

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 27, 2018

**NEW ISSUE/RENEWAL
SERIAL BONDS – BOOK ENTRY
BOND ANTICIPATION NOTES – BOOK-ENTRY**

**RATING – S&P GLOBAL RATINGS:
See “Bond Rating”, herein**

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

**CITY OF KINGSTON
ULSTER COUNTY, NEW YORK
(the “City”)**

**\$11,930,000 PUBLIC IMPROVEMENT (SERIAL) BONDS, 2018
(the “Bonds”)
[BOOK-ENTRY BONDS]**

**BOND MATURITY SCHEDULE
(See Inside Front Cover)**

Prior Redemption: The Bonds maturing on March 15, 2026 and thereafter are subject to redemption, at the option of the City, prior to maturity, in any order of maturity and in any amount within a maturity, on any date on or after March 15, 2025 in accordance with the terms described herein. See “Optional Redemption” under “The Bonds,” herein.

**\$2,300,000 BOND ANTICIPATION NOTES, 2018
(the “Notes”)**

Dated Date: March 22, 2018

Maturity Date: March 22, 2019

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

Security and Sources of Payment: The Bonds and the Notes are general obligations of the City and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the City, subject to certain statutory limitations (see “Tax Levy Limitation Law,” herein).

Form and Denomination: At the option of the purchaser, the Bonds and the Notes may be either registered in the name of the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”) as book-entry bonds and notes. Individual purchases of the Bonds and the Notes may be made in denominations of \$5,000 or integral multiples thereof. Bondholders will not receive certificates representing their respective interests in the Bonds and the Notes purchased. See “BOOK-ENTRY SYSTEM,” herein.

Payment: Payment of the principal of and interest on any Bonds and Notes issued in book-entry form will be made by the City to DTC which will in turn remit such payment to its Participants for subsequent distribution to the Beneficial Owners of the Bonds and the Notes in accordance with standing instructions and customary practices. Payment to the Beneficial Owners will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. See “BOOK-ENTRY SYSTEM,” herein. Payment of the principal of and interest on any Bonds and Notes registered in the name of the Purchaser will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

Proposals for the Bonds and the Notes will be received at 11:00 A.M. (Prevailing Time) on March 13, 2018 at the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Bonds and the Notes are offered when, as and if issued and received by the Purchasers and subject to the receipt of an approving legal opinion as to the validity of the Bonds and the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Bonds and the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey on or about March 22, 2018.

THIS OFFICIAL STATEMENT IS IN A FORM “DEEMED FINAL” BY THE CITY FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE “RULE”) EXCEPT FOR CERTAIN INFORMATION THAT WILL BE UPDATED FOLLOWING THE SALE OF THE BONDS AND THE NOTES. FOR A DESCRIPTION OF THE CITY’S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AND THE NOTES, AS DESCRIBED IN THE RULE, SEE “DISCLOSURE UNDERTAKING” HEREIN.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

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

**\$11,930,000 PUBLIC IMPROVEMENT (SERIAL) BONDS, 2018
MATURITIES, RATES AND YIELDS (OR PRICES)**

Dated: March 22, 2018

Principal Due: March 15, 2019-2038, inclusive

Interest Due: March 15, 2019 and semi-annually thereafter in each year until maturity

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2019	\$810,000			
2020	825,000			
2021	745,000			
2022	700,000			
2023	620,000			
2024	610,000			
2025	625,000			
2026	585,000*			
2027	590,000*			
2028	610,000*			
2029	600,000*			
2030	610,000*			
2031	535,000*			
2032	510,000*			
2033	485,000*			
2034	505,000*			
2035	515,000*			
2036	505,000*			
2037	505,000*			
2038	440,000*			

*Subject to Optional Redemption prior to maturity.

