

FINANCIAL REPORT
AUDITED
CITY OF KINGSTON, NEW YORK
For the Year Ended December 31, 2019

Audited for:

Common Council
CITY OF KINGSTON, NEW YORK

Audited by:

RBT CPAs, LLP
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Newburgh, NY 12550
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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 and the financial statements of the discretely presented component units which represent 21% of the assets, 9% of the net assets and 13% of the revenues of the reporting entity. 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 and the discretely presented component units, are based solely on the reports 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.

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, 2019, 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 50-54 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'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 XV to the financial statements, the spread of the global pandemic, coronavirus disease (COVID-19), has created economic uncertainty. 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 October 28, 2020, 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
October 28, 2020

**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, 2019. 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.

2019 Financial Highlights

- The City's Governmental net position (defined as assets plus deferred outflows less liabilities and deferred inflows) was a negative \$(101,593,089) at December 31.
- The governmental total net position decreased by \$4,247,381 for the year ending December 31, 2019.
- At December 31, the proportionate share of the net pension liability for both retirement systems was included in total liabilities in the amount of \$5,822,800.
- As of the close of the year, the City's governmental funds reported an ending fund balance of \$4,604,036, a decrease of \$5,858,809 in comparison with the prior year.
- As of the close of the year, the City's Proprietary Funds reported an ending net position of \$5,981,152, an increase of \$2,675,110 in comparison with the prior year.
- At the end of the year, unassigned fund balance for the General Fund was \$7,430,500.
- At the end of the year, unrestricted net position for the Proprietary Funds was a negative (\$14,053,656).

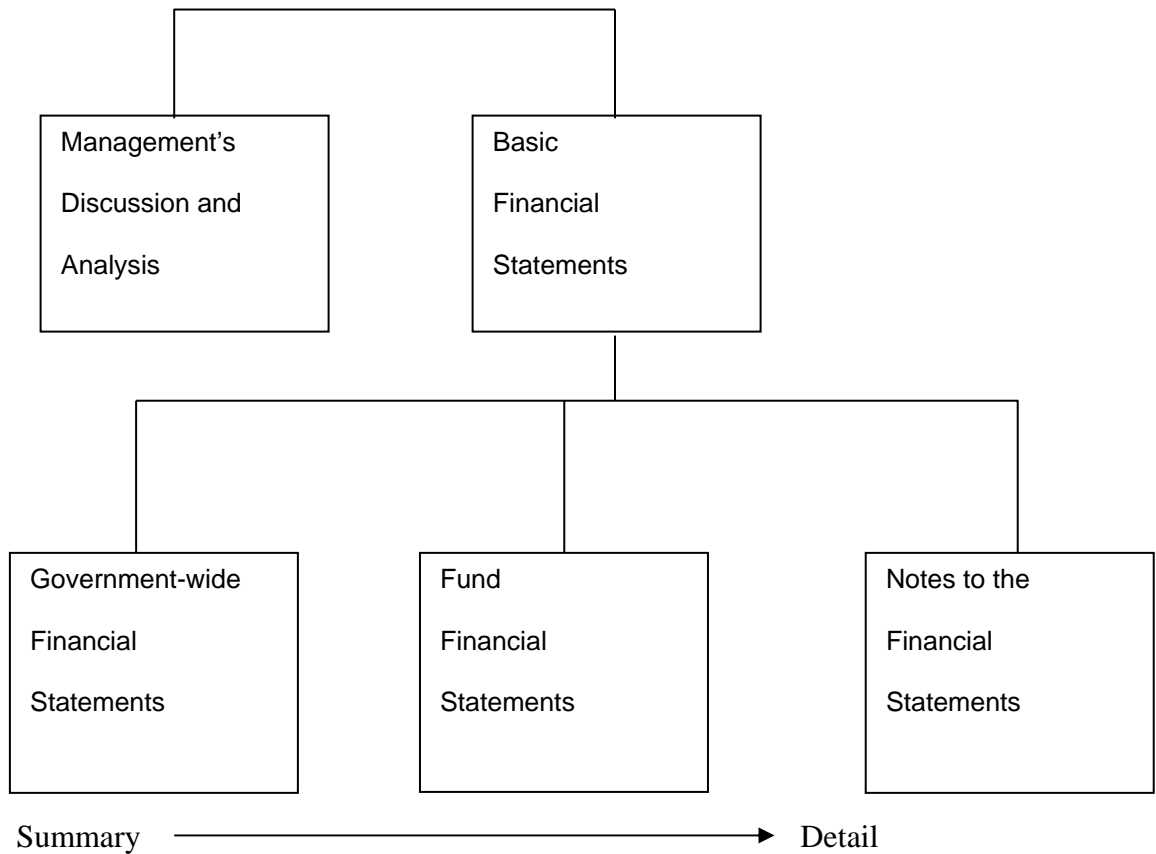
Overview of the Financial Statements

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**

| | 2019 | 2018 | \$ Change | % Change |
|----------------------------------|-------------------------|-----------------|----------------|-------------|
| Current Assets | \$ 25,625,582 | \$ 24,555,508 | \$ 1,070,074 | 4.36% |
| Capital Assets | 51,211,789 | 44,863,290 | 6,348,499 | 14.15% |
| Total Assets | 76,837,371 | 69,418,798 | 7,418,573 | 10.69% |
| Deferred Outflows of Resources | 13,372,903 | 9,622,146 | 3,750,757 | 38.98% |
| Current Liabilities | 13,690,250 | 7,567,290 | 6,122,960 | 80.91% |
| Long-Term Liabilities | 169,854,101 | 161,386,509 | 8,467,592 | 5.25% |
| Total Liabilities | 183,544,351 | 168,953,799 | 14,590,552 | 8.64% |
| Deferred Inflows of Resources | 8,259,012 | 7,432,853 | 826,159 | 11.11% |
| Net Position: | | | | |
| Net Investment in Capital Assets | 33,641,642 | 30,620,227 | 3,021,415 | 9.87% |
| Restricted | 818,206 | 167,515 | 650,691 | 388.44% |
| Unrestricted (As Restated) | (136,052,937) | (128,133,450) | (7,919,487) | 6.18% |
| Total Net Position | \$ (101,593,089) | \$ (97,345,708) | \$ (4,247,381) | 4.36% |

Management’s Explanation of Changes

Total liabilities primarily increased due to the issuance of additional Bond Anticipation Notes for \$6,188,234 during the year and due to an increase in OPEB liability for over \$8 million. The increase in capital assets is primarily due to additional capital purchases and capital project related items.

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

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

| | 2019 | % | 2018 | % | \$ Change | % Change |
|--|------------------------------|----------------|------------------------------|----------------|---------------------------|----------------------|
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 3,720,182 | 7.74% | \$ 3,429,660 | 7.37% | \$ 290,522 | 8.47% |
| Operating and Capital Grants | 6,111,042 | 12.72% | 3,537,233 | 7.60% | 2,573,809 | 72.76% |
| General Revenues: | | | | | | |
| Real Property Taxes | 17,708,048 | 36.85% | 17,614,013 | 37.85% | 94,035 | 0.53% |
| Real Property Tax Items | 785,970 | 1.64% | 750,585 | 1.61% | 35,385 | 4.71% |
| Non Property Taxes | 14,649,632 | 30.49% | 14,424,888 | 31.00% | 224,744 | 1.56% |
| Use of Money and Property | 214,207 | 0.45% | 256,462 | 0.55% | (42,255) | -16.48% |
| State Aid | 3,693,154 | 7.69% | 3,538,193 | 7.60% | 154,961 | 4.38% |
| Sale of Property and Compensation for Loss | 212,368 | 0.44% | 954,918 | 2.05% | (742,550) | -77.76% |
| Loss on Disposal of Assets | (336,277) | -0.71% | - | 0.00% | (336,277) | 100.00% |
| Miscellaneous | 1,290,597 | 2.69% | 2,032,570 | 4.37% | (741,973) | -36.50% |
| Total Revenues | 48,048,923 | 100.00% | 46,538,522 | 100.00% | 1,510,401 | 3.25% |
| Expenses: | | | | | | |
| General Government | 6,432,187 | 12.30% | 6,707,077 | 13.62% | (274,890) | -4.10% |
| Public Safety | 29,101,869 | 55.65% | 27,732,096 | 56.31% | 1,369,773 | 4.94% |
| Public Health | 208,649 | 0.40% | 246,715 | 0.50% | (38,066) | -15.43% |
| Transportation | 4,732,199 | 9.05% | 4,808,215 | 9.76% | (76,016) | -1.58% |
| Economic Assistance and Opportunity | 1,599,235 | 3.06% | 392,965 | 0.80% | 1,206,270 | 306.97% |
| Culture and Recreation | 4,191,069 | 8.01% | 3,413,430 | 6.93% | 777,639 | 22.78% |
| Home and Community Services | 5,561,151 | 10.63% | 5,493,154 | 11.15% | 67,997 | 1.24% |
| Interest on Debt | 469,945 | 0.90% | 459,036 | 0.93% | 10,909 | 2.38% |
| Total Expenses | 52,296,304 | 100.00% | 49,252,688 | 100.00% | 3,043,616 | 6.18% |
| Increase/(Decrease) in Net Position | <u>\$ (4,247,381)</u> | | <u>\$ (2,714,166)</u> | | <u>(1,533,215)</u> | <u>56.49%</u> |

Management's Explanation of Changes

Total revenues in 2019 increased by 3.35% from 2018 primarily due to increase in operating and capital grants. This was due to increase in state and federal assistance for transportation projects. Total expenses are up \$3,043,616 and 6.18% from 2018, with the largest fluctuations being Public Safety (up \$1,369,773 and 4.94%) and Economic Assistance and Opportunity (up \$1,206,270 and 306.97%). The increase in expenses were due to payroll from new grant departments, expenses related to additional state grants, and capital outlay.

**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 \$7,430,500. 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 17.9 percent of total General Fund expenditures.

At December 31, 2019, the governmental funds of the City reported a combined fund balance of \$4,604,036, a 56 percent decrease over the prior year end. Included in this change in fund balance are increases in the Special Grant Fund and decreases 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, 2019 totaled \$51,211,789 (net of accumulated depreciation). These assets include land, construction in progress, buildings, improvements, infrastructure, and machinery and equipment.

Debt: As of December 31, 2019, the City had total debt outstanding for its governmental activities of \$17,570,147. The debt is backed by the full faith and credit of the City. The City's governmental debt increased by \$2,152,588 during the 2019 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**

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

| | 2019 | 2018 | \$ Change | % Change |
|--|---------------------|--------------|--------------|-------------|
| Revenues | | | | |
| Charges for Services | \$ 9,608,662 | \$ 9,871,199 | \$ (262,537) | -2.66% |
| Other Revenues | 3,043,984 | 2,335,914 | 708,070 | 30.31% |
| Total Revenues | 12,652,646 | 12,207,113 | 445,533 | 3.65% |
| Expenses | | | | |
| Personal Services and Benefits | 5,200,534 | 5,356,081 | (155,547) | -2.90% |
| Maintenance and Operating Costs | 2,224,148 | 2,280,665 | (56,517) | -2.48% |
| Depreciation | 1,865,601 | 1,768,378 | 97,223 | 5.50% |
| Interest and Other | 687,253 | 629,362 | 57,891 | 9.20% |
| Total Expenses | 9,977,536 | 10,034,486 | (56,950) | -0.57% |
| Change in Net Position | 2,675,110 | 2,172,627 | 502,483 | 23.13% |
| Net position - beginning, Prior Period Adjustment | 3,306,042 | 12,559,725 | (9,253,683) | -73.68% |
| | - | (11,426,310) | 11,426,310 | -100.00% |
| Net position - beginning, as restated | 3,306,042 | 1,133,415 | 2,172,627 | 191.69% |
| Net position - ending | \$ 5,981,152 | \$ 3,306,042 | \$ 2,675,110 | 80.92% |

As shown in the above table, proprietary funds' revenues increased by \$445,533 from 2018 to 2019 primarily due to increase in federal aid. Expenses also decreased from 2018 to 2019 by \$56,950 due to reduction in payments for contracted services. Overall, net position increased by \$2,675,110 from 2018 to 2019. As of December 31, 2019, net position was \$5,981,152.

