportioned to the area of the County inside the City of Kingston and the Library are levied together with the general taxes for the City of Kingston on a single bill. The County and Library receive the full amount of their levies annually out of the first amounts collected on the combined bills. The collection of County taxes levied on properties within the City of Kingston and library taxes are enforced by the City. In addition, unpaid city school district taxes levied on properties within the City of Kingston are turned over to the City for enforcement.

G. Cash and Investments

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. The City's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The City is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

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

H. Taxes and Other Receivables, and Uncollectible Accounts

Significant receivables include amounts due from customers primarily for water and sewer charges. No allowance for uncollectible accounts is maintained as uncollected accounts are added on to the subsequent year's tax bills. The General Fund reimburses the utility funds for the full amount even though the City may not have actually received payment.

At December 31, 2018, the City had total real property tax receivables of \$5,047,900. On the fund financial statements, the taxes are offset by deferred inflows of resources in the amount of \$4,220,733 for the City portion. The deferred portion represents the tax liens which were not collected within the first sixty days of the subsequent year. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to the City, regardless of when received.

Other revenues totaling \$1,739,736 are deferred in the governmental fund financial statements as they were not received within 60 days following year-end and, therefore, are unavailable to pay liabilities of the current period. Other deferred revenue received after 60 days is recognized as revenue in the government-wide statements if grantor eligibility requirements are met.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. Notes Receivable

The following is a summary of notes receivable as of December 31, 2018:

Homeowner Loans - The Housing Rehabilitation Program is a federally funded program for income eligible homeowners in the City of Kingston offering up to \$20,000 per household. The priority of the program is to address health and safety issues, building code violations, and to reduce the cumulative effects of deteriorating properties concentrated in certain neighborhoods of the city. It allows for an interest-free, deferred loan to the homeowner that is spread over a 10 year period. At the end of the tenth year of owner-occupied homeownership, the loan is completely forgiven.

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Due in One Year
Homeowner Loans	\$1,029,657	\$ 53,843	\$ -	\$ 1,083,500	\$ -
Total Loans	<u>\$1,029,657</u>	<u>\$ 53,843</u>	<u>\$ -</u>	<u>\$ 1,083,500</u>	<u>\$ -</u>

J. Internal Balances

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements. See Note IV for a schedule detailing the interfund balances.

K. Inventories and Prepaid Items

Inventory is primarily composed of water meters and supplies.

Prepaid items represent payments made by the City for which benefits extend beyond year end.

L. Capital Assets

Capital assets are reported at historical cost. The City depreciates capital assets using the straight line method over the estimated useful lives of the assets. Capitalization thresholds and estimated lives of assets reported in the Government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 5,000	15 - 40 years
Improvements	5,000	15 - 40 years
Machinery and Equipment	5,000	3 - 40 years

M. Infrastructure

The City includes long-lived improvements to roads, property, and water systems as capital assets in the Government-wide statements. Infrastructure is reported at historical cost and is depreciated using the straight-line method over the estimated useful lives.

Under generally accepted accounting principles, the City is considered a small government and, as such, is required only to recognize infrastructure on a prospective basis.

Capitalization thresholds and estimated useful lives for infrastructure are as follows:

	Capitalization Threshold	Estimated Useful Life
Roads & Water	\$ 5,000	15 - 40 years

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. Vested Employee Benefits

City employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee may be entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. A liability for accrued vacation and sick time is reflected in the Government-wide statements under the heading “Compensated Absences.” See Note IX.

The City employees participate in the New York State Employees’ Retirement System and New York State Police and Fire Retirement System. See Note VI.

In addition to providing pension benefits, the City provides health insurance coverage for retired employees. Substantially all of the City’s employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year for the City. The City recognizes the cost of providing benefits by recording its share of insurance premiums as a governmental fund expenditure in the year paid. Substantially all of the City’s employees may become eligible for these benefits if they reach normal retirement age and at least 10 or 20 years of service while working for the City. See Note VII.

O. Unemployment Insurance

City employees are covered by unemployment insurance. The City has chosen to discharge its liability to the New York State Unemployment Insurance Fund by means of the benefit reimbursement method. This is a dollar-for-dollar reimbursement to the Unemployment Insurance Fund for the benefits paid to former employees and charged to the City’s account. The City is exempt from federal unemployment insurance tax.

P. Deferred Compensation

The City, through the New York State Deferred Compensation Board, offers its employees a Deferred Compensation Plan (the “Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all eligible participants, permits participants to defer a portion of their salary (up to the IRS limits) until future years. Amounts deferred under the Plan are not available to the employee until termination, retirement, death or unforeseeable emergency. The City does not contribute to this plan.

Q. Risk Retention

The City assumes the liability for most risk including, but not limited to, property damage and personal injury liability. The City purchases commercial insurance to mitigate these risks, subject to certain deductibles. 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.

R. Equity Classification

1. Government-wide Statements

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

Net Investment in Capital Assets:

Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

R. Equity Classification – Continued

Restricted Net Position:

Consists of net assets with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position:

The remaining portion of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

2. Fund Financial Statements

Equity is defined as fund balance and displayed in five fund balance classifications, which are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds:

Nonspendable:

Amounts that cannot be spent in the current period either because of their form or because they must be maintained intact. Prepaid expenses are nonspendable assets because, by definition, the money has already been spent.

Restricted:

Amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.

Committed:

Amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority (the Common Council) before the end of the year. The same level of formal action is required to remove the constraint.

Assigned:

Amounts that are subject to a purpose constraint that represents an intended use established by the government’s highest level of decision-making authority or by its designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned:

Represents the residual amount of fund balance in the General Fund. In funds other than the General Fund, this classification should only be used to report a deficit balance.

3. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the City’s policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements. Similarly, when an expenditure is incurred for which multiple classifications of fund balance are available the City’s policy is to apply fund balance in the following order: restricted, committed, assigned, unassigned.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

S. Interfund Transfers

The operations of the City give rise to certain transactions between funds, including transfers to provide services and construct assets. Interfund transfers within fund categories are eliminated for the Statement of Activities. A detailed description of the interfund transfers that occurred during the year is provided in Note IV.

T. Subsequent Events

Management has evaluated subsequent events from December 31, 2018, through September 24, 2019, the date on which the financial statements were available to be issued.

II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the government-wide statements, compared with the current financial resources focus of the governmental funds.

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

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

The basic financial statements contain a detailed reconciliation of the items creating the differences between fund balance reported in the Governmental Funds Balance Sheet and Net Position reported on the Statement of Net Position.

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

Original Cost of Capital Assets	\$ 88,051,992
Accumulated Depreciation	<u>(43,188,702)</u>
Capital Assets, Net	<u>\$ 44,863,290</u>

- (2) Workers compensation costs are reported as expenditures in the year they are incurred and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes additional prepaid amounts in the assets of the City as a whole.

Prepaid Expenses	<u>\$ 574,582</u>
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- (3) Interest payable and other long-term liabilities are recognized in the government-wide statements under full accrual accounting. No accrual is recognized in the governmental fund statements for interest or other liabilities that were not paid from current financial resources.

Interest Payable at December 31, 2018	<u>\$ 206,680</u>
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**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

**II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS
AND GOVERNMENT-WIDE STATEMENTS - CONTINUED**

- (4) The governmental funds do not include long-term liabilities because they are not due and payable in the current period. However, these liabilities are reported in the Statement of Net Position because they represent economic liabilities. Balances at year end were:

Bonds and Installment Obligations Payable	\$ 13,212,630
Compensated Absences Payable	2,634,006
ERS & PFRS Pension Liability-Proportionate Share	3,423,220
Landfill Remediation Liability	533,008
Retirement System Obligations	1,174,496
Other Postemployment Benefits	142,091,750
	<u>\$ 163,069,110</u>

- (5) Deferred outflows related to the Other Postemployment Benefits are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. The balance at year end was:

Deferred Outflows of Resources	<u>\$ 1,391,109</u>
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- (6) In the governmental funds, amounts due to the New York State Retirement System include costs incurred through year end that are expected to be liquidated with expendable available resources. In the Statement of Net Position, these amounts are recorded as of the retirement plan measurement date. This is the amount by which the fund liability is adjusted for the timing difference.