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

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

CITY OFFICIALS

Steven T. Noble, Mayor

James L. Noble, Jr., Alderman-at-Large

Aldermen

First Ward – Jeffrey Ventura Morell
Second Ward – Douglas Koop
Third Ward – Reynolds Scott-Childress
Fourth Ward – Rita Worthington
Fifth Ward – William Carey
Sixth Ward – Anthony Davis
Seventh Ward – Patrick O’Reilly
Eighth Ward – Steven Schabot
Ninth Ward – Andrea Shaut

John R. Tuey, CPA, City Comptroller
Carly Winnie, City Clerk
Kevin Bryant, Esq., Corporation Counsel

* * *

BOND COUNSEL

Orrick, Herrington & Sutcliffe, LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, NY 11776
(631) 331-8888

E-mail: info@munistat.com
Website: <http://www.munistat.com>

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of the Bonds and the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor may sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

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OFFICIAL STATEMENT

CITY OF KINGSTON ULSTER COUNTY, NEW YORK

\$11,930,000 PUBLIC IMPROVEMENT (SERIAL) BONDS, 2018 **and** **\$2,300,000 BOND ANTICIPATION NOTES, 2018**

This Official Statement and appendices thereto presents certain information relating to the City of Kingston, in the State of New York (the "City" and "State," respectively) in connection with the sale of \$11,930,000 Public Improvement (Serial) Bonds, 2018 (the "Bonds") and \$2,300,000 Bond Anticipation Notes, 2018 (the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

THE BONDS

Description of the Bonds

The Bonds will be dated date of delivery, and will mature in the principal amounts on March 15, in each of the years 2019 to 2038, inclusive, as set forth on the inside cover page. Interest on the Bonds will be payable March 15, 2019, and semi-annually thereafter in each year until maturity.

At the option of the purchaser, the Bonds and the Notes may be either registered in the name of the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. Individual purchases of the Bonds and the Notes may be made in denominations of \$5,000 or integral multiples thereof. For Bonds and Notes issued as book-entry bonds through DTC, Bondholders or Noteholders will not receive certificates representing their respective interests in the Bonds and the Notes purchased (See "*BOOK-ENTRY SYSTEM*," herein).

The Record Date of the Bonds will be the last business day of the calendar month preceding each interest payment date.

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

Optional Redemption

The Bonds maturing on or before March 15, 2025 will not be subject to redemption prior to maturity. The Bonds maturing on March 15, 2026 and thereafter, will be subject to redemption, at the option of the City, prior to maturity, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after March 15, 2025, at par plus accrued interest to the date of redemption.

Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

Authorization and Purpose for the Bonds

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law, and various bond resolutions duly adopted by the City Council on various dates (the “Bond Resolutions”). The amounts to be financed are set forth below:

Date of Authorization	Purpose	Amount Authorized	Amount Outstanding	Amount to be Paid	Total Amount to be Issued
06/03/2014	Water Treatment Plant Improvements	\$4,160,400	\$1,325,000	\$35,000	\$1,290,000
05/01/2012	Purchase of Packer for Dept. of PW	575,000	91,754	9,754	82,000
12/03/2013	Parking Lot Renovations	300,000	56,269	6,269	50,000
09/02/2014	Sewer Design Work	250,000	60,487	17,487	43,000
09/02/2014	Purchase of Police Dept. Equipment	207,000	1,657	1,657	0
10/07/2014	Jacobs Valley Storm Sewer Improvements	175,000	16,353	1,353	15,000
12/02/2014	Purchase of Various Equipment	299,000	17,800	3,800	14,000
06/02/2015	Various Stormwater Improvements	50,000	4,500	1,500	3,000
10/06/2015	Street Light Replacement Project	2,205,000	470,808	25,808	445,000
12/01/2015	Asset Management GAP Assessment	45,000	17,750	3,750	14,000
12/01/2015	Purchase of Various Machinery & Equipment	882,000	200,000	13,000	187,000
12/01/2015	Purchase of Various Machinery & Equipment	882,000	189,427	16,427	173,000
12/01/2015	Purchase of Fire Department Safety Equipment	250,000	233,415	40,415	193,000
12/01/2015	Police Dept. Records Management System	180,000	36,000	8,000	28,000
12/01/2015	DPW Air Compressor	20,000	14,545	1,545	13,000
12/01/2015	Purchase of Police Dept. Patrol Cars	130,000	35,210	12,210	23,000
04/05/2016	Pike Plan Project Study	50,000	23,300	4,300	19,000
06/07/2016	Midtown Neighborhood Center	1,250,000	328,164	15,164	313,000
06/30/2013	Washington Avenue Tunnel	1,900,000	480,000	10,000	470,000
06/30/2013	Washington Avenue Tunnel	1,900,000	600,000	25,000	575,000
12/03/2013	Parking Lot Renovations	300,000	160,000	20,000	140,000
12/03/2013	Purchase of Ladder Truck	950,000	900,000	0	900,000
04/01/2014	Jacobs Valley Storm Sewer Improvements	175,000	17,000	1,000	16,000
06/03/2014	Washington Avenue Resignalization	551,000	37,000	2,000	35,000
09/02/2014	Sewer Design Work	250,000	32,544	10,544	22,000
09/02/2014	Sewer Design Work	250,000	51,000	20,000	31,000
10/07/2014	HVAC Improvements	100,000	83,000	10,000	73,000
10/07/2014	Washington Avenue Manholes	220,000	205,000	10,000	195,000
12/02/2014	Purchase of Ball Field Groomer	16,000	12,000	2,000	10,000
12/02/2014	Various Park Improvements	85,000	13,000	1,000	12,000
12/02/2014	Purchase of Heavy Equipment and Machinery	135,000	123,000	8,000	115,000
12/02/2014	Purchase of Heavy Equipment and Machinery	314,000	280,000	20,000	260,000
12/02/2014	Purchase of Heavy Equipment and Machinery	25,000	9,000	9,000	0
12/02/2014	Traffic Signal Replacement	450,000	380,000	14,000	366,000
02/03/2015	Street Light Replacement Project	105,000	98,000	6,331	91,669
04/07/2015	Washington Avenue Tunnel Remediation	3,220,000	2,051,744	376,413	1,675,331
04/07/2015	Washington Avenue Tunnel Remediation	3,220,000	606,000	16,000	590,000
05/15/2015	Design Costs for Neighborhood Center Improvements	36,000	30,000	5,000	25,000
06/02/2015	Various Stormwater Improvements	50,000	11,270	1,270	10,000
06/02/2015	Parking Lot Improvements	20,000	18,000	2,000	16,000
08/04/2015	North Front Street Staircase	169,290	127,000	12,000	115,000
09/01/2015	Andy Murphy Center Improvements	700,000	680,000	20,000	660,000
05/05/2015	Acquisition of Truck DPW	50,000	47,000	3,000	44,000
10/06/2015	Fire Hydrant Relocation	35,000	28,530	3,530	25,000
01/06/2015	Asset Management Plan	30,000	1,390	1,390	0
12/01/2015	Purchase of Fire Dept. Safety Equipment	250,000	5,571	5,571	0
12/01/2015	Acquisition of Park and Recreation Lawn Mowers	35,000	27,849	27,849	0
12/01/2015	Acquisition of Park and Recreation Loader	5,000	4,000	4,000	0
12/01/2015	Acquisition of Park and Recreation Pickup	40,000	34,390	3,390	31,000

Authorization and Purpose for the Bonds - Continued

Date of Authorization	Purpose	Amount Authorized	Amount Outstanding	Amount to be Paid	Total Amount to be Issued
12/01/2015	Acquisition of DPW Packer	317,000	317,000	26,000	291,000
12/01/2015	Acquisition of Park and Recreation Tractor	35,000	32,000	3,000	29,000
12/01/2015	Acquisition of DPW Mason Dump	60,000	22,390	8,390	14,000
12/01/2015	Acquisition of DPW Pickup	30,000	29,601	4,601	25,000
12/01/2015	PD Records Management	180,000	111,500	30,500	81,000
12/01/2015	Acquisition of DPW Air Compressor	20,000	2,860	2,860	0
01/06/2015	Pike Plan Investigative Study	92,000	4,906	906	4,000
05/03/2016	Sewer Separation Project	1,900,000	1,821,806	55,806	1,766,000
09/01/2015	Midtown Neighborhood Center	21,129	21,129	1,129	20,000
07/12/2016	Safe Routes to School	577,000	46,909	5,909	41,000
11/11/2016	Installation of Fire Station Floor	102,000	37,580	7,580	30,000
11/11/2016	Washington Avenue Tunnel Designs	2,500,000	23,040	2,040	21,000
12/06/2016	Acquisition of Police Vehicles	99,000	87,365	27,365	60,000
12/06/2016	Acquisition of PD Equipment	41,000	27,748	7,748	20,000
12/06/2016	Acquisition of DPW Truck	52,000	26,141	1,141	25,000
12/06/2016	Acquisition of Refuse Totes	75,000	50,615	10,615	40,000
12/06/2016	Acquisition of Andreatta Pool Vacuum	8,000	3,279	3,279	0
12/06/2016	Acquisition of Parks and Recreation Van	30,000	27,290	7,290	20,000
03/07/2017	Asbestos Abatement Fire Station	100,000	37,000	2,000	35,000
		\$33,735,819	\$13,005,886	\$1,075,886	\$11,930,000