Capital Asset and Debt Administration – Proprietary Funds

Capital Assets: The City's investment in capital assets for its business activities as of December 31, 2019 totaled \$43,988,770 (net of accumulated depreciation). These assets include land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

Debt: As of December 31, 2019, the City had total debt outstanding pertaining to its business-type activities of \$25,230,826. 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 decreased by \$1,128,640 during the 2019 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, 2019**

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL PRIMARY GOVERNMENT | COMPONENT UNITS |
|--|------------------------------------|-------------------------------------|---|----------------------------|
| ASSETS | | | | |
| Cash And Cash Equivalents | \$ 9,050,028 | \$ 4,225,127 | \$ 13,275,155 | \$ 4,055,750 |
| Cash - Restricted | - | 1,276,864 | 1,276,864 | 505,602 |
| Taxes Receivable (Note I H) | 5,274,418 | - | 5,274,418 | - |
| Due From Other Governments | 2,478,970 | 259,880 | 2,738,850 | - |
| Notes Receivable (Note I I) | 1,098,498 | - | 1,098,498 | - |
| Other Receivables | 6,523,124 | 3,639,126 | 10,162,250 | 19,661 |
| Inventories | 11,691 | 162,764 | 174,455 | - |
| Prepaid Items | 1,466,064 | 298,178 | 1,764,242 | 472 |
| Internal Balances | (277,211) | 401,450 | 124,239 | - |
| Long Term Receivables | - | - | - | 804,050 |
| | <u>25,625,582</u> | <u>10,263,389</u> | <u>35,888,971</u> | <u>5,385,535</u> |
| Capital Assets, not being depreciated | 2,864,439 | 10,815,334 | 13,679,773 | 2,784,953 |
| Capital Assets, being depreciated, net | 48,347,350 | 33,173,436 | 81,520,786 | 143,904 |
| Total Capital Assets, net (Note V) | <u>51,211,789</u> | <u>43,988,770</u> | <u>95,200,559</u> | <u>2,928,857</u> |
| Total Assets | <u>76,837,371</u> | <u>54,252,159</u> | <u>131,089,530</u> | <u>8,314,392</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| OPEB (Note VII) | 8,917,426 | 1,141,545 | 10,058,971 | - |
| Other | - | 12,223 | 12,223 | - |
| Pension (Note VI) | 4,455,477 | 615,151 | 5,070,628 | - |
| Total Deferred Outflows of Resources | <u>13,372,903</u> | <u>1,768,919</u> | <u>15,141,822</u> | <u>-</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>90,210,274</u> | <u>56,021,078</u> | <u>146,231,352</u> | <u>8,314,392</u> |

See accompanying notes to basic financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION – (CONTINUED)
DECEMBER 31, 2019

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL PRIMARY GOVERNMENT | COMPONENT UNITS |
|--|------------------------------------|-------------------------------------|---|----------------------------|
| LIABILITIES | | | | |
| Accounts Payable | \$ 4,315,447 | \$ 1,476,724 | \$ 5,792,171 | \$ - |
| Accrued Liabilities | 830,442 | 276,894 | 1,107,336 | 5,753 |
| Due to Other Governments | 1,373,276 | - | 1,373,276 | - |
| Non-Current Liabilities: | | | | |
| Due and Payable Within One Year: | | | | |
| Bond Anticipation Notes Payable (Note VIII) | 5,804,776 | 3,976,187 | 9,780,963 | - |
| Loans Payable | - | - | - | 131,458 |
| Landfill Remediation Liability (Note IX) | 34,303 | - | 34,303 | - |
| Installment Obligations Payable (Note IX) | 140,513 | 289,935 | 430,448 | - |
| Bonds Payable (Note IX) | 1,191,493 | 1,297,209 | 2,488,702 | - |
| Due and Payable More Than One Year: | | | | |
| Loans Payable | - | - | - | 547,187 |
| Bond Anticipation Notes Payable (Note XI) | - | 4,560,316 | 4,560,316 | - |
| Landfill Remediation Liability (Note IX) | 464,399 | - | 464,399 | - |
| Installment Obligations Payable (Note IX) | 197,900 | 517,643 | 715,543 | - |
| Bonds Payable (Note IX) | 10,235,465 | 14,589,536 | 24,825,001 | - |
| Compensated Absence Liability (Note IX) | 2,725,856 | 485,839 | 3,211,695 | - |
| Share of Net Pension Liability (Note VI) | 5,822,800 | 614,306 | 6,437,106 | - |
| Other Post-Employment Benefits (Note VII) | 150,407,681 | 20,772,327 | 171,180,008 | - |
| Total Liabilities | <u>183,544,351</u> | <u>48,856,916</u> | <u>232,401,267</u> | <u>684,398</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Revenue | - | 108,577 | 108,577 | 1,042,613 |
| OPEB (Note VII) | 6,298,206 | 869,342 | 7,167,548 | - |
| Pension (Note VI) | 1,960,806 | 205,091 | 2,165,897 | - |
| Total Deferred Inflows of Resources | <u>8,259,012</u> | <u>1,183,010</u> | <u>9,442,022</u> | <u>1,042,613</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | | |
| | <u>191,803,363</u> | <u>50,039,926</u> | <u>241,843,289</u> | <u>1,727,011</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 33,641,642 | 18,757,944 | 58,105,893 | 2,850,212 |
| Restricted for Economic and Community Development | 191,047 | - | 191,047 | - |
| Restricted for Special Purposes | 627,159 | 1,276,864 | 1,904,023 | 505,602 |
| Unrestricted | (136,052,937) | (14,053,656) | (155,812,900) | 3,231,567 |
| TOTAL NET POSITION | <u>\$ (101,593,089)</u> | <u>\$ 5,981,152</u> | <u>\$ (95,611,937)</u> | <u>\$ 6,587,381</u> |

See accompanying notes to basic financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| FUNCTIONS/PROGRAMS | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | CHANGES IN NET POSITION PRIMARY GOVERNMENT | | | COMPONENT UNITS |
|---------------------------------------|------------------------|-------------------------|--|--|---|---------------------------------|-----------------------|---------------------|
| | | | | | GOVERNMENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTAL | |
| Governmental Activities: | | | | | | | | |
| General Government Support | \$ (6,432,187) | \$ 790,901 | \$ 244,878 | \$ - | \$ (5,396,408) | \$ - | \$ (5,396,408) | \$ - |
| Public Safety | (29,101,869) | 1,675,069 | 48,046 | 425,334 | (26,953,420) | - | (26,953,420) | - |
| Health | (208,649) | 60,402 | 75,311 | - | (72,936) | - | (72,936) | - |
| Transportation | (4,732,199) | 354,638 | - | 3,075,982 | (1,301,579) | - | (1,301,579) | - |
| Economic Assistance & Opportunity | (1,599,235) | 66,755 | 267,004 | 636,272 | (629,204) | - | (629,204) | - |
| Culture and Recreation | (4,191,069) | 432,579 | 174,343 | - | (3,584,147) | - | (3,584,147) | - |
| Home and Community Services | (5,561,151) | 339,838 | - | 1,163,872 | (4,057,441) | - | (4,057,441) | - |
| Interest on Long-Term Debt | (469,945) | - | - | - | (469,945) | - | (469,945) | - |
| Total Governmental Activities | (52,296,304) | 3,720,182 | 809,582 | 5,301,460 | (42,465,080) | - | (42,465,080) | - |
| Business-type Activities: | | | | | | | | |
| Water Fund | (4,929,169) | 4,707,951 | - | 1,213,058 | - | 991,840 | 991,840 | - |
| Sewer Fund | (5,048,367) | 5,006,152 | - | 1,599,117 | - | 1,556,902 | 1,556,902 | - |
| Total Business-type Activities | (9,977,536) | 9,714,103 | - | 2,812,175 | - | 2,548,742 | 2,548,742 | - |
| Total Primary Government | \$ (62,273,840) | \$ 13,434,285 | \$ 809,582 | \$ 8,113,635 | (42,465,080) | 2,548,742 | (39,916,338) | - |
| Component Units: | | | | | | | | |
| Kingston Local Development Corp. | \$ (124,710) | \$ 156,967 | \$ - | \$ - | - | - | - | 32,257 |
| Kingston City Land Bank, Inc. | (5,608) | - | 5,608 | - | - | - | - | - |
| Total Component Units | \$ (130,318) | \$ 156,967 | \$ 5,608 | \$ - | - | - | - | 32,257 |
| General revenues | | | | | | | | |
| Real Property Taxes | | | | | 17,708,048 | - | 17,708,048 | - |
| Real Property Tax Items | | | | | 785,970 | - | 785,970 | - |
| Non-Property Tax Items | | | | | 14,649,632 | - | 14,649,632 | - |
| Use of Money and Property | | | | | 214,207 | 119,819 | 334,026 | 7,100 |
| Sale of Property | | | | | 212,368 | 6,549 | 218,917 | - |
| Loss on Disposal of Assets | | | | | (336,277) | - | (336,277) | - |
| Miscellaneous | | | | | 1,290,597 | - | 1,290,597 | - |
| State Aid | | | | | 3,693,154 | - | 3,693,154 | - |
| Total General Revenues | | | | | 38,217,699 | 126,368 | 38,344,067 | 7,100 |
| Change in Net Position | | | | | (4,247,381) | 2,675,110 | (1,572,271) | 39,357 |
| Net Position - Beginning | | | | | (97,345,708) | 3,306,042 | (94,039,666) | 6,548,024 |
| Net Position - Ending | | | | | \$ (101,593,089) | \$ 5,981,152 | \$(95,611,937) | \$ 6,587,381 |

See accompanying notes to the financial statements.

**CITY OF KINGSTON, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

| | General | Special Grant | Capital Projects | Debt Service | Total Governmental Funds |
|---|----------------------|---------------------|---------------------|---------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 8,363,158 | \$ 355,924 | \$ 49,571 | \$ 281,375 | \$ 9,050,028 |
| Receivables: | | | | | |
| Taxes | 5,274,418 | - | - | - | 5,274,418 |
| Other | 1,382,438 | - | - | - | 1,382,438 |
| Inventory | 11,691 | - | - | - | 11,691 |
| Notes Receivable (Note I I) | - | 1,098,498 | - | - | 1,098,498 |
| Due from Other Funds (Note IV) | 2,797,379 | - | 623,591 | 304,267 | 3,725,237 |
| Due from Other Governments | 1,949,393 | - | 69,577 | 460,000 | 2,478,970 |
| State and Federal Receivable | 1,897,307 | 138,202 | 3,105,177 | - | 5,140,686 |
| Prepaid Expenses | 688,787 | - | - | - | 688,787 |
| Total Assets | \$ 22,364,571 | \$ 1,592,624 | \$ 3,847,916 | \$ 1,045,642 | \$ 28,850,753 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$ 1,562,522 | \$ 233,315 | 2,519,610 | \$ - | \$ 4,315,447 |
| Accrued Liabilities | 677,699 | - | - | 2,472 | 680,171 |
| Bond Anticipation Notes Payable (Note VIII) | - | - | 5,804,776 | - | 5,804,776 |
| Due to Other Funds (Note IV) | 1,140,778 | - | 2,705,242 | 156,428 | 4,002,448 |
| Due to Other Governments | 3,165,226 | 27,039 | - | - | 3,192,265 |
| Total Liabilities | 6,546,225 | 260,354 | 11,029,628 | 158,900 | 17,995,107 |
| Deferred Inflows of Resources | 5,096,223 | 1,141,223 | - | 14,164 | 6,251,610 |
| Fund Balance: | | | | | |
| Nonspendable | 700,478 | - | - | - | 700,478 |
| Restricted | 627,159 | - | - | - | 627,159 |
| Assigned Appropriated | 1,457,190 | - | - | - | 1,457,190 |
| Assigned Unappropriated | 506,796 | 191,047 | 1,297,155 | 872,578 | 2,867,576 |
| Unassigned | 7,430,500 | - | (8,478,867) | - | (1,048,367) |
| Total Fund Balance | 10,722,123 | 191,047 | (7,181,712) | 872,578 | 4,604,036 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 22,364,571 | \$ 1,592,624 | \$ 3,847,916 | \$ 1,045,642 | \$ 28,850,753 |