Due to Other Governments	<u>\$ (1,728,760)</u>
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- (7) Deferred inflows related to grants, taxes and other receivables are reported on the accrual basis in the Statement of Net Position, but on the modified accrual basis in the governmental funds. The adjustments between the two bases at year end were:

Deferred Inflows of Resources	<u>\$ (6,111,312)</u>
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- (8) Deferred outflows and inflows related to pensions are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Deferred Outflows of Resources	\$ 8,231,037
Deferred Inflows of Resources	(7,432,853)
	<u>\$ 798,184</u>

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS - CONTINUED

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

Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

- Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds use a current financial resource measurement focus, whereas the Statement of Activities uses an economic resource measurement focus.
- Capital asset transaction differences include the difference between recording an expenditure for the purchase of capital assets in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements when paid, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

The basic financial statements contain a detailed reconciliation of the items creating the differences between the change in fund balance reported in the governmental fund statements and the change in net position reported in the Statement of Activities.

Total Revenues and Other Funding Sources

Total revenues reported in governmental funds	\$46,177,197
Recognition of deferred property taxes	297,906
Recognition of deferred grant revenue	846,078
Recognition of deferred bond premiums	109,297
Revenues previously recognized under full accrual	(891,956)
Total revenues reported in the Statement of Activities	<u>\$46,538,522</u>

Total Expenditures/Expenses

Total expenditures reported in governmental funds	\$46,030,929
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In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which the liability for compensated absences increased during the year.

68,665

In the Statement of Activities, the expenses for other postemployment benefits are measured based on the actuarially determined OPEB Liability of the City. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially the amounts paid). This is the amount by which the OPEB Liability exceeded the amount of financial resources used during the year.

5,793,385

CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

II. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS - CONTINUED

B. Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities – Continued

In the Statement of Activities, pension expense related to ERS and PFRS defined benefit plans is measured as the change in the City's proportionate shares of the net pension assets and liabilities as of the measurement dates for each plan. In the governmental funds, however, these expenditures are recognized as the sum of (1) amounts paid by the employer to the pension plan, and (2) the change between beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. This is the amount by which pension expense was greater than the amount of financial resources expended during the year. 485,572

Interest payable is recognized in the government-wide statements under full accrual accounting, whereas it is recognized when paid in the governmental fund statements. This is the amount by which interest payable for the current year exceeds the interest payable for the prior 133,773

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the year they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions of \$3,861,426 exceeded depreciation expense of \$3,738,148 in the current year. (123,278)

Repayment of principal is an expenditure in the governmental funds but reduces the long-term liability in the Statement of Net Position and does not affect the Statement of Activities. (2,956,085)

The cost of prepaid assets are generally reported as expenditures in the year they are incurred and the assets do not appear on the balance sheet, but the Statement of Net Position includes all prepaid assets of the City as a whole. (204,860)

The loss on bond refundings is deferred and amortized into expense over the life of the debt. This is the current amortization expense for the bond refunding loss. 24,587

Total expenses reported in the Statement of Activities \$49,252,688

III. CASH

At December 31, 2018, the carrying amount of the City's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$15,704,987 and the bank balance was \$15,787,025. The City's deposits at December 31, 2018, and during the year then ended, were entirely covered by FDIC Insurance or by pledged collateral held by the City's agent bank in the City's name. Petty Cash is included in Cash and Cash Equivalents and totaled \$1,250 at year end.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

IV. INTERFUND ACTIVITY

Interfund receivables and payables at December 31, 2018 were as follows:

<u>FUND</u>	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General	\$ 3,873,668	\$ (1,881,523)
Capital Projects	428,728	(1,920,771)
Debt Service	336,281	(2,709,971)
Subtotal Governmental funds	<u>4,638,677</u>	<u>(6,512,265)</u>
Proprietary funds:		
Water	-	(10,966)
Sewer	4,153,118	(2,244,720)
Subtotal Proprietary funds	<u>4,153,118</u>	<u>(2,255,686)</u>
Fiduciary Funds:		
Trust & Agency	-	(24,166)
Private Purpose Trust	322	-
Subtotal Fiduciary funds	<u>322</u>	<u>(24,166)</u>
TOTALS	<u>\$ 8,792,117</u>	<u>\$ (8,792,117)</u>

Interfund revenues and expenditures at December 31, 2018 were as follows:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General	\$ -	\$ (1,800,327)
Capital Projects	78,355	(344,509)
Debt Service	2,066,481	-
Subtotal Governmental funds	<u>2,144,836</u>	<u>(2,144,836)</u>
TOTALS	<u>\$ 2,144,836</u>	<u>\$ (2,144,836)</u>

Interfund transfers were made for the following purposes:

- Repayment of City's debt is done through the debt service fund.

CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

V. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2018 were as follows:

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance 12/31/2018
<u>Governmental Activities:</u>				
Land	\$ 192,500	\$ -	\$ -	\$ 192,500
Construction in Progress	1,610,758	1,054,836	-	2,665,594
Depreciated Assets:				
Buildings	13,232,255	-	-	13,232,255
Improvements	17,816,857	198,530	-	18,015,387
Infrastructure	34,170,852	825,253	-	34,996,105
Machinery and Equipment	17,431,267	1,782,807	(263,923)	18,950,151
Total Capital Assets	<u>84,454,489</u>	<u>3,861,426</u>	<u>(263,923)</u>	<u>88,051,992</u>
Less Accumulated Depreciation:				
Buildings	6,542,387	287,852	-	6,830,239
Improvements	7,632,153	781,957	-	8,414,110
Infrastructure	12,387,336	1,463,034	-	13,850,370
Machinery and Equipment	13,152,601	1,205,305	(263,923)	14,093,983
Total Accumulated Depreciation	<u>39,714,477</u>	<u>3,738,148</u>	<u>(263,923)</u>	<u>43,188,702</u>
Net Governmental Assets	<u>44,740,012</u>	<u>123,278</u>	<u>-</u>	<u>44,863,290</u>
<u>Business-Type Activities:</u>				
Land	363,659	-	-	363,659
Construction in Progress	3,884,178	4,863,782	-	8,747,960
Depreciated Assets:				
Buildings and Improvements	23,612,144	256,452	(104,082)	23,764,514
Infrastructure	31,548,517	856,509	-	32,405,026
Machinery and Equipment	4,323,510	698,387	(9,902)	5,011,995
Total Capital Assets	<u>63,732,008</u>	<u>6,675,130</u>	<u>(113,984)</u>	<u>70,293,154</u>
Less Accumulated Depreciation:				
Buildings and Improvements	15,179,566	740,001	(104,082)	15,815,485
Infrastructure	9,145,793	760,952	-	9,906,745
Machinery and Equipment	2,771,111	267,425	(9,902)	3,028,634
Total Accumulated Depreciation	<u>27,096,470</u>	<u>1,768,378</u>	<u>(113,984)</u>	<u>28,750,864</u>
Net Business-Type Assets	<u>36,635,538</u>	<u>4,906,752</u>	<u>-</u>	<u>41,542,290</u>
Primary Government Net Assets	<u>\$ 81,375,550</u>	<u>\$ 5,030,030</u>	<u>\$ -</u>	<u>\$ 86,405,580</u>
General Government		\$ 556,159		
Public Safety		548,571		
Transportation		1,361,366		
Culture and Recreation		404,176		
Home and Community Services		867,876		
Total governmental activities depreciation		<u>\$ 3,738,148</u>		

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

VI. PENSION PLANS

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

Funding Policy

The Systems are noncontributory except for Tier 3, 4, 5 and 6 employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% to 6% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates, expressed as proportions of member payroll and employer contributions, used in computing the contributions required to be made by employers to the pension accumulation fund. An Eligible Tier 3 or 4 member with ten or more years of membership, or ten years credited service, will not be required to contribute to the Retirement System. Tier 5 and 6 members must continue to contribute throughout their employment.