Continuing Disclosure Undertaking for the Bonds

At the time of delivery of the Bonds, the City will provide an executed copy of its “Undertaking to Provide Continuing Disclosure” (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the City for the benefit of holders of and owners of beneficial interest in the Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board (“MSRB”) established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking:

- (1) (i) to the Electronic Municipal Market Access (“EMMA”) system of the Municipal Securities Rulemaking Board (“MSRB”) or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the final Official Statement relating to the Bonds under the headings “The City”, “Indebtedness of the City”, “Finances of the City”, “Real Property Tax Information”, “Litigation” and all Appendices (other than any related to bond insurance) by the end of the eighth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2017, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2017; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time, within sixty days following receipt by the City of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided

to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the City of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the City; (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

(3) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide the annual financial information by the date specified.

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

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

THE NOTES

Description of the Notes

The Notes will be dated March 22, 2018 and will mature, without right of redemption prior to maturity, on March 22, 2019, with interest payable at maturity.

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

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

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

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

Optional Redemption

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

Authorization and Purpose for the Notes

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law and various bond ordinances adopted by the Common Council of said City. The Notes will provide original financing in the amount of \$2,300,000 for various projects in and for the City. The list of projects that will be financed by such amount are as follows:

Date of Authorization	Purpose	Amount Authorized	Amount Outstanding	Total Amount to be Issued
02/06/2018	Replacement of Water Infrastructure	\$1,500,000		1,500,000
02/06/2018	Design Work for Cooper Lake Dam Rehabilitation	800,000		800,000
		<u>\$2,300,000</u>	<u>\$ 0</u>	<u>\$2,300,000</u>

Disclosure Undertaking for the Notes

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

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

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

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

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

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

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

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

BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Bonds and those Notes issued as book-entry-only notes. The Bonds and the Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and the Notes and deposited with DTC.

DTC is limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

Beneficial Owners of the Bonds and the Notes may wish to take certain steps to augment the transmission to them or notices of significant events with respect to the Bonds and the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds and the Notes may wish to ascertain that the nominee holding the Bonds and the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Principal and interest payments on the Bonds and the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, bond and note certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In the event, bond and note certificates will be printed and delivered to DTC. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond and note certificates will be printed and delivered to DTC.

Source: The Depository Trust Company, New York, New York.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS AND THE NOTES; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; OR (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS AND THE NOTES; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS AND THE NOTES (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE BONDS AND THE NOTES; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS AND THE NOTES; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE BONDS AND THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the City takes no responsibility for the accuracy thereof. In addition, the City will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, and participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the bonds or (iii) any notice which is permitted or required to be given to Bondowners.

Security and Source of Payment

Bonds and Notes are a contract between the City and the holder thereof. The Bonds and the Notes are general obligations of the City and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds and the Notes as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). For the payment of such principal and interest, the City has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the City subject to applicable statutory limitations. See “Nature of Obligation” and “Tax Levy Limitation Law” herein.

Principal and interest on the Bonds and the Notes will be provided from budget appropriations.

For a description of prior issues of bond anticipation notes and of projected issues of obligations for capital and operating purposes of the City, see “Details of Short-Term Indebtedness Outstanding”.

Nature of Obligation

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

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

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

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

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

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

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

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

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

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

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

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

Tax Levy Limitation Law

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

The Tax Levy Limitations Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement for districts that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2020 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index (“CPI”), over the amount of the prior year’s tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System, the Police and Fire Retirement System, and the Teachers’ Retirement System. Each municipality, prior to adoption of each fiscal year budget, must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

Raising the age for criminal responsibility to 18 years of age was included as part of the State's 2017 budget legislation. The City is expected to incur additional costs related to juvenile offenders, including Family Court and Social Services. The State will reimburse the City for such costs only if the City stays within the Tax Cap.