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, 2019

| | Total Governmental Funds | Long-Term Assets and Liabilities | Reclassifications and Eliminations | Statement of Net Position Totals |
|---|--------------------------------|--|--|-------------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 9,050,028 | \$ - | \$ - | \$ 9,050,028 |
| Receivables | | | | |
| Taxes | 5,274,418 | - | - | 5,274,418 |
| Other | 6,523,124 | - | - | 6,523,124 |
| Inventory | 11,691 | - | - | 11,691 |
| Notes Receivable | 1,098,498 | - | - | 1,098,498 |
| Due from Other Funds | 3,725,237 | - | (3,725,237) | - |
| Due from Other Governments | 2,478,970 | - | - | 2,478,970 |
| Prepaid Expenses | 688,787 | 777,277 | - | 1,466,064 |
| Capital Assets, net | | 51,211,789 | - | 51,211,789 |
| Deferred Outflows of Resources - OPEB | - | 8,917,426 | - | 8,917,426 |
| Deferred Outflows of Resources - Pension | - | 4,455,477 | - | 4,455,477 |
| Total Assets and Deferred Outflows | \$ 28,850,753 | \$ 65,361,969 | \$ (3,725,237) | \$ 90,487,485 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 4,315,447 | \$ - | \$ - | \$ 4,315,447 |
| Accrued Liabilities | 680,171 | 150,271 | - | 830,442 |
| Bond Anticipation Notes Payable | 5,804,776 | - | - | 5,804,776 |
| Landfill Remediation Payable | - | 498,702 | - | 498,702 |
| Installment Obligations Payable | - | 338,413 | - | 338,413 |
| Bonds Payable | - | 11,426,958 | - | 11,426,958 |
| Due to Other Funds | 4,002,448 | - | (3,725,237) | 277,211 |
| Due to Other Governments | 3,192,265 | (1,818,989) | - | 1,373,276 |
| Compensated Absences | - | 2,725,856 | - | 2,725,856 |
| Net Pension Liability-Proportionate Share | - | 5,822,800 | - | 5,822,800 |
| Other Postemployment Benefits | - | 150,407,681 | - | 150,407,681 |
| Deferred Inflows of Resources - Deferred Revenue | 6,251,610 | (6,251,610) | - | - |
| Deferred Inflows of Resources - OPEB | - | 6,298,206 | - | 6,298,206 |
| Deferred Inflows of Resources - Pension | - | 1,960,806 | - | 1,960,806 |
| Total Liabilities and Deferred Inflows | 24,246,717 | 171,559,094 | (3,725,237) | 192,080,574 |
| Total Fund Balances/Net Position | 4,604,036 | (106,197,125) | - | (101,593,089) |
| Total Liabilities, Deferred Inflows and Fund Balances/Net Position | \$ 28,850,753 | \$ 65,361,969 | \$ (3,725,237) | \$ 90,487,485 |

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, 2019

| | General | Special Grant | Capital Projects | Debt Service | Total Governmental Funds |
|--|--------------------|----------------|---------------------|------------------|--------------------------------|
| Revenues: | | | | | |
| Real Property Taxes | \$ 17,248,065 | \$ - | \$ - | \$ - | \$ 17,248,065 |
| Real Property Tax Items | 785,970 | - | - | - | 785,970 |
| Non Property Tax Items | 14,649,632 | - | - | - | 14,649,632 |
| Departmental Income | 2,531,936 | - | 16,357 | - | 2,548,293 |
| Intergovernmental Charges | 559,565 | - | - | - | 559,565 |
| Use of Money and Property | 215,540 | 50 | - | 388 | 215,978 |
| Licenses and Permits | 890,043 | - | - | - | 890,043 |
| Fines and Forfeitures | 136,853 | - | - | - | 136,853 |
| Sale of Property and Compensation for Loss | 243,704 | - | - | - | 243,704 |
| Miscellaneous | 4,453,107 | 25,720 | 399,625 | - | 4,878,452 |
| State Aid | 1,941,522 | 15,000 | 1,805,231 | - | 3,761,753 |
| Federal Aid | 538,297 | 829,514 | 958,783 | - | 2,326,594 |
| Total Revenues | 44,194,234 | 870,284 | 3,179,996 | 388 | 48,244,902 |
| Expenditures: | | | | | |
| General Government | 3,542,823 | - | 32,159 | 19,107 | 3,594,089 |
| Public Safety | 13,251,225 | - | 18,270 | - | 13,269,495 |
| Health | 115,518 | - | - | - | 115,518 |
| Transportation | 2,242,601 | - | 21,670 | - | 2,264,271 |
| Economic Assistance and Opportunity | 1,141,697 | - | - | - | 1,141,697 |
| Culture and Recreation | 2,347,896 | - | 97 | - | 2,347,993 |
| Home and Community Services | 2,219,867 | 846,752 | 58 | - | 3,066,677 |
| Employee Benefits | 15,690,271 | - | - | - | 15,690,271 |
| Capital Outlay | 1,669,900 | - | 9,008,630 | - | 10,678,530 |
| Debt Service | 469,117 | - | 5,430 | 1,760,623 | 2,235,170 |
| Total Expenditures | 42,690,915 | 846,752 | 9,086,314 | 1,779,730 | 54,403,711 |
| Excess/(Deficiency) of Revenues Over Expenditures | 1,503,319 | 23,532 | (5,906,318) | (1,779,342) | (6,158,809) |
| Other Financing Sources/(Uses): | | | | | |
| BANS Redeemed from Appropriations | - | - | 300,000 | - | 300,000 |
| Operating Transfers In | - | - | - | 1,686,877 | 1,686,877 |
| Operating Transfers Out | (1,686,877) | - | - | - | (1,686,877) |
| Total Other Financing Sources/(Uses) | (1,686,877) | - | 300,000 | 1,686,877 | 300,000 |
| Change in Fund Balances | (183,558) | 23,532 | (5,606,318) | (92,465) | (5,858,809) |
| Fund Balances - Beginning | 10,905,681 | 167,515 | (1,575,394) | 965,043 | 10,462,845 |
| Fund Balances - Ending | \$ 10,722,123 | \$ 191,047 | \$(7,181,712) | \$ 872,578 | \$ 4,604,036 |

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, 2019

| | 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 | \$ 17,248,065 | \$ 459,983 | \$ - | \$ - | \$ - | \$ 17,708,048 |
| Real Property Tax Items | 785,970 | - | - | - | - | 785,970 |
| Non Property Tax Items | 14,649,632 | - | - | - | - | 14,649,632 |
| Departmental Income | 2,548,293 | (23,346) | - | - | - | 2,524,947 |
| Intergovernmental/Grant Income | 559,565 | - | - | - | - | 559,565 |
| Use of Money and Property | 215,978 | (1,771) | - | - | - | 214,207 |
| Licenses and Permits | 890,043 | - | - | - | - | 890,043 |
| Fines and Forfeitures | 136,853 | - | - | - | - | 136,853 |
| Sale of Property | 243,704 | (31,336) | - | - | - | 212,368 |
| Loss on Disposal of Assets | - | (336,277) | - | - | - | (336,277) |
| Miscellaneous | 4,878,452 | (236,445) | - | - | - | 4,642,007 |
| State and Federal Aid | 6,088,347 | (26,787) | - | - | - | 6,061,560 |
| Total Revenues | 48,244,902 | (195,979) | - | - | - | 48,048,923 |
| Expenditures: | | | | | | |
| General Government | 3,594,089 | - | 586,866 | - | 2,251,232 | 6,432,187 |
| Public Safety | 13,269,495 | - | 607,602 | - | 15,224,772 | 29,101,869 |
| Health | 115,518 | - | - | - | 93,131 | 208,649 |
| Transportation | 2,264,271 | - | 1,310,258 | - | 1,157,670 | 4,732,199 |
| Economic Assistance and Opportunity | 1,141,697 | - | - | - | 457,538 | 1,599,235 |
| Culture and Recreation | 2,347,993 | - | 486,343 | - | 1,356,733 | 4,191,069 |
| Home and Community Services | 3,066,677 | - | 1,002,685 | (34,306) | 1,526,095 | 5,561,151 |
| Capital Outlay | 10,678,530 | - | (10,678,530) | - | - | - |
| Employee Benefits | 15,690,271 | 6,376,900 | - | - | (22,067,171) | - |
| Debt Service | 2,235,170 | (56,409) | - | (1,708,816) | - | 469,945 |
| Total Expenditures | 54,403,711 | 6,320,491 | (6,684,776) | (1,743,122) | - | 52,296,304 |
| Excess/(Deficiency) of Revenues Over Expenditures | (6,158,809) | (6,516,470) | 6,684,776 | 1,743,122 | - | (4,247,381) |
| Other Financing Sources/(Uses): | | | | | | |
| BANS Redeemed from Appropriations | 300,000 | - | - | (300,000) | - | - |
| Operating Transfers In | 1,686,877 | - | - | - | (1,686,877) | - |
| Operating Transfers Out | (1,686,877) | - | - | - | 1,686,877 | - |
| Total Other Financing Sources/(Uses) | 300,000 | - | - | (300,000) | - | - |
| Change in Fund Balances | \$ (5,858,809) | \$(6,516,470) | \$ 6,684,776 | \$ 1,443,122 | \$ - | \$ (4,247,381) |

See accompanying notes to the financial statements.

**CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

| | WATER FUND | SEWER FUND | TOTAL |
|--|-----------------------|-----------------------|-------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| ASSETS | | | |
| Cash And Cash Equivalents | \$ 1,861,482 | \$ 2,363,645 | \$ 4,225,127 |
| Cash - Restricted | 1,276,864 | - | 1,276,864 |
| Due From Other Governments | - | 259,880 | 259,880 |
| Other Receivables | 1,013,592 | 2,625,534 | 3,639,126 |
| Inventories | 162,764 | - | 162,764 |
| Prepaid Items | 251,915 | 46,263 | 298,178 |
| Due from Other Funds (Note IV) | - | 691,002 | 691,002 |
| | <u>4,566,617</u> | <u>5,986,324</u> | <u>10,552,941</u> |
| Capital Assets, not being depreciated | 5,149,640 | 5,665,694 | 10,815,334 |
| Capital Assets, being depreciated, net | 11,606,547 | 21,566,889 | 33,173,436 |
| Total Capital Assets (Note V) | <u>16,756,187</u> | <u>27,232,583</u> | <u>43,988,770</u> |
| Total Assets | <u>21,322,804</u> | <u>33,218,907</u> | <u>54,541,711</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| OPEB (Note VII) | 458,502 | 683,043 | 1,141,545 |
| Other | - | 12,223 | 12,223 |
| Pension (Note VI) | 310,255 | 304,896 | 615,151 |
| Total Deferred Outflows of Resources | <u>768,757</u> | <u>1,000,162</u> | <u>1,768,919</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>26,658,178</u> | <u>40,205,393</u> | <u>66,863,571</u> |