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

<u>Plan Year Ended March 31</u>	<u>ERS</u>	<u>PFRS</u>
2019	\$ 1,272,396	\$ 2,305,012
2018	\$ 1,357,915	\$ 2,438,708
2017	\$ 1,323,022	\$ 2,288,926

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

At December 31, 2018, the City reported liabilities of \$1,014,867 and \$2,702,179 for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2018 for ERS and PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Systems relative to the projected contributions of all participating members, as actuarially determined. This information was provided to the City by the ERS and PFRS Systems.

At March 31, 2018, the City's proportion of the ERS net pension liability was 0.0315656%. At March 31, 2017, the City's proportion of the ERS net pension liability was 0.0311000%.

At March 31, 2018, the City's proportion of the PFRS net pension liability was 0.2673421%. At March 31, 2017, the City's proportion of the PFRS net pension liability was 0.2674175%.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

VI. PENSION PLANS – CONTINUED

For the year ended December 31, 2018 the City recognized pension expense of \$1,344,333 for ERS and \$2,642,256 for PFRS. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 362,814	\$ 1,110,522	\$ 1,473,336
Changes of assumptions	674,510	2,044,319	2,718,829
Net difference between projected and actual earnings on pension plan investments	1,477,451	2,183,816	3,661,267
Changes in proportion and difference between the City's contributions and proportionate share of contributions	276,251	230,094	506,345
City's contributions subsequent to the measurement date	952,676	-	952,676
Total	\$ 3,743,702	\$ 5,568,751	\$ 9,312,453

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 299,816	\$ 716,954	\$ 1,016,770
Net difference between projected and actual earnings on pension plan investments	2,916,700	4,398,088	7,314,788
Changes in proportion and difference between the City's contributions and proportionate share of contributions	2,153	28,744	30,897
Total	\$ 3,218,669	\$ 5,143,786	\$ 8,362,455

City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	<u>ERS</u>	<u>PFRS</u>
2019	\$ 330,789	\$ 614,280
2020	245,996	552,515
2021	(690,977)	(516,387)
2022	(313,732)	(352,693)
2023	281	127,250

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

VI. PENSION PLANS – CONTINUED

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

Measurement Date	ERS	PFRS
	March 31, 2018	March 31, 2018
Investment Rate of Return	7.00% compounded annually net of investment expense	7.00% compounded annually net of investment expense
Projected Salary Increases	3.80%	4.50%
Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation Rate	2.50%	2.50%
Mortality Improvement	Society of Actuaries Scale MP - 2014	Society of Actuaries Scale MP - 2014

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for both retirement systems are summarized below:

Measurement Date	ERS and PFRS	
	March 31, 2018	
Asset Class:	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.75%
Real Estate	10%	5.80%
Absolute Return Strategies	2%	4.00%
Opportunistic Portfolio	3%	5.89%
Real Assets	3%	5.54%
Bonds and Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.50%
Total	100%	

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

VI. PENSION PLANS – CONTINUED

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 7.0% for PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the ERS and PFRS net pension liabilities calculated using the discount rates referred to above, as well as what the City's proportionate share of each net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate referred to above:

	1% Decrease 6.0%	Current Assumption 7.0%	1% Increase 8.0%
ERS			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (7,708,221)	\$ (1,014,867)	\$ 4,640,255
PFRS			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (13,236,005)	\$ (2,702,179)	\$ 6,133,230

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2018, were as follows:

	(Dollars in Thousands)	
	ERS	PFRS
Measurement Date	March 31, 2018	March 31, 2018
Employers' total pension liability	\$ (183,400,590)	\$ (32,914,423)
Plan net position	180,173,145	31,903,666
Employers' net pension asset/(liability)	<u>\$ (3,227,445)</u>	<u>\$ (1,010,757)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	98.24%	96.93%

Payables to the Pension Plan

For ERS, employer contributions for the plan year ended March 31, 2019 were paid to the System in December 2018. Prepaid retirement contributions as of December 31, 2018 amounted to \$318,099.

For PFRS, employer contributions for the plan year ended March 31, 2019 were paid to the System in February 2019. Accrued retirement contributions as of December 31, 2018 amount to \$1,728,760.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

VII. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City provides postemployment health insurance coverage to retired employees through a self-administered single employer plan in accordance with the provisions of various employment contracts and human resource policies. The benefit levels, employee contributions and employer contributions are governed by the City's contractual agreements. A trust that meets the criteria in paragraph 4 of GASB Statement 75 has not been established.

Benefits Provided

The City's Other Post-Employment Benefits ("OPEB") plan subsidizes the cost of healthcare to eligible retired employees and their spouses and dependent children. Eligibility is based on the respective rules of the New York State and Local Employees Retirement System (ERS) as well as the provisions of the City's agreements with its employees. The following eligibility rules current apply to the City's employees:

- Public Safety: eligibility for retirement under ERS; 20 years of service
- Staff and water department: eligibility for retirement under ERS; after age 55 with at least 10 years of service

Medical and prescription drug benefits are offered to retirees on a City-subsidized basis. Upon attaining age 65 or upon disability retirement, Medicare (Parts A and B) becomes the primary provider for hospital insurance and supplementary medical insurance, with the City's plan providing an additional layer of coverage. The City reimburses Medicare Part B premiums for retirees and their spouses.

The benefit terms are dependent on which contract covers the employee. Contribution rates for new retirees are as follows:

Group	Provider Options	Years of Service		City Contributions (Fixed)		Reimburse Part B Premium		
				Individual	Family	Individual Spouse	Surviving Spouse	
Staff	NYSHIP	10 - 25+	Under 65	1,015.00	1,174.00	Y	Y	Y
		10 - 25+	Over 65	444.00	N/A			
Public Safety	NYSHIP	20 - 25+	Under 65	1,015.00	1,174.00	Y	Y	Y
		20 - 25+	Over 65	444.00	N/A			
Water Dept.	NYSHIP	10 - 30	Under 65	913.50	821.80	Y	Y	Y
		10 - 30	Over 65	399.60	N/A			
		30+	Under 65	1,015.00	1,174.00			
		30+	Over 65	444.00	N/A			

The City's contribution is equivalent to the portion of health insurance premiums paid that are allocated to retirees, estimated to be \$3,505,480 during the year ended December 31, 2018.

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by benefit terms:

Active employees	288
Retired	326
Total employees covered by benefit terms	614

Total OPEB Liability

The City obtained an actuarial valuation report as of December 31, 2018. The liability for other postemployment benefits was measured as of December 31, 2018 and totaled \$162,275,846.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

VII. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	3.00%
Projected Salary Increases, Including Wage Inflation	3.00%
Discount Rate	3.64%
Healthcare Cost Trend Rates	Pre-65: 8.0% for pharmacy, medical, dental and vision for 2019, reduced incrementally to an ultimate rate of 5.0% after 7 years Post-65: Same
Current Retiree's Share of Benefit Related Costs	Retirees pay based on specific cost sharing agreement
Future Retiree's Share of Benefit Related Costs	Retirees pay based on specific cost sharing agreement

- The discount rate was based on a review of the yield derived from the 20 Year AA Municipal GO Bond Rate Index per Fidelity Investments.
- Mortality Rates were based on April 1, 2010 – March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the SOA Scale MP-2014.
- The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

Changes in the Total OPEB Liability during the year ended 12/31/18:

Balance - Beginning	\$ 154,073,954
Changes for the Year:	
Service Cost	4,228,337
Interest	5,544,492
Differences Between Expected and Actual Experience	1,934,543
Benefit Payments	(3,505,480)
Net Changes	<u>8,201,892</u>
Balance - Ending	<u>\$ 162,275,846</u>

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

VII. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

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

The following table presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or higher than the current discount rate.