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

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

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision

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

Execution/Attachment of Municipal Property

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

Authority to File For Municipal Bankruptcy

The Federal Bankruptcy Code allows public bodies, such as counties, cities, towns or villages, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

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

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

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

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

State Debt Moratorium Law

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Several municipalities in the State are presently working with the FRB. The City is presently not working with the FRB. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision

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

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

Default Litigation

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

No Past Due Debt

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

THE CITY

Known previously over the past 300 years as Esopus, Wiltwyck and Swanenburg, prior to its present name, the City of Kingston was, in its early history, raided, burned and fought over by Indians, Dutch and British. The City, located on the west side of the Hudson River, has an area of approximately 7.4 square miles, a population of 23,625 (2015 U.S. Census), and is approximately 78 miles north of Manhattan and approximately 48 miles south of Albany, the State capital. Kingston was the first capital of the State. The City was incorporated in 1872, and is also known as the "Gateway to the Catskills". The County Seat of Ulster County is located in the City. Police and fire protection are provided by the City. The City provides park and recreational facilities.

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

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

Governmental Organization

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

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

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

Financial Organization and Budgetary Procedures

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

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

Employees

The City provides services through approximately 292 full-time employees. Union representation of full time employees is as follows:

<u>Name of Union</u>	<u>Approximate Membership</u>	<u>Date Contract Expires</u>
Civil Service Employees Association.....	126	12-31-16 ^a
Kingston Professional Fire Fighters’ Association	52	12-31-16 ^a
Kingston Police Benevolent Association.....	74	12-31-16 ^a
American Federation of State, County & Municipal Employees ..	17	12-31-18

^a. Currently in negotiations.

Selected Wealth and Income Indicators

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016^a</u>
City of Kingston	\$14,341	\$18,662	\$24,117	\$24,392
County of Ulster	14,921	20,842	28,532	31,760
State of New York	16,501	23,389	30,948	34,212

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016^a</u>
City of Kingston	\$29,133	\$31,594	\$44,939	\$43,511
County of Ulster	34,033	42,551	56,434	60,393
State of New York	32,965	43,393	55,217	60,741

Source: United States Bureau of the Census

a. Note: Based on American Community Survey 5-Year Estimates (2012-2016)

Population

<u>Year</u>	<u>City of Kingston</u>	<u>Ulster County</u>	<u>New York State</u>
1990	23,095	165,304	17,990,455
2000	23,456	177,749	18,976,457
2010	23,893	182,493	19,378,102
2016	23,506	180,505	19,697,457

Source: United States Bureau of the Census

Building Permit Activity

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
New One or Two Family Residences	5	3	2	3	4
New Commercial/Industrial Buildings	-	-	-	-	-
New Multiple Residences Occupancies	-	1	-	-	1
Additions, Alterations or Repairs on Existing Buildings	136	146	116	176	211
All Other Permits (Pools, Sheds, Decks, Etc.)	252	224	403	422	599

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

Non-Retail Employers

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

Retail Businesses

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

Key:

A Greater than 1,000 employees

B 500-999 employees

C 250-499 employees

D 100-249 employees

Source: Ulster County Official Statement dated November 21, 2017.

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

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

Unemployment Rate Statistics

<u>Annual Averages:</u>	<u>City of Kingston (%)</u>	<u>Ulster County (%)</u>	<u>New York State (%)</u>
2012	8.7	8.7	8.6
2013	7.8	7.8	7.7
2014	6.3	6.3	6.4
2015	4.9	4.9	5.3
2016	4.3	4.3	4.9
2017	4.5	4.5	4.6

Source: New York State Department of Labor.

INDEBTEDNESS OF THE CITY

Constitutional Requirements

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

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

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

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

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

Statutory Procedure

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

Pursuant to the Local Finance Law, the City authorizes the incurrence of indebtedness by the adoption of a bond ordinance approved by at least two-thirds of the members of the Board of Education, the finance board of the City.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The City will be in compliance upon closing with such requirement with respect to the bond resolution authorizing the issuance of the Bonds and the Notes.