See accompanying notes to the financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2019

| | WATER FUND | SEWER FUND | TOTAL |
|--|-----------------------|-----------------------|---------------------|
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 1,006,015 | \$ 470,709 | \$ 1,476,724 |
| Accrued Liabilities | 103,043 | 173,851 | 276,894 |
| Due to Other Funds (Note IV) | 3,044 | 286,508 | 289,552 |
| Other Postemployment Benefits (Note IX) | 234,300 | - | 234,300 |
| Bond Anticipation Notes Payable (Note VIII) | 48,500 | 3,927,687 | 3,976,187 |
| Current Portion of Bonds, Notes, and Loans Payable (Note IX) | 502,216 | 1,084,928 | 1,587,144 |
| Compensated Absence Liability (Note IX) | 5,944 | - | 5,944 |
| Total Current Liabilities | 1,903,062 | 5,943,683 | 7,846,745 |
| Non-Current Liabilities: | | | |
| Bond Anticipation Notes Payable (Note IX) | 4,091,637 | 468,679 | 4,560,316 |
| Compensated Absence Liability (Note IX) | 205,325 | 274,570 | 479,895 |
| Bonds, Notes, and Loans Payable (Note IX) | 5,304,698 | 9,802,481 | 15,107,179 |
| Other Postemployment Benefits (Note IX) | 8,842,815 | 11,695,212 | 20,538,027 |
| Proportionate Share of Net Pension Liability (Note IX) | 309,828 | 304,478 | 614,306 |
| Total Non-Current Liabilities | 18,754,303 | 22,545,420 | 41,299,723 |
| Total Liabilities | 20,657,365 | 28,489,103 | 49,146,468 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Other | - | 108,577 | 108,577 |
| OPRB | 386,930 | 482,412 | 869,342 |
| Pension | 103,439 | 101,652 | 205,091 |
| Total Deferred Inflows of Resources | 490,369 | 692,641 | 1,183,010 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 21,147,734 | 29,181,744 | 50,329,478 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 6,809,136 | 11,948,808 | 18,757,944 |
| Restricted | 1,276,864 | - | 1,276,864 |
| Unrestricted | (7,142,173) | (6,911,483) | (14,053,656) |
| Total Net Position | \$ 943,827 | \$ 5,037,325 | \$ 5,981,152 |

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, 2019

| | WATER FUND | SEWER FUND | TOTAL |
|--|-----------------------|-----------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for Services | \$ 4,640,078 | 4,968,584 | \$ 9,608,662 |
| Program Grants and Subsidies | - | 295,923 | 295,923 |
| Other Revenue | 14,887 | 37,568 | 52,455 |
| Total Operating Revenues | 4,654,965 | 5,302,075 | 9,957,040 |
| OPERATING EXPENSES | | | |
| Personal Services | 2,928,447 | 2,272,087 | 5,200,534 |
| Real Property Taxes | 315,651 | - | 315,651 |
| Maintenance, Operations and Contractual Services | 722,325 | 1,186,172 | 1,908,497 |
| Depreciation | 766,095 | 1,099,506 | 1,865,601 |
| Total Operating Expenses | 4,732,518 | 4,557,765 | 9,290,283 |
| Net Operating Income/(Loss) | (77,553) | 744,310 | 666,757 |
| Non-Operating Income and (Expense) | | | |
| Rental Income | 52,986 | - | 52,986 |
| Federal Grant Revenue | 391,054 | 1,303,194 | 1,694,248 |
| State Grant Revenue | 822,004 | - | 822,004 |
| Interest Income | 22,379 | 97,440 | 119,819 |
| Net Gain on Sale Of Property | 888 | 5,661 | 6,549 |
| Interest on Bonds and Notes | (196,651) | (490,602) | (687,253) |
| Total Non-Operating Income and (Expense) | 1,092,660 | 915,693 | 2,008,353 |
| Change in Net Position | 1,015,107 | 1,660,003 | 2,675,110 |
| Net Position, beginning | (71,280) | 3,377,322 | 3,306,042 |
| Net Position, ending | \$ 943,827 | \$ 5,037,325 | \$ 5,981,152 |

See accompanying notes to the financial statements.

CITY OF KINGSTON, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
DECEMBER 31, 2019

| | WATER FUND | SEWER FUND | TOTAL |
|--|-----------------------|-----------------------|---------------------|
| Cash Flows From Operating Activities: | | | |
| Cash Received From Users | \$ 4,679,596 | \$ 5,533,163 | \$ 10,212,759 |
| Cash Paid To Employees | (1,584,638) | (2,272,087) | (3,856,725) |
| Cash Paid For Operating Expenses | (2,110,275) | (736,486) | (2,846,761) |
| Net Cash Provided by Operating Activities | 984,683 | 2,524,590 | 3,509,273 |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Proceeds From Capital Debt | 364,924 | 588,967 | 953,891 |
| Proceeds From Capital Debt - Bond Premium | 11,411 | - | 11,411 |
| Proceed From Sale of Capital Assets | 1,512 | 5,661 | 7,173 |
| Federal Grant Revenue | 428,790 | 1,303,194 | 1,731,984 |
| State Grant Revenue | 822,004 | - | 822,004 |
| Purchase of Fixed Assets | (2,053,578) | (1,325,121) | (3,378,699) |
| Interest Payments on Bonded Indebtedness | (206,416) | (490,602) | (697,018) |
| Principal Payments on Bonded Indebtedness | (955,282) | (1,127,249) | (2,082,531) |
| Net Cash Used by Capital and Related Financing Activities | (1,586,635) | (1,045,150) | (2,631,785) |
| Cash Flows From Investing Activities: | | | |
| Rental Income | 52,986 | - | 52,986 |
| Interest Received | 22,379 | 97,440 | 119,819 |
| Net Cash Provided by Investing Activities | 75,365 | 97,440 | 172,805 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (526,587) | 1,576,880 | 1,050,293 |
| Cash and Cash Equivalents at January 1, 2019 | 3,664,933 | 786,765 | 4,451,698 |
| Cash and Cash Equivalents at December 31, 2019 | \$ 3,138,346 | \$ 2,363,645 | \$ 5,501,991 |
| Reconciliation Of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Operating Income | \$ (77,553) | \$ 744,310 | \$ 666,757 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 766,095 | 1,099,506 | 1,865,601 |
| Changes in Assets and Liabilities: | | | |
| Decrease (Increase) in Accounts Receivable | 24,631 | 231,088 | 255,719 |
| Decrease (Increase) in Inventories | (8,035) | - | (8,035) |
| Decrease (Increase) in Prepaid Items | (50,932) | (2,769) | (53,701) |
| Decrease (Increase) in Due From Related Party | (7,922) | (376,453) | (384,375) |
| Increase (Decrease) in Accounts Payable | (3,807) | 176,613 | 172,806 |
| Increase (Decrease) in Deferred Outflows/Inflows, net | (99,398) | 141,306 | 41,908 |
| Increase (Decrease) in Net Pension Obligation | 152,123 | - | 152,123 |
| Increase (Decrease) in Other Postemployment Benefits | 278,356 | - | 278,356 |
| Increase(Decrease) in Accrued Expenses and Other Liabilities | 11,125 | 510,989 | 522,114 |
| Net Cash Provided by Operating Activities | \$ 984,683 | \$ 2,524,590 | \$ 3,509,273 |

See accompanying notes to the financial statements.

**CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2019**

| | AGENCY FUNDS | EXPENDABLE TRUST |
|---|-------------------------|-----------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 511,317 | \$ 170,604 |
| Total Assets | \$ 511,317 | \$ 170,604 |
| LIABILITIES | | |
| Escrow Funds Returnable and Other Liabilities | \$ 387,078 | \$ - |
| Due to Other Funds | 124,239 | - |
| Total Liabilities | 511,317 | - |
| TOTAL NET POSITION | \$ - | \$ 170,604 |

See accompanying notes to the financial statements.

**CITY OF KINGSTON, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DECEMBER 31, 2019**

| | EXPENDABLE TRUST |
|---|-----------------------------|
| EARNINGS | |
| Donations and Grants | \$ 2,454 |
| Interest | 39 |
| Total Earnings | 2,493 |
| DEDUCTIONS | |
| Recreation Expenses | 5,440 |
| Total Deductions | 5,440 |
| Change in Net Position | (2,947) |
| Net Position Held in Trust - Beginning | 173,551 |
| Net Position Held in Trust - Ending | \$ 170,604 |

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

The 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 Governmental Accounting Standards Board (“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 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. See Note XII, Related Party Transactions.

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. See Note XII, Related Party Transactions.

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 has been jointly administered with the Kingston City School District. As of September 19, 2019, the City took over management of the stadium. See Note XII, Related Party Transactions.

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 non-fiduciary 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 generally funded by the U.S. Department of Housing and Urban Development ("HUD").

**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, 2019, the City had total real property tax receivables of \$5,274,418. On the fund financial statements, the taxes are offset by deferred inflows of resources in the amount of \$4,680,716 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 \$1,570,894 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, 2019:

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 12/31/2018 | Additions | Reductions | Balance 12/31/2019 | Due in One Year |
|-----------------|-----------------------|-------------------|-------------------|-----------------------|--------------------|
| Homeowner Loans | \$1,083,500 | \$ 143,135 | \$ 128,137 | \$ 1,098,498 | \$ - |
| Total Loans | <u>\$1,083,500</u> | <u>\$ 143,135</u> | <u>\$ 128,137</u> | <u>\$ 1,098,498</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 for all assets except those pertaining to the water department are as follows:

| | All funds except Water | | Water Fund | |
|-------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | Capitalization Threshold | Estimated Useful Life | Capitalization Threshold | Estimated Useful Life |
| Buildings | \$ 20,000 | 40 years | \$ 5,000 | 15 - 40 years |
| Improvements | 20,000 | 15 years | 5,000 | 15 - 40 years |
| Machinery and Equipment | 10,000 | 3 -10 years | 5,000 | 3 - 40 years |

M. Infrastructure

The City includes long-lived improvements to roads, property, sewer 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.

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

| | Capitalization Threshold | Estimated Useful Life |
|-----------------------|-----------------------------|--------------------------|
| Roads | \$ 20,000 | 20 years |
| Sewer & Other Systems | 20,000 | 30 - 40 years |
| 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, 2019, through October 28, 2020, 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. In the description below, positive numbers represent increases to the Balance Sheet line items and negative numbers represent decreases.

- (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 | \$ 82,012,873 |
| Accumulated Depreciation | <u>(30,801,084)</u> |
| Capital Assets, Net | <u><u>\$ 51,211,789</u></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><u>\$ 777,277</u></u> |
|------------------|--------------------------|

- (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, 2019 | <u><u>\$ 150,271</u></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**

(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 | \$ 11,765,371 |
| Compensated Absences Payable | 2,725,856 |
| ERS and PFRS Pension Liability-Proportionate Share | 5,822,800 |
| Landfill Remediation Liability | 498,702 |
| Other Postemployment Benefits | 150,407,681 |
| | <u>\$ 171,220,410</u> |

(5) Deferred outflows and inflows 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. Balances at year end were:

| | |
|---------------------------------------|---------------------|
| Deferred Outflows of Resources - OPEB | <u>\$ 8,917,426</u> |
| Deferred Inflows of Resources - OPEB | <u>\$ 6,298,206</u> |

(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>\$ (1,818,989)</u> |
|--------------------------|-----------------------|

(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 - Other | <u>\$ (6,251,610)</u> |
|---------------------------------------|-----------------------|

(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 - Pension | <u>\$ 4,455,477</u> |
| Deferred Inflows of Resources - Pension | <u>\$ 1,960,806</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 | \$48,244,902 |
| Loss on disposal of assets | (336,277) |
| Recognition of deferred property taxes | 459,983 |
| Recognition of deferred state and local grant revenue | (263,232) |
| Recognition of deferred bond premiums | (1,771) |
| Recognition of deferred insurance proceeds and fees | (54,682) |
| Total revenues reported in the Statement of Activities | \$48,048,923 |

Total Expenditures/Expenses

| | |
|---|--------------|
| Total expenditures reported in governmental funds | \$54,403,711 |
|---|--------------|

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.

91,850

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.