	1% Decrease 2.64%	Discount Rate 3.64%	1% Increase 4.64%
Total OPEB Liability	\$ 191,454,611	\$ 162,275,846	\$ 133,097,080

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

The following table presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or higher than the healthcare cost trend rate.

	1% Decrease 7.0% decreasing to 4.0%	Healthcare Cost Trend Rate 8.0% Decreasing to 5.0%	1% Increase 9.0% decreasing to 6.0%
Total OPEB Liability	\$ 132,664,708	\$ 162,275,846	\$ 198,071,674

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$8,201,892. At December 31, 2018, the City reported the following deferred outflows of resources related to OPEB.

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 1,547,650
Total	<u>\$ 1,547,650</u>

City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019. Other amounts recognized in the deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>For Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 386,913
2020	386,912
2021	386,912
2022	386,913
	<u>\$ 1,547,650</u>

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

VIII. SHORT-TERM DEBT

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital projects and enterprise funds. Principal payments must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date.

The following is a summary of the City's outstanding bond anticipation notes as of December 31, 2018:

Description	Balance 12/31/2017	New Issues	Payments	Converted to Bonds	Balance 12/31/2018
<u>DUE IN ONE YEAR</u>					
Bond Anticipation Notes:					
Governmental Activities:					
Equipment/Improvement	\$ -	\$ 1,030,433	\$ -	\$ -	\$ 1,030,433
Equipment/Improvement	7,896,264	-	(860,264)	(7,036,000)	-
Total Governmental Activities:	<u>7,896,264</u>	<u>1,030,433</u>	<u>(860,264)</u>	<u>(7,036,000)</u>	<u>1,030,433</u>
Business-type Activities:					
Equipment/Improvement	-	3,667,030	-	-	3,667,030
Equipment/Improvement	5,109,623	-	(215,623)	(4,894,000)	-
Water Improvements	-	2,300,000	-	-	2,300,000
Total Business-type Activities	<u>5,109,623</u>	<u>5,967,030</u>	<u>(215,623)</u>	<u>(4,894,000)</u>	<u>5,967,030</u>
Total Bond Anticipation Notes	<u>\$13,005,887</u>	<u>\$ 6,997,463</u>	<u>\$ (1,075,887)</u>	<u>\$(11,930,000)</u>	<u>\$ 6,997,463</u>

Governmental activities

Interest Paid	\$ 67,532
Less: Interest accrued - prior year	(35,465)
Plus: Interest accrued - current year	<u>1,803</u>
	<u>\$ 33,870</u>

Business-type Activities

Interest Paid	\$ 50,512
Less: Interest accrued - prior year	(10,607)
Plus: Interest accrued - current year	<u>50,779</u>
	<u>\$ 90,684</u>

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

IX. LONG-TERM DEBT

The City borrows money for various purposes, including acquiring land and equipment or constructing buildings and improvements. This borrowing enables the cost of these capital assets to be borne by the present and future taxpayers who benefit from the capital assets. The debt is backed by the full faith and credit of the City.

At December 31, 2018, the total long-term principal indebtedness outstanding of the City, was \$32,704,940. See Schedule of Indebtedness.

Governmental activities	
Interest Paid	\$ 280,861
Less: Interest accrued - prior year	(58,939)
Plus: Interest accrued - current year	<u>204,877</u>
Interest Expense	426,799
Less: Library portion of interest paid and accrued	(26,220)
Plus: Loss on Refunding	<u>24,587</u>
Total Governmental Activities Interest	<u><u>\$ 425,166</u></u>
 Business-type Activities	
Interest Paid	\$ 349,522
Less: Interest accrued - prior year	(45,794)
Plus: Interest accrued - current year	<u>234,950</u>
Interest Expense	<u><u>\$ 538,678</u></u>

Advance Refunding of Public Improvement Debt

In May 2005, the City issued \$3,335,000 in serial bonds, and in July 2006, issued \$4,116,824 in serial bonds through the Depository Trust Company. The proceeds were used to fund public improvements in the City, with \$4,981,824 allocated to General Fund, \$2,395,000 allocated for Sewer purposes, and \$75,000 allocated for Water purposes. The net proceeds of the 2015 refunding, \$2,932,469, after payment of \$70,850 in underwriting and other issuance costs, were used to purchase state and local securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As of August 19, 2015, the escrow funds were deposited to pay the refunded debt of \$2,810,000. The outstanding principal balance on the refunding debt totaled \$1,510,000 at December 31, 2018, with an average interest rate of 3.95%.

CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

IX. LONG-TERM DEBT – CONTINUED

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental Activities:					
Bonds payable	\$ 7,369,654	\$ 7,036,000	\$ (1,666,848)	\$ 12,738,806	\$ 1,311,848
Retirement system obligations	1,832,794	-	(658,298)	1,174,496	201,039
Compensated absences	2,565,341	68,665	-	2,634,006	-
Landfill closure liability	566,810	-	(33,802)	533,008	34,303
Installment debt	604,322	-	(130,498)	473,824	135,411
Share of net pension liability	7,582,822	-	(4,159,602)	3,423,220	-
OPEB liability	134,907,256	7,184,494	-	142,091,750	-
Total governmental	155,428,999	14,289,159	(6,649,048)	163,069,110	1,682,601
Business-type Activities:					
Bonds payable	13,316,345	4,900,704	(1,075,152)	17,141,897	1,255,152
Bond anticipation note payable	1,973,713	140,369	(39,500)	2,074,582	-
Retirement system obligations	212,079	-	(123,922)	88,157	14,898
Compensated absences	485,977	-	(48,000)	437,977	16,840
Installment debt	1,358,637	-	(270,837)	1,087,800	280,222
Share of net pension liability	868,322	-	(574,496)	293,826	-
OPEB liability	19,166,697	1,017,398	-	20,184,095	-
Other long-term liability	20,301	-	(20,301)	-	-
Total business-type	37,402,071	6,058,471	(2,152,208)	41,308,334	1,567,112
Total Long Term Debt	\$ 192,831,070	\$ 20,347,630	\$ (8,801,256)	\$ 204,377,444	\$ 3,249,713

Activity for compensated absences is shown at net due to the impracticality of determining these amounts separately. Payments of compensated absences are dependent upon future factors and, therefore, the timing of such payments cannot be determined. Compensated absences are reflected as a long-term liability in the Statement of Net Position.

The following is a summary of the maturity of long-term indebtedness:

	Governmental Activities		Business-type Activities			
	Principal	Interest	Sewer Fund		Water Fund	
			Principal	Interest	Principal	Interest
2019	\$ 1,311,848	\$ 470,524	\$ 807,397	\$ 416,131	\$ 447,755	\$ 212,077
2020	1,185,143	329,668	845,095	337,368	458,466	179,797
2021	1,127,143	295,711	830,095	310,020	468,762	165,623
2022	1,048,236	264,473	838,764	283,798	474,000	150,512
2023	846,228	237,349	814,772	256,923	485,000	134,478
2024-2028	3,547,208	828,651	3,445,792	884,261	1,979,000	439,652
2029-2033	2,186,000	397,318	2,327,000	339,160	1,402,000	166,521
2034-2038	1,487,000	101,930	1,088,000	80,521	430,000	31,949
	\$ 12,738,806	\$ 2,925,624	\$ 10,996,915	\$ 2,908,182	\$ 6,144,983	\$ 1,480,609

Constitutional Debt Limit- As of the December 31, 2018 calculation the projected net indebtedness of the City of Kingston aggregated \$40,507,667. Of this amount, \$25,976,961 was subject to the constitutional debt limit and represented approximately 26% of its limit.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

IX. LONG-TERM DEBT – CONTINUED

Sources of Repayment - Governmental activities debt will be repaid from the General Fund and business-type debt will be repaid from the applicable enterprise fund. Compensated absences, retirement and OPEB liabilities are paid from the fund responsible for the employee's compensation. Generally all other liabilities are paid from the General Fund.