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

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

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

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

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

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

Computation of Debt Limit and Net Debt Contracting Margin
(As of February 27, 2018)

Fiscal Year Ending <u>December 31:</u>	<u>Assessed Valuation</u>	State Equalization <u>Rate (%)</u>	<u>Full Valuation</u>
2014	\$1,432,929,757	100	\$1,432,929,757
2015	1,383,517,084	100	1,383,517,084
2016	1,380,129,553	100	1,380,129,553
2017	1,392,117,447	100	1,392,117,447
2018	1,427,133,713	100	<u>1,427,133,713</u>
Total Five Year Full Valuation			\$7,015,827,554
Average Five Year Full Valuation			1,403,165,511
Debt Limit - 7% of Average Full Valuation			98,221,586
Inclusions:			
Outstanding Bonds:			
General Purposes			5,856,807
Library Purposes			554,000
Sewer Purposes			8,016,309
Water Purposes			<u>5,160,280</u>
Sub-Total			19,587,396
Bond Anticipation Notes			<u>13,005,886</u>
Total Inclusions			<u>32,593,282</u>
Exclusions:			
Sewer Debt			4,300,000
Water Debt			5,160,280
Bond Appropriations			1,031,396
Note Appropriations			<u>1,075,886</u>
Total Exclusions			11,567,562
Total Net Indebtedness Before Issuing the Bonds and Notes			<u>21,025,720</u>
The Bonds			11,930,000
The Notes			2,300,000
Less: BANs to be redeemed by the Issuance of the Bonds			<u>11,930,000</u>
Net Effect of the Bonds and Notes			<u>2,300,000</u>
Total Net Indebtedness After Issuing the Bonds and Notes			23,325,720
Net Debt Contracting Margin			<u><u>\$74,895,866</u></u>
Percent of Debt Limit Exhausted			23.75%

a. Does not include approximately \$2.0 million in short-term financing through the NYS Environmental Facilities Corporation under the Drinking Water State Revolving Loan Fund. See "Water System Improvements" herein.

Debt Service Requirements - Outstanding Bonds

Fiscal Year Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,742,000	\$639,061	\$3,381,061
2019	1,757,000	573,854	2,330,854
2020	1,657,000	520,786	2,177,786
2021	1,681,000	468,838	2,149,838
2022	1,661,000	417,966	2,078,966
2023	1,526,000	367,729	1,893,729
2024	1,491,000	320,962	1,811,962
2025	1,396,000	265,607	1,661,607
2026	1,205,000	217,140	1,422,140
2027	1,015,000	177,015	1,192,015
2028	845,000	143,801	988,801
2029	845,000	113,877	958,877
2030	795,000	84,730	879,730
2031	785,000	56,603	841,603
2032	485,000	34,894	519,894
2033	265,000	22,700	287,700
2034	265,000	13,922	278,922
2035	270,000	4,725	274,725
Totals	<u>\$20,686,000</u>	<u>\$4,444,212</u>	<u>\$25,130,212</u>

a. The subsidies received from the Environmental Facilities Corporation (EFC) have not been deducted from the interest due on approximately \$9.2 million in loans through EFC. Does not reflect payments made to date.

Lease-Purchase Obligations

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

Fiscal Year Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	401,335	68,880	\$470,215
2019	415,634	54,583	\$470,217
2020	430,446	39,769	\$470,215
2021	351,769	24,421	\$376,190
2022	363,775	12,415	\$376,190
Totals	<u>\$1,962,959</u>	<u>\$200,068</u>	<u>\$2,163,027</u>

Trend of City Indebtedness^a

	Fiscal Year Ending December 31:				
	2013	2014	2015	2016	2017
Debt Outstanding End of Year:					
Bonds	\$22,692,158	\$20,265,000	\$26,547,628	\$23,603,000	\$20,686,000
BANs	7,821,000	12,732,055	8,132,117	10,968,333	13,005,886
Lease Purchase Obligations	3,116,137	2,794,744	2,566,980	2,141,815	1,962,959
Total Debt Outstanding	\$33,629,295	\$35,791,799	\$37,246,725	\$36,713,148	\$35,654,845

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

Details of Short-Term Indebtedness Outstanding

The City has \$3,122,439 in bond anticipation notes outstanding for various public improvements within the City due March 23, 2018. The City also has \$9,375,000 in bond anticipation notes outstanding for various purposes due March 23, 2018. Such bond anticipation notes will be redeemed by the issuance of the Bonds along with available funds in the amount of \$1,051,070.