7,087,820

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 less than the amount of financial resources expended during the year. (561,632)

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 was less than the interest payable for the prior year. (56,409)

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 \$10,678,530 exceeded depreciation expense of \$3,993,754 in the current year. (6,684,776)

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. (1,781,565)

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. (202,695)

Total expenses reported in the Statement of Activities \$52,296,304

III. CASH

At December 31, 2019, the carrying amount of the City's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$13,955,826 and the bank balance was \$14,201,043. The City's deposits at December 31, 2019, 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, 2019 were as follows:

| <u>FUND</u> | <u>RECEIVABLE</u> | <u>PAYABLE</u> |
|-----------------------------|----------------------------|------------------------------|
| General | \$ 2,797,379 | \$ (1,140,778) |
| Capital Projects | 623,591 | (2,705,242) |
| Debt Service | 304,267 | (156,428) |
| Subtotal Governmental funds | <u>3,725,237</u> | <u>(4,002,448)</u> |
| Proprietary funds: | | |
| Water | - | (3,044) |
| Sewer | 691,002 | (286,508) |
| Subtotal Proprietary funds | <u>691,002</u> | <u>(289,552)</u> |
| Fiduciary Funds: | | |
| Trust & Agency | - | (124,239) |
| Private Purpose Trust | - | - |
| Subtotal Fiduciary funds | <u>-</u> | <u>(124,239)</u> |
| TOTALS | <u><u>\$ 4,416,239</u></u> | <u><u>\$ (4,416,239)</u></u> |

Interfund revenues and expenditures at December 31, 2019 were as follows:

| | <u>TRANSFERS IN</u> | <u>TRANSFERS OUT</u> |
|-----------------------------|----------------------------|------------------------------|
| General | \$ - | \$ (1,686,877) |
| Debt Service | 1,686,877 | - |
| Subtotal Governmental funds | <u>1,686,877</u> | <u>(1,686,877)</u> |
| TOTALS | <u><u>\$ 1,686,877</u></u> | <u><u>\$ (1,686,877)</u></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, 2019 were as follows:

| | Beginning Balance 1/1/2019 | Additions | Disposals | Reclassifications | Ending Balance 12/31/2019 |
|--|----------------------------------|---------------------|---------------------|--------------------|------------------------------|
| Governmental Activities: | | | | | |
| Capital Assets, not being depreciated: | | | | | |
| Land | \$ 192,500 | \$ 455,253 | \$ - | \$ - | \$ 647,753 |
| Construction in Progress | 2,665,594 | 5,233,360 | (24,996) | (5,657,272) | 2,216,686 |
| Total Capital Assets, not being depreciated | <u>2,858,094</u> | <u>5,688,613</u> | <u>(24,996)</u> | <u>(5,657,272)</u> | <u>2,864,439</u> |
| Capital Assets, being depreciated: | | | | | |
| Buildings | 13,232,255 | - | (1,718,163) | - | 11,514,092 |
| Improvements | 18,015,387 | 426,397 | (2,597,321) | 2,047,238 | 17,891,701 |
| Infrastructure | 34,996,105 | 2,007,650 | (2,912,944) | 3,610,034 | 37,700,845 |
| Machinery and Equipment | 18,950,151 | 2,555,870 | (9,464,225) | - | 12,041,796 |
| Total Capital Assets being depreciated | <u>85,193,898</u> | <u>4,989,917</u> | <u>(16,692,653)</u> | <u>5,657,272</u> | <u>79,148,434</u> |
| Accumulated Depreciation for: | | | | | |
| Buildings | (6,830,239) | (287,852) | 1,718,163 | - | (5,399,928) |
| Improvements | (8,414,110) | (883,732) | 2,383,424 | - | (6,914,418) |
| Infrastructure | (13,850,370) | (1,560,960) | 2,912,944 | - | (12,498,386) |
| Machinery and Equipment | (14,093,983) | (1,261,210) | 9,366,841 | - | (5,988,352) |
| Total Accumulated Depreciation | <u>(43,188,702)</u> | <u>(3,993,754)</u> | <u>16,381,372</u> | <u>-</u> | <u>(30,801,084)</u> |
| Total Capital Assets, being depreciated, net | <u>42,005,196</u> | <u>996,163</u> | <u>(311,281)</u> | <u>5,657,272</u> | <u>48,347,350</u> |
| Governmental Activities Capital Assets, net | <u>\$ 44,863,290</u> | <u>\$ 6,684,776</u> | <u>\$ (336,277)</u> | <u>\$ -</u> | <u>\$ 51,211,789</u> |
| Business-Type Activities: | | | | | |
| Capital Assets, not being depreciated: | | | | | |
| Land | \$ 363,659 | \$ - | \$ - | \$ - | \$ 363,659 |
| Construction in Progress | 8,747,960 | 4,082,116 | - | (2,378,401) | 10,451,675 |
| Total Capital Assets, not being depreciated | <u>9,111,619</u> | <u>4,082,116</u> | <u>-</u> | <u>(2,378,401)</u> | <u>10,815,334</u> |
| Capital Assets, being depreciated: | | | | | |
| Buildings and Improvements | 23,764,514 | - | (4,779,791) | 2,292,737 | 21,277,460 |
| Infrastructure | 32,405,026 | 160,971 | - | - | 32,565,997 |
| Machinery and Equipment | 5,011,995 | 79,499 | (1,035,789) | 85,664 | 4,141,369 |
| Total Capital Assets being depreciated | <u>61,181,535</u> | <u>240,470</u> | <u>(5,815,580)</u> | <u>2,378,401</u> | <u>57,984,826</u> |
| Accumulated Depreciation for: | | | | | |
| Buildings and Improvements | (15,815,485) | (847,279) | 4,779,791 | - | (11,882,973) |
| Infrastructure | (9,906,745) | (761,265) | - | - | (10,668,010) |
| Machinery and Equipment | (3,028,634) | (257,057) | 1,025,284 | - | (2,260,407) |
| Total Accumulated Depreciation | <u>(28,750,864)</u> | <u>(1,865,601)</u> | <u>5,805,075</u> | <u>-</u> | <u>(24,811,390)</u> |
| Total Capital Assets, being depreciated, net | <u>32,430,671</u> | <u>(1,625,131)</u> | <u>(10,505)</u> | <u>2,378,401</u> | <u>33,173,436</u> |
| Business-Type Capital Assets, net | <u>\$ 41,542,290</u> | <u>\$ 2,456,985</u> | <u>\$ (10,505)</u> | <u>\$ -</u> | <u>\$ 43,988,770</u> |
| | | | | | |
| General Government | | \$ 586,866 | | | |
| Public Safety | | 607,602 | | | |
| Transportation | | 1,310,258 | | | |
| Culture and Recreation | | 486,343 | | | |
| Home and Community Services | | 1,002,685 | | | |
| Total governmental activities depreciation | | <u>\$ 3,993,754</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> |
|---------------------------------|--------------|--------------|
| 2020 | \$ 1,338,743 | \$ 2,425,319 |
| 2019 | \$ 1,272,396 | \$ 2,305,012 |
| 2018 | \$ 1,357,915 | \$ 2,438,708 |

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

At December 31, 2019, the City reported liabilities of \$2,202,231 and \$4,234,875 for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2019 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, 2019, the City’s proportion of the ERS net pension liability was 0.0310817%. At March 31, 2018, the City’s proportion of the ERS net pension liability was 0.0315656%.

At March 31, 2019, the City’s proportion of the PFRS net pension liability was 0.2525173%. At March 31, 2018, the City’s proportion of the PFRS net pension liability was 0.2673421%.

CITY OF KINGSTON, NEW YORK
NOTES TO BASIC FINANCIAL STATEMENTS

VI. PENSION PLANS – CONTINUED

For the year ended December 31, 2019 the City recognized pension expense of \$1,562,608 for ERS and \$2,828,607 for PFRS. At December 31, 2019, 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 | \$ 433,665 | \$ 1,028,768 | \$ 1,462,433 |
| Changes of assumptions | 553,551 | 1,538,643 | 2,092,194 |
| Changes in proportion and difference between the City's contributions and proportionate share of contributions | 214,211 | 297,959 | 512,170 |
| City's contributions subsequent to the measurement date | 1,003,831 | - | 1,003,831 |
| Total | \$ 2,205,258 | \$ 2,865,370 | \$ 5,070,628 |

| | Deferred Inflows or Resources | | |
|--|----------------------------------|---------------------|---------------------|
| | <u>ERS</u> | <u>PFRS</u> | <u>Total</u> |
| Differences between expected and actual experience | \$ 147,832 | \$ 452,143 | \$ 599,975 |
| Net difference between projected and actual earnings on pension plan investments | 565,214 | 848,142 | 1,413,356 |
| Changes in proportion and difference between the City's contributions and proportionate share of contributions | 22,186 | 130,380 | 152,566 |
| Total | \$ 735,232 | \$ 1,430,665 | \$ 2,165,897 |

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> |
|-------------|-------------------|---------------------|
| 2020 | \$ 546,192 | \$ 901,184 |
| 2021 | (376,918) | (107,807) |
| 2022 | (5,778) | 46,024 |
| 2023 | 302,699 | 498,841 |
| 2024 | - | 96,463 |
| | \$ 466,195 | \$ 1,434,705 |

**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, 2019 | March 31, 2019 |
| Investment Rate of Return | 7.00% compounded annually net of investment expense | 7.00% compounded annually net of investment expense |
| Projected Salary Increases | 4.20% | 5.00% |
| 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, 2019 | |
| Asset Class: | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic Equity | 36% | 4.55% |
| International Equity | 14% | 6.35% |
| Private Equity | 10% | 7.50% |
| Real Estate | 10% | 5.55% |
| Absolute Return Strategies | 2% | 3.75% |
| Opportunistic Portfolio | 3% | 5.68% |
| Real Assets | 3% | 5.29% |
| Bonds and Mortgages | 17% | 1.31% |
| Cash | 1% | -0.25% |
| Inflation-indexed bonds | 4% | 1.25% |
| Total | <u>100%</u> | |

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) | \$ (9,628,508) | \$ (2,202,231) | \$ 4,036,367 |
| PFRS | | | |
| Employer's Proportionate Share of the Net Pension Asset/(Liability) | \$ (15,304,204) | \$ (4,234,875) | \$ 5,009,300 |

Pension Plan Fiduciary Net Position

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

| Measurement Date | (Dollars in Thousands) | |
|---|------------------------|-----------------------|
| | ERS | PFRS |
| Employers' total pension liability | \$ (189,803,429) | \$ (34,128,100) |
| Plan net position | 182,718,124 | 32,451,037 |
| Employers' net pension asset/(liability) | <u>\$ (7,085,305)</u> | <u>\$ (1,677,063)</u> |
| Ratio of plan net position to the employers' total pension asset/(liability) | 96.27% | 95.09% |

Payables to the Pension Plan

For ERS, employer contributions for the plan year ended March 31, 2020 were paid to the System in December 2019. Prepaid retirement contributions as of December 31, 2019 amount to \$334,610.

For PFRS, employer contributions for the plan year ended March 31, 2020 were paid to the System in February 2020. Accrued retirement contributions as of December 31, 2019 amount to \$1,818,989.

**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 | Minimum Years of Service | | City Contributions (Fixed) | | Reimburse Part B Premium | | |
|---------------|------------------|--------------------------|----------|----------------------------|----------|--------------------------|--------|------------------|
| | | | | Individual | Family | Individual | Spouse | Surviving Spouse |
| Staff | NYSHIP | 10 | Under 65 | 1,015.00 | 1,174.00 | Y | Y | Y |
| | | 10 | Over 65 | 444.00 | N/A | | | |
| Public Safety | NYSHIP | 20 | Under 65 | 1,015.00 | 1,174.00 | Y | Y | Y |
| | | 20 | Over 65 | 444.00 | N/A | | | |
| Water Dept. | NYSHIP | 10 | Under 65 | 913.50 | 821.80 | Y | Y | Y |
| | | 10 | Over 65 | 399.60 | N/A | | | |
| | | 30 | Under 65 | 1,015.00 | 821.80 | | | |
| | | 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, 2019.