Loans Payable:

1. NYS Environmental Facilities Corp - The Water Department received \$1,183,625 from the Clean Water & Drinking Water Revolving Fund Revenue Bond of 1998 for improvements to its filtration plant. In addition, the Department received \$2,545,816 from the 2004 Bond and \$571,283 from the 2005 Bond for improvements to the water treatment plant. Interest payments are reduced by subsidies from the state.
2. NYS Environmental Facilities Corp - The City received \$1,552,579 from the Clean Water & Drinking Water Revolving Fund Revenue Bond series 2005B for the Wilbur Avenue Siphon project and pretreatment pump station. Interest payments are reduced by subsidies from the state. The total interest due on these bonds for the current year was reduced by \$23,554.
3. NYS Environmental Facilities Corp - The City received \$5,819,243 from the Clean Water & Drinking Water Revolving Fund Revenue Bond series 2011C for sewer improvements. Interest payments are reduced by subsidies from the state. The total interest due on these bonds for the current year was reduced by \$74,841.

Landfill Costs:

State and federal laws and regulations required the City to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The final closure of the landfill took place in 1998. The current estimated remaining liability is \$533,008 and is reported with other long-term liabilities in the government-wide statement of net assets. Actual costs may vary due to inflation, changes in technology, or changes in regulations.

X. DEFICIT FUND BALANCES

The Capital Projects Fund had a deficit fund balance at December 31, 2018. The deficit will be eliminated as short-term debt is converted to permanent financing.

XI. COMMITMENTS AND CONTINGENCIES

Grant Funding

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

Judgments and Claims

There are several pending and/or threatened claims against the City for personal injury and/or property damages. In the opinion of counsel, most of these claims are either fully insured or their settlement will not have a material effect on the financial statements. 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. However, the City has adopted an insurance program which includes a self-insurance portion. The City has reserved \$155,804 for claims in addition to amounts included in the annual budget.

Also, several property owners within the City have filed certiorari claims for reductions in assessed valuations. In the opinion of counsel, the results of these proceedings cannot be determined at this time.

Authorized Debt

In addition to the debt IN Notes VIII and IX, \$39,858,760 had been authorized but was unissued at December 31, 2018.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

XI. COMMITMENTS AND CONTINGENCIES - CONTINUED

Capital Projects

The Water Department and the City of Kingston other than the Water Department have prepared four and five-year capital plans. The current estimated total cost of projects contemplated for the next five years is \$2,604,382 for the Water Department and \$25,551,258 for the City other than the Water Department. These projects are prioritized based on criteria, the highest of which is that the project is legally mandated. Unfortunately, only a portion of these projects will be undertaken due to limitations on funding sources, which include a combination of budget appropriations, grants and borrowing.

XI. JOINTLY GOVERNED ORGANIZATION

The City of Kingston and Kingston City School District have undertaken the joint operation and maintenance of Dietz Stadium, a recreational facility, through the Dietz Stadium Commission. The Mayor appoints three members of the seven-member board. This activity is excluded from the financial statements of all participating municipalities. The City has no equity interest in the Commission. All expenses are shared equally by the parties. The City records these expenses in the General Fund.

XII. LEASE AGREEMENTS

In August 2005, the City entered into an agreement with Aslan Environmental Services to implement and manage a process for converting sludge into bio-solid pellets with equipment provided by Aslan. The initial term of the agreement was for 10 years; however, it was later increased to 15 years. Currently, the City is in litigation with Aslan. \$-0- was paid in 2018. The City has been processing their sludge with outside agencies, primarily Ulster County Resource Recovery Agency (UCRRA).

XIII. PROPERTY TAX ABATEMENTS

The City is a party to 11 real property tax abatement agreements under Article 18-A of the real property law. These agreements provide for abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) in compliance with RPTL 412-A, Article V & XI of the Private Housing Finance Law, Title I of Article 18-A of NYS GML Exemption Policy. In accordance with this policy, the City and the Ulster County IDA grant PILOTs for various activities, such as new construction, purchasing of an existing facility, or the improvement or expansion of an existing facility.

The following provides information related to the PILOT agreements in effect for the year ended December 31, 2018:

Start Date	Agreement	Total Assessed Value	2018 City Tax Rate	2018 City Tax Value Without Exemptions**	City PILOT	Potentially Eligible for RPTL 581a	
					and Tax Received For 2018		City Taxes Abated For 2018 *
2014	EA Flathbush, LLC	\$ 1,680,000	\$ 17.385152	\$ 29,207.06	\$ 21,793.16	\$ 7,413.90	No
2015	Golden Hill Acquisition LLC	\$ 8,206,000	\$ 17.385152	\$ 142,662.56	\$ 48,761.21	\$ 93,901.35	No
2005	Benedictine Hospital	\$ 2,149,000	\$ 17.385152	\$ 37,360.69	\$ 15,299.20	\$ 22,061.49	No
2009	MHVFCU - Kingston	\$ 1,341,000	\$ 17.385152	\$ 23,313.49	\$ 14,762.60	\$ 8,550.89	No
2014	JBT Holdings LLC	\$ 2,730,000	\$ 17.385152	\$ 47,461.46	\$ 25,705.58	\$ 21,755.88	No
2015	Lace Mill Limited Partnership	\$ 4,414,000	\$ 17.385152	\$ 76,738.06	\$ 17,783.70	\$ 58,954.36	Yes
2006	Kingston Property Associates (Springbrook Village)	\$ 7,057,000	\$ 17.385152	\$ 122,687.02	\$ 124,183.00	\$ (1,495.98)	Yes
1961	Rondout Gardens	\$ 6,261,000	\$ 17.385152	\$ 108,848.44	\$ 7,012.85	\$ 101,835.59	Yes
2008	Anderson Center (Valentine Ct) **	\$ 321,000	\$ 17.385152	\$ 5,580.63	\$ 3,019.76	\$ 2,560.87	No
2002	Brigham Senior Housing LP	\$ 1,387,000	\$ 17.385152	\$ 24,113.21	\$ 22,618.12	\$ 1,495.09	Yes
2015	Birchwood Village LP	\$ 4,345,000	\$ 17.385152	\$ 75,538.49	\$ 12,286.94	\$ 63,251.55	Yes

*The amount listed in the "City Taxes Abated For 2018" column is based upon market value assessments. These figures would be significantly lower if eligible properties were valued using RPTL 581a valuation methodology.

**Valentine Court property is owned by a Non-Profit entity eligible and receiving full tax exemption under RPTL 420 (wholly exempt).

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

XV. SUBSEQUENT EVENTS

In March 2019, the Common Council authorized the dissolution of the transit service in the City of Kingston and the payment of funding as described in a Memorandum of Agreement with the County of Ulster (the "County"), upon initiation of expanded transit service provided by the County in the City. The funding commitment totals \$1,237,500 and is payable over five years.

In April 2019, the Common Council committed to using \$640,000 of fund balance in the General Fund for various capital projects.

In August 2019, the City issued a bond anticipation note in the amount of \$9,732,462. This bond anticipation note included \$5,495,000 of new debt with the balance of \$4,237,462 used to refinance outstanding debt.

XVI. CUMULATIVE EFFECT ADJUSTMENT

For the calendar year ended December 31, 2018, the City implemented GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). The implementation of Statement No. 75 resulted in the recalculation of liabilities related to the City's OPEB as of December 31, 2017. There were also other corrections for prior year's expenses and revenue.