Employees Covered by Benefit Terms

At December 31, 2019, 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, 2019. The liability for other postemployment benefits was measured as of December 31, 2019 and totaled \$171,180,008.

**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, 2019 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 | 3.26% |
| 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, 2019 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 12/31/19:

| | |
|--|-----------------------|
| Balance - Beginning | \$ 162,275,846 |
| Changes for the Year: | |
| Service Cost | 4,617,343 |
| Interest | 5,839,219 |
| Changes in Assumptions | 11,122,788 |
| Differences Between Expected and Actual Experience | (8,959,434) |
| Benefit Payments | <u>(3,715,754)</u> |
| Net Changes | <u>8,904,162</u> |
| Balance - Ending | <u>\$ 171,180,008</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 2.26% | Discount Rate 3.26% | 1% Increase 4.26% |
|----------------------|----------------------|------------------------|----------------------|
| Total OPEB Liability | \$ 200,460,579 | \$ 171,180,008 | \$ 141,899,426 |

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 | \$ 139,221,559 | \$ 171,180,008 | \$ 209,989,790 |

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$11,276,142. At December 31, 2019, the City reported the following deferred outflows of resources related to OPEB.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 1,160,741 | \$ 7,167,548 |
| Changes of Assumptions or other inputs | 8,898,230 | - |
| Total | <u>\$ 10,058,971</u> | <u>\$ 7,167,548</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:

| | |
|------|---------------------|
| 2020 | \$ 819,584 |
| 2021 | 819,584 |
| 2022 | 819,584 |
| 2023 | 432,668 |
| | <u>\$ 2,891,420</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, 2019:

| Description | Balance 12/31/2018 | New Issues | Payments | Balance 12/31/2019 |
|--------------------------------|-----------------------|---------------------|---------------------|-----------------------|
| Bond Anticipation Notes: | | | | |
| Governmental Activities: | | | | |
| Equipment/Improvement | \$ 1,030,433 | \$ 5,074,343 | \$ (300,000) | \$ 5,804,776 |
| Total Governmental Activities: | <u>1,030,433</u> | <u>5,074,343</u> | <u>(300,000)</u> | <u>5,804,776</u> |
| Business-type Activities: | | | | |
| Sewer Improvements | 3,807,399 | 748,967 | (160,000) | 4,396,366 |
| Water Improvements | 4,234,213 | 364,924 | (459,000) | 4,140,137 |
| Total Business-type Activities | <u>8,041,612</u> | <u>1,113,891</u> | <u>(619,000)</u> | <u>8,536,503</u> |
| Total Bond Anticipation Notes | <u>\$ 9,072,045</u> | <u>\$ 6,188,234</u> | <u>\$ (919,000)</u> | <u>\$ 14,341,279</u> |

Governmental activities

| | |
|---------------------------------------|------------------|
| Interest Paid | \$ 21,982 |
| Less: Interest accrued - prior year | (1,803) |
| Plus: Interest accrued - current year | <u>40,311</u> |
| | <u>\$ 60,490</u> |

Business-type Activities

| | |
|---------------------------------------|------------------|
| Interest Paid | \$135,730 |
| Less: Interest accrued - prior year | (50,779) |
| Plus: Interest accrued - current year | <u>76,456</u> |
| | <u>\$161,407</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, 2019, the total long-term principal indebtedness outstanding for serial bonds and installment obligations of the City, was \$28,459,694. See Schedule of Indebtedness.

Governmental activities

| | |
|--|-------------------|
| Interest Paid - Bonds and Installment obligations | \$ 489,868 |
| Less: Interest accrued - prior year net | (208,739) |
| Plus: Interest accrued - current year | <u>113,822</u> |
| Interest Expense | 394,951 |
| Less: Library portion of interest paid and accrued | (23,939) |
| Add: Retirement interest paid | <u>38,443</u> |
| Total Governmental Activities Interest | <u>\$ 409,455</u> |

Business-type Activities

| | |
|---|-------------------|
| Interest Paid | \$ 609,679 |
| Less: Interest accrued - prior year net | (211,662) |
| Plus: Interest accrued - current year | <u>127,829</u> |
| Interest Expense | <u>\$ 525,846</u> |

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 | \$ 12,738,806 | \$ - | \$ (1,311,848) | \$ 11,426,958 | \$ 1,191,493 |
| Retirement system obligations | 1,174,496 | - | (1,174,496) | - | - |
| Compensated absences | 2,634,006 | 91,850 | - | 2,725,856 | - |
| Landfill remediation liability | 533,008 | - | (34,306) | 498,702 | 34,303 |
| Installment obligations | 473,824 | - | (135,411) | 338,413 | 140,513 |
| Share of net pension liability | 3,423,220 | 2,399,580 | - | 5,822,800 | - |
| OPEB liability | 142,091,750 | 8,315,931 | - | 150,407,681 | - |
| Total governmental | <u>163,069,110</u> | <u>10,807,361</u> | <u>(2,656,061)</u> | <u>171,220,410</u> | <u>1,366,309</u> |
| Business-type Activities: | | | | | |
| Bonds payable | 17,141,897 | - | (1,255,152) | 15,886,745 | 1,297,209 |
| Bond anticipation note payable | 8,041,612 | 1,113,891 | (619,000) | 8,536,503 | 3,976,187 |
| Retirement system obligations | 88,157 | - | (88,157) | - | - |
| Compensated absences | 437,977 | 47,862 | - | 485,839 | 5,944 |
| Installment obligations | 1,087,800 | - | (280,222) | 807,578 | 289,935 |
| Share of net pension liability | 293,826 | 320,480 | - | 614,306 | - |
| OPEB liability | 20,184,095 | 588,232 | - | 20,772,327 | - |
| Total business-type | <u>47,275,364</u> | <u>2,070,465</u> | <u>(2,242,531)</u> | <u>47,103,298</u> | <u>5,569,275</u> |
| Total Long Term Debt | <u>\$ 210,344,474</u> | <u>\$ 12,877,826</u> | <u>\$ (4,898,592)</u> | <u>\$ 218,323,708</u> | <u>\$ 6,935,584</u> |

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.

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

IX. LONG-TERM DEBT – CONTINUED

The following is a summary of the maturity of long-term indebtedness for serial bonds and installment obligations:

| | Governmental Activities | | Business-type Activities | | | |
|-----------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Sewer Fund | | Water Fund | |
| | | | Principal | Interest | Principal | Interest |
| 2020 | \$ 1,332,006 | \$ 329,667 | \$ 1,084,928 | \$ 361,431 | \$ 502,216 | \$ 179,797 |
| 2021 | 1,224,080 | 295,710 | 1,055,280 | 325,658 | 498,409 | 165,623 |
| 2022 | 1,148,493 | 264,474 | 1,071,637 | 291,748 | 504,645 | 150,512 |
| 2023 | 845,875 | 237,350 | 814,771 | 256,923 | 485,353 | 134,478 |
| 2024 | 798,218 | 213,477 | 809,429 | 229,601 | 493,353 | 117,455 |
| 2025-2029 | 3,239,871 | 721,970 | 3,243,364 | 760,842 | 1,832,765 | 375,214 |
| 2030-2034 | 2,094,235 | 332,160 | 1,982,000 | 264,040 | 1,163,765 | 125,753 |
| 2035-2038 | 1,082,593 | 60,292 | 826,000 | 49,458 | 326,408 | 19,700 |
| | <u>\$ 11,765,371</u> | <u>\$ 2,455,100</u> | <u>\$ 10,887,409</u> | <u>\$ 2,539,701</u> | <u>\$ 5,806,914</u> | <u>\$ 1,268,532</u> |

Constitutional Debt Limit- As of the December 31, 2019 calculation the projected net indebtedness of the City of Kingston aggregated \$42,800,973. Of this amount, \$29,153,919 was subject to the constitutional debt limit and represented approximately 28% of its limit.

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 \$10,070.
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 \$71,443.

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 \$498,702 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, 2019. The deficit will be eliminated as short-term debt is converted to permanent financing.

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

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 \$175,804 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 described in Notes VIII and IX, \$56,379,638 has been authorized but was unissued at December 31, 2019.

Transit

The City dissolved its transit service on July 1, 2019 due to declining Citibus ridership and entered into an agreement with Ulster County for usage of the Area Transit services. The City has committed to pay \$225,000 annually for five years from 2020 – 2024. The City paid \$112,500 in 2019 for the first six months of service.

Capital Projects

The City of Kingston other than the Water Department have prepared four capital plans. The current estimated total cost of projects contemplated for the next four years is \$24,574,530 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.

XII. RELATED PARTY TRANSACTIONS

The City of Kingston and Kingston City School District had undertaken the joint operation and maintenance of Dietz Stadium, a recreational facility, through the Dietz Stadium Commission. As of September 19, 2019, the City and School District signed an inter-municipal agreement, wherein the School District conveyed its share of management and capital control to the City for a period of 5 years with an automatic renewal for an additional five years. The School District will pay the City \$95,000 per year with scheduled increases and share in capital costs. The City received the first payment of \$95,000 in 2019. This revenue and the related operating and maintenance expenditures are recorded in the General Fund.

Beginning in 2019, the City developed payroll/benefit reimbursement agreements with the KLDC for personnel services provided by the City. The reimbursements are now based upon the amounts established in those agreements. The City received \$29,961 under those agreements. The City also received \$222,565 from the Community Foundations of the Hudson Valley in the form of a grant for the benefit of the Land Bank for staffing expenses.

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

XIII. LEASE AGREEMENTS

In August 2005, the City entered into an agreement with Aslan Environmental Services (“Aslan”) to implement and manage a process for converting sludge into bio-solid pellets with equipment provided by Aslan. The term of the agreement was for 10 years. \$-0- was paid in 2019, as currently, the City is in litigation with Aslan. The total financial impact of any settlement has yet to be determined. The City has been processing their sludge with outside agencies, primarily Ulster County Resource Recovery Agency (“UCRRA”).

XIV. 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, 2019:

| Start Date | Agreement | Total Assessed Value | 2019 City Tax Rate | 2019 City Tax Value Without Exemptions** | City PILOT and Tax Received For 2019 | City Taxes Abated For 2019 * | Potentially Eligible for RPTL 581a |
|-------------------|--|-----------------------------|---------------------------|---|---|-------------------------------------|---|
| 2014 | EA Flathbush, LLC | \$ 1,848,000 | \$ 15.587267 | \$ 28,805.27 | \$ 20,459.00 | \$ 8,346.27 | No |
| 2015 | Golden Hill Acquisition LLC | \$ 9,027,000 | \$ 15.587267 | \$ 140,706.26 | \$ 46,951.00 | \$ 93,755.26 | No |
| 2005 | Benedictine Hospital | \$ 2,364,000 | \$ 15.587267 | \$ 36,848.30 | \$ 15,089.00 | \$ 21,759.30 | No |
| 2014 | JBT Holdings LLC | \$ 3,003,000 | \$ 15.587267 | \$ 46,808.56 | \$ 24,133.00 | \$ 22,675.56 | No |
| 2015 | Lace Mill Limited Partnership | \$ 4,855,000 | \$ 15.587267 | \$ 75,676.18 | \$ 16,696.00 | \$ 58,980.18 | Yes |
| 2006 | Kingston Property Associates (Springbrook Village) | \$ 7,763,000 | \$ 15.587267 | \$ 121,003.95 | \$ 123,792.00 | \$ (2,788.05) | Yes |
| 1961 | Rondout Gardens | \$ 6,887,000 | \$ 15.587267 | \$ 107,349.51 | \$ 7,974.00 | \$ 99,375.51 | Yes |
| 2008 | Anderson Center (Valentine Ct) ** | \$ 354,000 | \$ 15.587267 | \$ - | \$ 3,020.00 | \$ (3,020.00) | No |
| 2002 | Brigham Senior Housing LP | \$ 1,526,000 | \$ 15.587267 | \$ 23,786.17 | \$ 25,403.00 | \$ (1,616.83) | Yes |
| 2015 | Birchwood Village LP | \$ 4,780,000 | \$ 15.587267 | \$ 74,507.14 | \$ 11,535.00 | \$ 62,972.14 | Yes |
| 2020 | Landmark Preservation - Yosman | \$ 3,531,000 | \$ 15.587267 | \$ 55,038.64 | Abatements start in 2020 | | Yes |
| 2020 | Landmark Preservation - Gov Clinton | \$ 3,531,000 | \$ 15.587267 | \$ 55,038.64 | | | Yes |
| 2020 | Energy Square Housing Development Fund Co, Inc | \$ 539,000 | \$ 15.587267 | \$ 8,401.54 | | | Yes |
| 2020 | Hudson Valley Development LLC | \$ 468,000 | \$ 15.587267 | \$ 7,294.84 | | | No |
| 2020 | Hudson Valley Development LLC | \$ 304,000 | \$ 15.587267 | \$ 4,738.53 | | | No |
| 2020 | Hudson Valley Development LLC | \$ 304,000 | \$ 15.587267 | \$ 4,738.53 | | | No |
| 2020 | Hudson Valley Development LLC | \$ 598,000 | \$ 15.587267 | \$ 9,321.19 | | | No |

*The amount listed in the “City Taxes Abated For 2019” column is based upon market value assessments. These figures would be significantly lower if eligible properties were valued using RPTIL 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 April 2020, the Common Council committed to using \$165,000 of fund balance in the General Fund to fund Pike Plan capital improvements.

In July 2020, the City agreed to a voluntary interest arbitration award with the Kingston P.B.A. Union, Inc. covering the period January 1, 2017 to December 31, 2019. The three year cost of award is estimated at \$850,000 and is expected to be financed through fund balance in the General Fund.

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitation on travel and size and duration of group meetings. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Management has advised staff to work remotely as a response to current NYS on Pause regulations. Accordingly, while management cannot quantify the financial and any other impacts to the City as on October 28, 2020, management does believe that a material impact on the City's financial position and results of future operation is reasonably possible.

XVI. NEW ACCOUNTING PRINCIPLES

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 City is required to implement GASB 84 for the year ending December 31, 2020 and is currently evaluating the effect of GASB 84 on its financial statements.

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, 2022. 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, 2020. The City is currently evaluating the effect of GASB 88 on its financial statements.

In May 2020, GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the effective dates of Statements 84, 87 and 88 to the dates reflected above.

GASB has also issued Statements 89 through 94, 96 and 97, 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, 2019</u> | <u>Dec. 31, 2018</u> |
|---|-----------------------|-----------------------|
| Service Cost | \$ 4,617,343 | \$ 4,228,337 |
| Interest | 5,839,219 | 5,544,492 |
| Differences Between Expected and Actual Experience | (8,959,434) | 1,934,543 |
| Changes in Assumptions | 11,122,788 | - |
| Benefit Payments | <u>(3,715,754)</u> | <u>(3,505,480)</u> |
| Net Change in Total OPEB Liability | 8,904,162 | 8,201,892 |
| Total OPEB liability - beginning | <u>162,275,846</u> | <u>154,073,954</u> |
| | | |
| Total OPEB liability - ending (a) | <u>\$ 171,180,008</u> | <u>\$ 162,275,846</u> |
| | | |
| Plan Fiduciary net position | | |
| Contributions - Employer | \$ 3,715,754 | \$ 3,505,480 |
| Net Investment Income | - | - |
| Benefit Payments | (3,715,754) | (3,505,480) |
| Administrative Expense | - | - |
| Net Change in Plan Fiduciary Net Position | <u>-</u> | <u>-</u> |
| Plan Fiduciary net position - beginning | - | - |
| Plan Fiduciary net position - ending (b) | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| City's net OPEB liability - ending (a) - (b) | <u>\$ 171,180,008</u> | <u>\$ 162,275,846</u> |
| | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0% | 0% |
| | | |
| Covered Payroll | 20,652,801 | 20,675,343 |
| | | |
| Total OPEB Liability as a percentage of covered payroll | 828.85% | 784.88% |

Notes to Schedule:

Changes of Benefit Terms:

None

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% |
| 12/31/19 | 3.26% |

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

| | 2019 | 2018 |
|--|---------------|---------------|
| Actuarial determined contribution (SC + 20 year amort NOL) | \$ 16,180,344 | \$ 15,136,996 |
| Actual contributions relating to the actuarially determined contribution | (3,715,754) | (3,505,480) |
| Contribution (Excess)/Deficiency | \$ 12,464,590 | \$ 11,631,516 |
| Covered - employee Payroll | \$ 20,652,801 | \$ 20,675,343 |
| Contributions as a percentage of covered - employee payroll | 17.99% | 16.95% |

Notes to Schedule:

| | | |
|------------------|----------|----------|
| Valuation date: | 1/1/2019 | 1/1/2018 |
| Disclosure date: | 1/1/2018 | 1/1/2018 |

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 | 3.00% | |
| Healthcare cost trend rates | 8% decrease to 5% | |
| Salary increases | 3.00% | |
| Investment rate of return | 3.26% | 3.64% |
| Retirement age | Rates start at 20 years, or age 55 and 10 years | |
| Mortality | RP 2014 | |

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

| <u>Plan Year Ended</u> | <u>Proportion of the Net Pension Asset (Liability)</u> | <u>Proportionate Share of the Net Pension Asset (Liability)</u> | <u>Covered Payroll</u> | <u>Net Pension Asset (Liability) as a Percentage of Covered Payroll</u> | <u>Fiduciary Net Position as a Percentage of Total Pension Liability</u> |
|--|--|---|------------------------|---|--|
| Employees' Retirement System | | | | | |
| 3/31/2019 | 0.03108170% | \$ (2,202,231) | \$ 9,575,008 | 23.00% | 96.27% |
| 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 | | | | | |
| 3/31/2019 | 0.25251730% | \$ (4,234,875) | \$ 10,566,486 | 40.08% | 95.09% |
| 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 Required Contribution | Actual Employer Contribution | Contribution deficiency (excess) | Covered Payroll | Required Contributions as a Percentage of its Covered Payroll |
|-------------------------------------|--|---------------------------------|-------------------------------------|--------------------|---|
| Employees' Retirement System | | | | | |
| 3/31/2020 | \$ 1,338,743 | \$ 1,338,743 | \$ - | \$ 9,564,299 | 14.00% |
| 3/31/2019 | \$ 1,272,396 | \$ 1,272,396 | \$ - | \$ 9,575,008 | 13.29% |
| 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 Required Contribution | Actual Employer Contribution | Contribution deficiency (excess) | Covered Payroll | Required Contributions as a Percentage of its Covered Payroll |
|--|--|---------------------------------|-------------------------------------|--------------------|---|
| Police and Fire Retirement System | | | | | |
| 3/31/2020 | \$ 2,425,319 | \$ 2,425,319 | \$ - | \$ 10,124,452 | 23.96% |
| 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, 2019

| | GENERAL FUND | | | |
|--|----------------------------|-------------------------|--------------------|---|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET |
| REVENUES | | | | |
| Real Property Taxes | \$ 17,709,231 | \$ 17,709,231 | \$ 17,248,065 | \$ (461,166) |
| Other Property Tax Items | 815,000 | 815,000 | 785,970 | (29,030) |
| Non Property Tax Items | 14,430,000 | 14,452,310 | 14,649,632 | 197,322 |
| Departmental Income | 2,185,641 | 2,343,766 | 2,531,936 | 188,170 |
| Intergovernmental Charges | 516,500 | 524,250 | 559,565 | 35,315 |
| Use of Money and Property | 115,200 | 115,200 | 215,540 | 100,340 |
| Licenses and Permits | 646,150 | 646,150 | 890,043 | 243,893 |
| Fines and Forfeitures | 214,000 | 214,000 | 136,853 | (77,147) |
| Sale of Property and Compensation for Loss | 57,500 | 59,950 | 243,704 | 183,754 |
| Miscellaneous Local Sources | 4,261,214 | 4,312,340 | 4,453,107 | 140,767 |
| State Aid | 1,342,071 | 2,154,667 | 1,941,522 | (213,145) |
| Federal Aid | 779,888 | 779,888 | 538,297 | (241,591) |
| Total Revenues | 43,072,395 | 44,126,752 | 44,194,234 | 67,482 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| General Government Support | 4,970,264 | 5,168,601 | 3,542,823 | 1,625,778 |
| Public Safety | 13,557,711 | 13,662,643 | 13,251,225 | 411,418 |
| Health | 116,641 | 107,436 | 115,518 | (8,082) |
| Transportation | 2,214,435 | 2,394,968 | 2,242,601 | 152,367 |
| Economic Assistance and Opportunity | 875,708 | 1,241,129 | 1,141,697 | 99,432 |
| Culture and Recreation | 1,858,741 | 2,805,645 | 2,347,896 | 457,749 |
| Home and Community Service | 2,575,989 | 2,876,409 | 2,219,867 | 656,542 |
| Employee Benefits | 15,432,068 | 16,299,261 | 15,690,271 | 608,990 |
| Capital Outlay | 121,477 | 987,968 | 1,669,900 | (681,932) |
| Debt Service | 545,066 | 523,066 | 469,117 | 53,949 |
| Total Expenditures and Encumbrances | 42,268,100 | 46,067,126 | 42,690,915 | 3,376,211 |
| Excess of Revenues Over/(Under) Expenditures and Encumbrances | 804,295 | (1,940,374) | 1,503,319 | 3,443,693 |
| Other Financing Sources/(Uses): | | | | |
| Operating Transfers In | - | 2,017,500 | - | (2,017,500) |
| Operating Transfers Out | (1,708,377) | (1,723,377) | (1,686,877) | 36,500 |
| Total Other Financing Sources | (1,708,377) | 294,123 | (1,686,877) | (1,981,000) |
| Net Change in Fund Balance | (904,082) | (1,646,251) | (183,558) | 1,462,693 |
| Appropriated Fund Balance, Unassigned | 904,082 | 1,646,251 | 183,558 | (1,462,693) |
| Total | \$ - | \$ - | \$ - | \$ - |