The City's net position has been restated as follows:

	Governmental Activities	Business-type Activities
Net Position Beginning of Year	<u>\$(14,803,328)</u>	<u>\$ 12,559,725</u>
GASB 75 Implementation:		
Removal of Total OPEB Liability under Statement 45	56,129,613	7,740,387
Restated Total OPEB Liability under Statement 75	<u>(134,907,257)</u>	<u>(19,166,697)</u>
Net change in Net Position for Statement 75 implementation	<u>(78,777,644)</u>	<u>(11,426,310)</u>
Adjustment to prior year deferred outflows	(295,945)	-
Adjustment to bond premium balance	(109,297)	-
Timing change for CDBG revenues and expenses	(96,116)	-
Adjustment to grant revenue deferral	<u>(549,212)</u>	<u>-</u>
Net Position Beginning of year, as restated	<u><u>\$(94,631,542)</u></u>	<u><u>\$ 1,133,415</u></u>

XVII. NEW ACCOUNTING PRINCIPLES

GASB has issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The City adopted this standard for the December 31, 2018 financial statements as required.

In January of 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of GASB 84 are effective for reporting periods beginning after December 15, 2018. The City is currently evaluating the effect of GASB 84 on its financial statements.

In March 2017, GASB issued Statement 85, Omnibus 2018. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The City is required to implement this standard for the year ending December 31, 2019 financial statements. The implementation of this standard is not expected to have a substantive effect on the City's net position.

**CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS**

XVII. NEW ACCOUNTING PRINCIPLES (CONTINUED)

In June 2017, GASB issued Statement 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City is required to implement this standard for the year ending December 31, 2020. The City has not evaluated the effect of GASB 87 on its financial statements.

In March 2018, GASB issued Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The City is required to implement this standard for the year ending December 31, 2019. The City is currently evaluating the effect of GASB 88 on its financial statements.

GASB has also issued Statements 83, 86, and 89 through 91, none of which are expected to have any substantive effects on the City's net position.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF KINGSTON, NEW YORK
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

<u>Total OPEB Liability</u>	<u>Dec. 31, 2018</u>
Service Cost	\$ 4,228,337
Interest	5,544,492
Differences Between Expected and Actual Experience	1,934,543
Benefit Payments	<u>(3,505,480)</u>
Net Change in Total OPEB Liability	8,201,892
Total OPEB liability - beginning	<u>154,073,954</u>
Total OPEB liability - ending	<u>\$ 162,275,846</u>
Covered Payroll	20,675,343
Total OPEB Liability as a percentage of covered payroll	784.88%

Notes to Schedule:

Changes in Assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

12/31/17	3.75%
12/31/18	3.64%

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

GASB 75 requires that the past 10 years of information be presented. Due to the fact that 2018 was the year of implementation, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

**CITY OF KINGSTON, NEW YORK
SCHEDULE OF OPEB CONTRIBUTIONS AND ASSUMPTIONS**

	2018
Actuarial determined contribution (SC + 20 year amort NOL)	\$ 15,136,996
Contributions relating to the actuarially determined contribution	3,505,480
Contribution Excess/(Deficiency)	\$ (11,631,516)
Covered - employee Payroll	\$ 20,675,343
Contributions as a percentage of covered - employee payroll	16.95%

Notes to Schedule:

Valuation date:	1/1/2018
Disclosure date:	12/31/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	N/A
Amortization period	N/A
Asset valuation method	Market
Inflation	3%
Healthcare cost trend rates	8% decrease to 5%
Salary increases	3%
Investment rate of return	3.64%
Retirement age	Rates start at 20 years, or age 55 and 10 years
Mortality	RP 2014 w/ MP2016 proj

Other Information:

Participation at Retirement	100%
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GASB 75 requires that the past 10 years of information be presented. Due to the fact that 2018 was the year of implementation, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

**CITY OF KINGSTON, NEW YORK
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS**

Plan Year Ended	Proportion of the Net Pension Asset (Liability)	Proportionate Share of the Net Pension Asset (Liability)	Covered Payroll	Net Pension Asset (Liability) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
Employees' Retirement System					
3/31/2018	0.03156560%	\$ (1,014,867)	8,490,239	11.95%	98.24%
3/31/2017	0.03110000%	\$ (2,922,228)	8,625,019	33.88%	94.70%
3/31/2016	0.03084540%	\$ (4,950,767)	9,085,750	54.49%	90.70%
3/31/2015	0.03104620%	\$ (1,045,219)	8,805,830	11.87%	97.95%
Police and Fire Retirement System					
3/31/2018	0.26734210%	\$ (2,702,179)	10,007,857	27.00%	96.93%
3/31/2017	0.26741750%	\$ (5,542,633)	11,289,209	49.10%	93.50%
3/31/2016	0.26917960%	\$ (7,969,833)	10,826,434	73.61%	90.20%
3/31/2015	0.26044130%	\$ (716,890)	10,492,852	6.83%	99.00%

GASB 68 requires that the past 10 years of information be presented. Due to the fact that GASB 68 was recently implemented, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 68.

**CITY OF KINGSTON, NEW YORK
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS**

Plan Year Ended	Contractually		Actual	Contribution	Covered	Required Contributions as a Percentage of its Covered Payroll
	Required Contribution	Employer Contribution				
Employees' Retirement System						
3/31/2019	\$ 1,272,396	\$ 1,272,396	\$ -	\$ 8,138,701	15.63%	
3/31/2018	\$ 1,357,915	\$ 1,357,915	\$ -	\$ 8,490,239	15.99%	
3/31/2017	\$ 1,323,022	\$ 1,323,022	\$ -	\$ 8,625,019	15.34%	
3/31/2016	\$ 1,511,551	\$ 1,376,551	\$ 135,000	\$ 9,085,750	15.15%	
3/31/2015	\$ 1,631,252	\$ 1,221,646	\$ 409,606	\$ 8,805,830	13.87%	

Plan Year Ended	Contractually		Actual	Contribution	Covered	Required Contributions as a Percentage of its Covered Payroll
	Required Contribution	Employer Contribution				
Police and Fire Retirement System						
3/31/2019	\$ 2,305,012	\$ 2,305,012	\$ -	\$ 10,566,486	21.81%	
3/31/2018	\$ 2,438,708	\$ 2,438,708	\$ -	\$ 10,007,857	24.37%	
3/31/2017	\$ 2,288,926	\$ 2,288,926	\$ -	\$ 11,289,209	20.28%	
3/31/2016	\$ 2,208,039	\$ 2,208,039	\$ -	\$ 10,826,434	20.39%	
3/31/2015	\$ 2,440,711	\$ 2,305,723	\$ 134,988	\$ 10,492,852	21.97%	

GASB 68 requires that the past 10 years of information be presented. Due to the fact that GASB 68 was recently implemented, prior year information is not fully available for 10 years. The data will be accumulated over time and presented according to GASB 68.

CITY OF KINGSTON, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Real Property Taxes	\$ 17,684,767	\$ 17,684,767	\$ 17,316,107	\$ (368,660)
Other Property Tax Items	865,000	865,000	750,585	(114,415)
Non Property Tax Items	13,955,000	13,955,000	14,424,888	469,888
Departmental Income	1,914,894	1,914,894	2,431,571	516,677
Intergovernmental Charges	487,500	508,100	237,896	(270,204)
Use of Money and Property	45,500	45,500	146,787	101,287
Licenses and Permits	498,650	498,650	812,331	313,681
Fines and Forfeitures	234,000	234,000	184,695	(49,305)
Sale of Property and Compensation for Loss	113,193	354,683	954,918	600,235
Miscellaneous Local Sources	749,090	882,524	1,050,068	167,544
State Aid	4,079,281	4,976,368	4,393,455	(582,913)
Federal Aid	820,516	954,316	905,702	(48,614)
Total Revenues	41,447,391	42,873,802	43,609,003	735,201
EXPENDITURES AND ENCUMBRANCES				
General Government Support	4,911,777	4,803,683	4,105,022	698,661
Public Safety	12,960,421	13,423,700	13,376,605	47,095
Health	107,782	151,662	163,343	(11,681)
Transportation	2,104,069	2,131,242	2,051,720	79,522
Economic Assistance & Opportunity	185,960	645,865	200,393	445,472
Culture and Recreation	1,565,206	2,033,449	1,725,462	307,987
Home and Community Service	2,385,071	2,615,195	2,403,565	211,630
Employee Benefits	15,510,297	15,726,319	14,850,425	875,894
Capital Outlay	128,180	912,490	487,856	424,634
Debt Service	847,774	843,509	722,284	121,225
Total Expenditures and Encumbrances	40,706,537	43,287,114	40,086,675	3,200,439
Excess of Revenues Over/(Under) Expenditures and Encumbrances	740,854	(413,312)	3,522,328	3,935,640
Other Financing Sources/(Uses):				
Operating Transfers In	140,000	140,000	-	(140,000)
Operating Transfers Out	(1,813,031)	(1,013,566)	(1,800,327)	(786,761)
Total Other Financing Sources	(1,673,031)	(873,566)	(1,800,327)	(926,761)
Net Change in Fund Balance	(932,177)	(1,286,878)	1,722,001	3,008,879
Appropriated Fund Balance, Unassigned	932,177	1,286,878	-	-
Total	\$ -	\$ -	\$ 1,722,001	\$ 3,008,879

**OTHER
SUPPLEMENTARY
INFORMATION**

CITY OF KINGSTON
 SCHEDULE OF INDEBTEDNESS
 DECEMBER 31, 2018

	Date of Issue	Date of Final Maturity	Interest Rate	Outstanding Beginning of Fiscal Year	Issued During Fiscal Year	Paid During Fiscal Year	Outstanding End of Fiscal Year	Interest Paid During Fiscal Year	Interest Accrued at 12/31/2018	Due Within the Next Year
<u>BOND ANTICIPATION NOTES</u>										
Various Improvements	2017	2018	2.000%	\$ 3,122,439	-	\$ 3,122,439	\$ -	\$ 62,449	\$ -	-
Various Improvements	2017	2018	1.500%	9,883,448	-	9,883,448	-	55,594	-	-
Various Improvements	2018	2019	3.000%	-	4,697,463	-	4,697,463	-	8,221	4,697,463
Water Improvements	2018	2019	2.500%	-	2,300,000	-	2,300,000	-	44,362	2,300,000
Sewer Improvements	2017	2022	0.000%	-	140,369	-	140,369	-	-	-
Water Improvements	2015	2020	0.000%	1,973,713	-	39,500	1,934,213	-	-	-
TOTAL BOND ANTICIPATION NOTES				14,979,600	7,137,832	13,045,387	9,072,045	118,043	52,583	6,997,463
<u>INSTALLMENT PURCHASE DEBT</u>										
Equipment Lease	2005	2020	4.490%	196,847	-	62,756	134,091	8,838	1,003	65,573
Wendel Energy	2007	2022	4.490%	1,560,897	-	291,578	1,269,319	53,289	18,056	301,534
Equipment Lease	2015	2020	3.000%	63,400	-	20,503	42,897	1,928	109	21,127
Vehicle Lease	2017	2022	3.350%	141,815	-	26,498	115,317	4,824	327	27,399
TOTAL INSTALLMENT PURCHASE DEBT				1,962,959	-	401,335	1,561,624	68,879	19,495	415,633
<u>SERIAL BONDS</u>										
Clean Water Revolving Loan	1998	2018	0.789 - 3.283%	65,000	-	65,000	-	711	-	-
Clean Water Revolving Loan	2004	2025	4.25 - 5.025%	1,210,000	-	135,000	1,075,000	21,639	19,636	140,000
Clean Water Revolving Loan	2005	2025	3.814 - 4.27%	196,000	-	22,000	174,000	2,309	2,775	22,000
Clean Water Revolving Loan	2005	2024	3.529 - 3.969%	610,000	-	80,000	530,000	11,965	5,141	80,000
Clean Water Revolving Loan	2011	2031	0.281 - 4.113%	4,300,000	-	300,000	4,000,000	74,841	36,631	300,000
Various Public Improvements	2010	2027	2.00 - 4.25%	1,870,000	-	305,000	1,565,000	69,950	13,302	215,000
Clean Water Revolving Loan	2012	2032	0.285 - 3.4%	2,765,000	-	160,000	2,605,000	55,223	12,320	160,000
Refunding Serial Bonds	2013	2018	2.000%	630,000	-	630,000	-	6,300	-	-
Refunding Serial Bonds	2015	2026	2.00 - 5.00%	1,949,999	-	440,000	1,509,999	75,356	30,505	330,000
Public Improvement	2015	2035	2.00 - 3.5%	7,090,000	-	605,000	6,485,000	174,925	49,255	510,000
Public Improvement	2018	2038	3.00 - 3.375%	-	11,936,704	-	11,936,704	-	264,134	810,000
TOTAL SERIAL BONDS				20,685,999	11,936,704	2,742,000	29,880,703	493,219	433,699	2,567,000

CITY OF KINGSTON
 SCHEDULE OF INDEBTEDNESS
 DECEMBER 31, 2018

	Date of Issue	Date of Final Maturity	Interest Rate	Outstanding Beginning of Fiscal Year	Issued During Fiscal Year	Paid During Fiscal Year	Outstanding End of Fiscal Year	Interest Paid		Interest Accrued at 12/31/2018	Due Within the Next Year	
								During Fiscal Year	Fiscal Year			
RETIREMENT SYSTEM OBLIGATIONS												
NYS Employees' Retirement System Obligations	2012	12/15/2021	3.750%	173,259	-	173,259	-	6,497	-	-	-	
NYS Police & Fire Retirement System Obligations	2012	2/1/2022	3.750%	141,909	-	26,331	115,578	5,322	-	-	27,319	
NYS Employees' Retirement System Obligations	2013	12/15/2022	3.000%	150,871	-	28,417	122,454	4,526	-	-	29,270	
NYS Police & Fire Retirement System Obligations	2013	2/1/2023	3.000%	243,012	-	37,569	205,443	7,290	-	-	38,696	
NYS Employees' Retirement System Obligations	2014	12/15/2023	3.670%	352,966	-	352,966	-	12,954	-	-	-	
NYS Police & Fire Retirement System Obligations	2014	2/1/2024	3.670%	413,535	-	52,884	360,651	15,177	-	-	54,825	
NYS Employees' Retirement System Obligations	2015	12/15/2024	3.150%	299,765	-	38,944	260,821	9,443	-	-	40,171	
NYS Police & Fire Retirement System Obligations	2015	2/1/2025	3.150%	111,232	-	12,442	98,790	3,504	-	-	12,834	
NYS Employees' Retirement System Obligations	2016	12/15/2025	3.210%	111,300	-	12,423	98,877	3,573	-	-	12,822	
				1,997,849	-	735,235	1,262,614	68,286	-	-	215,937	
TOTAL INDEBTEDNESS				\$ 39,626,407	\$ 19,074,536	\$ 16,923,957	\$ 41,776,986	\$ 748,427	\$ 505,777	\$ 10,196,033		



**OTHER REPORTING
REQUIRED BY
GOVERNMENT AUDITING
STANDARDS**

**CITY OF KINGSTON, NEW YORK
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE TRANSPORTATION ASSISTANCE
DECEMBER 31, 2018**