**OTHER
SUPPLEMENTARY
INFORMATION**

**CITY OF KINGSTON, NEW YORK
SCHEDULE OF INDEBTEDNESS
DECEMBER 31, 2019**

| | Date of Issue | Date of Final Maturity | Interest Rate | Outstanding Beginning of Fiscal Year | Issued During Fiscal Year | Paid During Fiscal Year | Refinanced During Fiscal Year | Outstanding End of Fiscal Year | Interest Paid During Fiscal Year | Interest Accrued at 12/31/2019 | Due Within the Next Year |
|--|------------------|------------------------------|------------------|--|---------------------------------|-------------------------------|-------------------------------------|--------------------------------------|--|--------------------------------------|--------------------------------|
| <u>BOND ANTICIPATION NOTES</u> | | | | | | | | | | | |
| Various Improvements | 2018 | 2019 | 3.000% | \$ 4,697,463 | \$ - | \$ (460,000) | \$ (4,237,463) | \$ - | \$ 100,212 | \$ - | \$ - |
| Various Improvements | 2019 | 2020 | 2.000% | - | 5,495,000 | - | 4,237,463 | 9,732,463 | - | 40,311 | 5,495,000 |
| Water Improvements | 2018 | 2019 | 2.500% | 2,300,000 | - | (420,000) | (1,880,000) | - | 57,500 | - | - |
| Water Improvements | 2019 | 2020 | 3.000% | - | - | - | 1,880,000 | 1,880,000 | - | 43,867 | 1,880,000 |
| Sewer Improvements | 2017 | 2022 | 0.000% | 140,369 | 328,310 | - | - | 468,679 | - | 27,712 | - |
| Water Improvements | 2015 | 2020 | 0.000% | 1,934,213 | 220,912 | (39,000) | - | 2,116,125 | - | - | 2,116,125 |
| Water Improvements | 2017 | 2020 | 1.170% | - | 144,012 | - | - | 144,012 | - | 4,877 | 144,012 |
| TOTAL BOND ANTICIPATION NOTES | | | | 9,072,045 | 6,188,234 | (919,000) | - | 14,341,279 | 157,712 | 116,767 | 9,635,137 |
| <u>INSTALLMENT OBLIGATIONS</u> | | | | | | | | | | | |
| Equipment Lease | 2005 | 2020 | 4.490% | 134,091 | - | (65,573) | - | 68,518 | 6,021 | 509 | 68,517 |
| Wendel Energy | 2007 | 2022 | 4.490% | 1,269,319 | - | (301,534) | - | 967,785 | 43,335 | 13,382 | 311,828 |
| Equipment Lease | 2015 | 2020 | 3.000% | 42,897 | - | (21,127) | - | 21,770 | 1,305 | 55 | 21,770 |
| Vehicle Lease | 2017 | 2022 | 3.350% | 115,317 | - | (27,399) | - | 87,918 | 3,923 | 249 | 28,331 |
| TOTAL INSTALLMENT PURCHASE DEBT | | | | 1,561,624 | - | (415,633) | - | 1,145,991 | 54,584 | 14,195 | 430,446 |
| <u>SERIAL BONDS</u> | | | | | | | | | | | |
| Clean Water Revolving Loan | 2004 | 2025 | 4.25 - 5.025% | 1,075,000 | - | (140,000) | - | 935,000 | 17,380 | 16,521 | 140,000 |
| Clean Water Revolving Loan | 2005 | 2025 | 3.814 - 4.27% | 174,000 | - | (22,000) | - | 152,000 | 1,847 | 2,440 | 22,000 |
| Clean Water Revolving Loan | 2005 | 2024 | 3.529 - 3.969% | 530,000 | - | (80,000) | - | 450,000 | 20,563 | 4,436 | 85,000 |
| Clean Water Revolving Loan | 2011 | 2031 | 0.281 - 4.113% | 4,000,000 | - | (300,000) | - | 3,700,000 | 142,887 | 12,309 | 300,000 |
| Various Public Improvements | 2010 | 2027 | 2.00 - 4.25% | 1,565,000 | - | (215,000) | - | 1,350,000 | 59,550 | 11,299 | 220,000 |
| Clean Water Revolving Loan | 2012 | 2032 | 0.285 - 3.4% | 2,605,000 | - | (160,000) | - | 2,445,000 | 53,590 | 11,922 | 165,000 |
| Refunding Serial Bonds | 2015 | 2026 | 2.00 - 5.00% | 1,509,999 | - | (330,000) | - | 1,179,999 | 58,306 | 22,351 | 200,000 |
| Public Improvement | 2015 | 2035 | 2.00 - 3.5% | 6,485,000 | - | (510,000) | - | 5,975,000 | 165,965 | 46,431 | 525,000 |
| Public Improvement | 2018 | 2038 | 3.00 - 3.375% | 11,936,704 | - | (810,000) | - | 11,126,704 | 524,875 | 99,747 | 831,703 |
| TOTAL SERIAL BONDS | | | | 29,880,703 | - | (2,567,000) | - | 27,313,703 | 1,044,963 | 227,456 | 2,488,703 |

CITY OF KINGSTON, NEW YORK
SCHEDULE OF INDEBTEDNESS (Continued)
DECEMBER 31, 2019

| | Date of Issue | Date of Final Maturity | Interest Rate | Outstanding Beginning of Fiscal Year | Issued During Fiscal Year | Paid During Fiscal Year | Refinanced During Fiscal Year | Outstanding End of Fiscal Year | Interest Paid During Fiscal Year | Interest Accrued at 12/31/2019 | Due Within the Next Year |
|--------------------------------------|------------------|------------------------------|------------------|--|---------------------------------|-------------------------------|-------------------------------------|--------------------------------------|--|--------------------------------------|--------------------------------|
| RETIREMENT SYSTEM OBLIGATIONS | | | | | | | | | | | |
| NYS Police & Fire Retirement | | | | | | | | | | | |
| System Obligations | 2012 | 2/1/2022 | 3.750% | 115,578 | - | (115,578) | - | - | (7,779) | - | - |
| NYS Employees' Retirement | | | | | | | | | | | |
| System Obligations | 2013 | 2/1/2023 | 3.000% | 122,454 | - | (122,454) | - | - | 4,139 | - | - |
| NYS Police & Fire Retirement | | | | | | | | | | | |
| System Obligations | 2013 | 2/1/2023 | 3.000% | 205,443 | - | (205,443) | - | - | 10,532 | - | - |
| NYS Police & Fire Retirement | | | | | | | | | | | |
| System Obligations | 2014 | 2/1/2024 | 3.670% | 360,651 | - | (360,651) | - | - | 13,236 | - | - |
| NYS Employees' Retirement | | | | | | | | | | | |
| System Obligations | 2015 | 2/1/2025 | 3.150% | 260,821 | - | (260,821) | - | - | 9,259 | - | - |
| NYS Police & Fire Retirement | | | | | | | | | | | |
| System Obligations | 2015 | 2/1/2025 | 3.150% | 98,790 | - | (98,790) | - | - | 5,477 | - | - |
| NYS Employees' Retirement | | | | | | | | | | | |
| System Obligations | 2016 | 2/1/2026 | 3.210% | 98,877 | - | (98,877) | - | - | 3,579 | - | - |
| | | | | 1,262,614 | - | (1,262,614) | - | - | 38,443 | - | - |
| TOTAL INDEBTEDNESS | | | | \$ 41,776,986 | \$ 6,188,234 | \$ (5,164,247) | \$ - | \$ 42,800,973 | \$ 1,295,702 | \$ 358,418 | \$ 12,554,286 |

**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, 2019**

| <u>Grantor/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number/NYS 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>CDBG - Entitlement Grants Cluster</i> | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | N/A | \$ 79,033 | \$ 554,754 |
| PASSED THROUGH NYS HOUSING TRUST FUND CORP.: | | | | |
| HOME Investment Partnerships Program | 14.239 | SHARS ID 20133151 | - | 1,845 |
| <u>US DEPARTMENT OF TRANSPORTATION</u> | | | | |
| DIRECT PROGRAMS: | | | | |
| <i>Federal Transit Cluster</i> | | | | |
| Federal Transit Formula Grants | 20.507 | N/A | - | 233,602 |
| Federal Grants for Rural Areas and Tribal Transit Program | 20.509 | N/A | - | 11,875 |
| PASSED THROUGH NEW YORK STATE: | | | | |
| <i>Highway Planning and Construction Cluster</i> | | | | |
| Highway Planning and Construction | 20.205 * | N/A | - | 805,832 |
| Recreation Trails Program | 20.219 * | N/A | - | 113,404 |
| Total Highway Planning & Construction Cluster | | | - | 919,236 |
| <u>ENVIRONMENTAL PROTECTION AGENCY</u> | | | | |
| DIRECT PROGRAMS: | | | | |
| Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements | 66.818 * | N/A | - | 235,627 |
| PASSED THROUGH NEW YORK STATE: | | | | |
| <i>Drinking Water State Revolving Fund Cluster</i> | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 | | - | 391,054 |
| <u>US DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| PASSED THROUGH NEW YORK STATE DHSES: | | | | |
| Homeland Security Grant Program | 97.067 | 3972701 | - | 32,786 |
| Hazard Mitigation Grant | 97.039 | N/A | - | 1,303,194 |
| Disaster Grants - Public Assistance | 97.036 | N/A | - | 31,575 |
| Staffing for Adequate Fire & Emergency Response (SAFER) | 97.083 | N/A | - | 262,376 |
| TOTAL FEDERAL AWARDS EXPENDED | | | \$ 79,033 | \$ 3,977,924 |
| <u>STATE TRANSPORTATION ASSISTANCE</u> | | | | |
| New York State Department of Transportation: | | | | |
| CHIPS - Capital Reimbursement Component | ** | N/A | | \$ 595,082 |
| State Transit Op Assistance - Sponsor Operated | | N/A | | 183,563 |
| Marchiselli Match - Federal Highway Projects | | 8756.18.121 | | 81,000 |
| Albany Ave Arterial | | N/A | | 26,383 |
| TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDITURES | | | | \$ 886,028 |

* 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, 2019**

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, New York under programs of the federal government and state transportation assistance for the year ended December 31, 2019. 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 2019:

| <u>Program Title</u> | <u>CDFA Number</u> | <u>Amount Provided to Subrecipients</u> |
|---|--------------------|---|
| Community Development Block Grants/Entitlement Grants | 14.218 | \$ 79,033 |

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, 2019, 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, 2019</u> | <u>Amount Outstanding December 31, 2019</u> |
|---|------------------------------------|--|---|
| Community Development Block Grant Program | 14.218 | \$ 143,135 | \$ 1,098,498 |

**CITY OF KINGSTON, NEW YORK
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE TRANSPORTATION ASSISTANCE
DECEMBER 31, 2019**

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 | \$ 3,977,924 | \$ 886,028 |
| Reconciling items: | | |
| SEFA is reported on the basis of expenditures not revenues | 42,918 | - |
| Non-DOT State Aid | <u>-</u> | <u>3,697,729</u> |
| | <u>\$ 4,020,842</u> | <u>\$ 4,583,757</u> |
| Federal and State aid as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances | \$ 2,326,594 | \$ 3,761,753 |
| Federal and State aid as reported in the Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds | <u>1,694,248</u> | <u>822,004</u> |
| Total Federal and State Aid | <u>\$ 4,020,842</u> | <u>\$ 4,583,757</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, New York ("the City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Kingston, New York's basic financial statements, and have issued our report thereon dated October 28, 2020. Our report includes a reference to other auditors who audited the financial statements of the City's Water Fund and the discretely presented component units, 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 which 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's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City 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
October 28, 2020



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

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

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 (“the City”)’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, New York’s major federal programs for the year ended December 31, 2019. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the 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'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.

Opinion

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, 2019.

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
October 28, 2020



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH STATE
TRANSPORTATION ASSISTANCE PROGRAM TESTED
AND ON INTERNAL CONTROL OVER COMPLIANCE**

Members of the Common Council
City of Kingston
420 Broadway
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's state transportation assistance programs that were tested for the year ended December 31, 2019. 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.

Opinion

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, 2019.

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
October 28, 2020

**CITY OF KINGSTON, NEW YORK
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019**

A. Internal Control Findings

None Noted

B. Compliance Findings

None noted

**CITY OF KINGSTON, NEW YORK
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2019**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

| | | |
|---|-----------------------|--------------------------------|
| Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| Significant deficiency(s) identified? | <u> </u> Yes | <u> X </u> None reported |
| Noncompliance material to the financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major programs:

| | | |
|---------------------------------------|-----------------------|--------------------------------|
| Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| Significant deficiency(s) identified? | <u> </u> 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)? | <u> </u> Yes | <u> X </u> No |
|--|-----------------------|---------------------|

Identification of major programs:

| <u>CFDA/Grant Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------------|--|
| 20.205 | Highway Planning & Construction |
| 20.219 | Recreation Trails Program |
| 66.818 | Brownfields Multipurpose, Assessment, Revolving Loan Fund and Cleanup Cooperative Agreements |

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

State Awards

Internal control over state transportation expended:

| | | |
|---------------------------------------|-----------------------|--------------------------------|
| Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| Significant deficiency(s) identified? | <u> </u> 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? | <u> </u> Yes | <u> X </u> No |
|--|-----------------------|---------------------|

Identification of program tested:

CHIPS - Capital Reimbursement Component

**CITY OF KINGSTON, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Internal Control Findings

None Noted

B. Compliance Findings

None noted