<u>Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number/NYSDOT Contract/ Reference Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
DIRECT PROGRAMS:				
<i>Community Development Block Grants/Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 101,891	\$ 585,104
PASSED THROUGH NYS HOUSING TRUST FUND CORP.:				
HOME Investment Partnerships Program	14.239	SHARS ID 20133151	-	9,200
<u>US DEPARTMENT OF TRANSPORTATION</u>				
DIRECT PROGRAMS:				
<i>Federal Transit Formula Grants Cluster</i>				
Federal Transit Formula Grants	20.507	N/A	-	546,398
Federal Grants for Rural Areas and Tribal Transit Program	20.509	N/A	-	21,875
PASSED THROUGH NEW YORK STATE:				
<i>Highway Planning & Construction Cluster</i>				
Highway Planning & Construction	20.205	N/A	-	102,037
Recreation Trails Program	20.219	N/A	-	67,886
Total Highway Planning & Construction Cluster			-	169,923
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
DIRECT PROGRAMS:				
Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements	66.818	N/A	-	57,309
<u>US DEPARTMENT OF HOMELAND SECURITY</u>				
PASSED THROUGH NEW YORK STATE DHSES:				
Homeland Security Grant Program	97.067	3972701	-	67,214
* Hazard Mitigation Grant	97.039	N/A	-	2,373,524
Disaster Grants - Public Assistance	97.036	N/A	-	1,848
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	N/A	-	238,347
TOTAL FEDERAL AWARDS EXPENDED			\$ 101,891	\$ 4,070,742
<u>STATE TRANSPORTATION ASSISTANCE</u>				
New York State Department of Transportation:				
** CHIPS - Capital Reimbursement Component		N/A		\$ 688,262
State Transit Op Assistance - Sponsor Operated		N/A		235,852
Marchiselli Match - Federal Highway Projects		8756.18.121		4,700
TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDITURES				\$ 928,814

* A major program

** State transportation program tested

N/A - Passthrough entity identifying number not applicable or not available.

**CITY OF KINGSTON, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE TRANSPORTATION ASSISTANCE
DECEMBER 31, 2018**

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards and state transportation assistance (the “Schedule”) includes the Federal award activity of the City of Kingston under programs of the federal government and state transportation assistance for the year ended December 31, 2018. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The federal information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). The state information included in this Schedule presents the activity of all financial assistance programs provided by the New York Department of Transportation. 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 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - Indirect Cost Rate

The City of Kingston, New York has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – Sub-recipients

The following is a summary of sub-recipient activity for 2018:

<u>Program Title</u>	<u>CDFA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 101,891

In addition, the City of Kingston has designated the Kingston Local Development Corporation (KLDC) as its subrecipient for purposes of the RUD 108 Loan program. See KLDC financial statement for details on outstanding 108 loans.

NOTE 5 – Loans Outstanding

The City had the following gross loan receivable balances outstanding at December 31, 2018, which were originally funded with federal awards. Loans made during the year are included in the federal expenditures presented in the schedule:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures for the Year Ended December 31, 2018</u>	<u>Amount Outstanding December 31, 2018</u>
Community Development Block Grant Program	14.218	\$ 53,843	\$ 1,083,500

**CITY OF KINGSTON, NEW YORK
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE TRANSPORTATION ASSISTANCE
 DECEMBER 31, 2018**

NOTE 6 - Reconciliation to Financial Statements

The federal expenditures presented in the Schedule of Expenditures of Federal Awards and State Transportation Assistance (the "SEFA") reconcile to the Federal revenue reported in the Statement of Revenues, Expenditures and Changes in Fund Balance as follows:

	<u>Federal</u>	<u>State</u>
Federal expenditures as reported in the SEFA	\$ 4,070,742	\$ 928,814
Reconciling items:		
SEFA is reported on the basis of expenditures not revenues	(215,666)	-
Non-DOT State Aid	-	4,917,347
	<u>\$ 3,855,076</u>	<u>\$ 5,846,161</u>
Federal and State aid as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 2,112,000	\$ 5,651,165
Federal and State aid as reported in the Statement of Revenues, Expenses, and Changes in New Position - Proprietary Funds	1,743,076	194,996
Total Federal and State Aid	<u>\$ 3,855,076</u>	<u>\$ 5,846,161</u>

NOTE 7 – State Matching Costs

State Transportation Operation Assistance Program grant is 80% federal funded, 10% state funded, and 10% local match.



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR'S 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**

Members of the Common Council
City of Kingston, New York
420 Broadway
Kingston, New York 12401

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingston, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Kingston's basic financial statements, and have issued our report thereon dated September 24, 2019. Our report includes a reference to other auditors who audited the financial statements of the City's Water Fund, as described in our report on the City of Kingston, New York's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and on compliance and other matters that are reported separately by these auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Kingston, New York'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 of Kingston, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Kingston, New York's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 of Kingston, New York'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 required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

RBT CPAs, LLP

Newburgh, NY
September 24, 2019



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Members of the Common Council
City of Kingston
420 Broadway
Kingston, New York 12401

Report on Compliance for Each Major Federal Program

We have audited the City of Kingston, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Kingston's major federal programs for the year ended December 31, 2018. The City of Kingston'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 federal statutes, regulations, and the terms and conditions of its federal awards.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Kingston, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kingston, New York'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 on the City of Kingston, New York's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of Kingston, New York 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the City of Kingston, New York 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 of Kingston, New York'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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Kingston, New York'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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

RBT CPAs, LLP

Newburgh, NY
September 24, 2019



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF STATE
TRANSPORTATION ASSISTANCE EXPENDED**

Members of the Common Council
City of Kingston
Kingston, New York 12401

Report on Compliance for State Transportation Assistance Programs

We have audited the City of Kingston, New York's (the "City") compliance with the types of compliance requirements described in the preliminary *Title 17, Part 43 of the New York State Codification of Rules and Regulations (NYCRR)* that could have a direct and material effect on each of the City of Kingston, New York's state transportation assistance programs that were tested for the year ended December 31, 2018. The programs tested are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's state transportation assistance programs tested 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 *Title 17, Part 43 of NYCRR*. Those standards and Title 17, Part 43 of NYCRR 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 tested state transportation assistance 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 state transportation assistance program that was tested. However, our audit does not provide a legal determination on the City's compliance.

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Opinion on State Transportation Assistance Program

In our opinion, the City of Kingston, New York, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs tested for the year ended December 31, 2018.

Report on Internal Control Over Compliance

The management of the City of Kingston, New York is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements of laws, regulations, contracts, and grants applicable to the state transportation assistance programs tested. 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 the state transportation assistance programs that were tested in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on internal control over compliance in accordance with *Title 17, Part 43 of NYCRR*, 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 state transportation assistance 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 state transportation assistance 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a 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 significant deficiencies or material weaknesses. 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 *Title 17, Part 43 of NYCRR*. Accordingly, this report is not suitable for any other purpose.

RBT CPAs, LLP

Newburgh, NY
September 24, 2019

**CITY OF KINGSTON, NEW YORK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018**

A. Internal Control Findings

None Noted

B. Compliance Findings

None noted

**CITY OF KINGSTON, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(s) identified?	_____ Yes	_____ <u>X</u> None reported

Noncompliance material to the financial statements noted?	_____ Yes	_____ <u>X</u> No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(s) identified?	_____ Yes	_____ <u>X</u> 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 2 CFR 200.516(a)?	_____ Yes	_____ <u>X</u> No
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Identification of major programs:

<u>CFDA/Grant Numbers</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grant

Dollar threshold to distinguish between type A and type B programs	\$ 750,000
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Auditee qualified as low-risk auditee	_____ <u>X</u> Yes	_____ No
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State Awards

Internal control over state transportation expended:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(s) identified?	_____ Yes	_____ <u>X</u> 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 Title 17, part 43.2 of NYCRR?	_____ Yes	_____ <u>X</u> No
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Identification of program tested:

CHIPS - Capital Reimbursement Component

**CITY OF KINGSTON, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Internal Control Findings

None Noted

B. Compliance Findings

None noted