Water System Improvements - Environmental Facilities Corporation

The City began a three phase project in 2014 which includes construction of improvements to the Foxhall Avenue Pump Station, the Edmund T. Cloonan Water Treatment Plant and the installation of a system to better monitor and operate water system facilities. The improvements to the Foxhall Ave Pump Stations and the Edmund T. Cloonan Water Treatment Plant were completed and the system-wide monitoring system is expected to be completed in 2018. The City adopted a bond ordinance in the amount of \$3,160,400 on June 3, 2014 to authorize the projects. Twenty-five percent of the project costs are provided through a federal grant and the balance is funded through a zero-interest loan through the NYS Environmental Facilities Corporation (EFC) under the Drinking Water State Revolving Loan Fund (DWSRF). The City has drawn down \$2,039,213 in short-term financing through EFC and, upon completion, such amount is expected to be converted to long-term subsidized bonds.

On October 6, 2015, the City adopted a bond ordinance in the amount of \$3,500,000 for transmission main rehabilitation and improvements. The project was awarded a New York State Water Infrastructure Investment Act grant of \$2,034,000. The balance of the project will be financed through a subsidized loan through the EFC. To date, \$145,303 of the short-term EFC financing has been requested to be drawn down and, upon completion, such amount is expected to be converted to long-term subsidized bonds. Construction is expected to begin on the project in late 2018.

Authorized but Unissued Indebtedness

The City has authorized but unissued debt in the amount of \$36,242,471 for various public improvements in the City. The issuance of the Notes will finance \$2,300,000 of such amount. It is also expected that the City will receive grant funds for a significant portion of the authorized but unissued amount and therefore the amount to be financed will be reduced.

Capital Program

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

The City's proposed capital improvement plan for the years 2018-2021 is set forth below.

<u>Description of Project</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
Police Department	\$ 65,000	\$ 180,000	\$ 205,000	\$ 180,000	\$ 630,000
Fire Department.....	460,000	50,000	125,000	50,000	685,000
Department of Public Works	680,000	375,000	375,000	600,000	2,030,000
Recreation Department.....	325,000	325,000	325,000	325,000	1,300,000
General Government	1,261,052	2,821,724	1,900,000	0	5,982,776
Sewer Department	<u>1,805,000</u>	<u>2,210,000</u>	<u>2,746,928</u>	<u>100,000</u>	<u>6,861,928</u>
Total.....	<u>\$ 4,596,052</u>	<u>\$ 5,961,724</u>	<u>\$ 5,676,928</u>	<u>\$ 1,255,000</u>	<u>\$17,489,704</u>

Sources: Capital Improvement Plan of the City.

The City is also in the midst of a four year capital plan totaling \$20,269,800 which includes construction of various improvements to the Water System to improve operational effectiveness or efficiencies, improve service delivery, or water quality. The majority of the funding for the capital plan is proposed to come directly from the operations budget, either from direct budget appropriations or from debt payments. Since the major source of operating income is from water rates, the Capital Improvement Plan will have an impact on water rates. Opportunities to fund some of these projects have recently become available and the Water Department was successful in obtaining \$2.5 million in grant funding and \$1.4 million in a zero interest loan from state and federal agencies. The Water Department will continue to look for similar cost effective funding opportunities to underwrite the Capital Improvement Plan.

The Capital Improvement Plan for the Water Department is updated every two years. Such plan was last updated in 2017. The Water Department's proposed capital improvement plan for the years 2018-2020 is set forth below

2018	\$4,550,000
2019	6,149,800
2020	<u>5,240,000</u>
Total	<u>\$15,939,800</u>

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Ulster	11/07/2017	7.70	\$7,356,750	\$6,649,854
Kingston CSD	05/31/2017	34.03	<u>23,438,163</u>	<u>23,438,163</u>
Totals			<u>\$30,794,913</u>	<u>\$30,088,017</u>

Sources: State Comptroller's Special Report on Municipal Affairs for 2014 or more recently published Official Statements.

Debt Ratios
(As of February 27, 2018)

	<u>Amount^a</u>	<u>Per Capita^b</u>	<u>Percentage Of Full Value (%)^c</u>
Total Direct Debt	\$34,893,282	\$1,484	2.44
Net Direct Debt	23,325,720	992	1.63
Total Direct & Applicable Total Overlapping Debt	65,688,195	2,795	4.60
Net Direct & Applicable Net Overlapping Debt	53,413,737	2,272	3.74

- a. Inclusive of the Bonds and the Notes.
b. The current estimated population of the City is 23,025.
c. The full valuation of taxable real property in the City for 2017-18 is \$1,427,133,713.

FINANCES OF THE CITY

Financial Statements and Accounting Procedures

The City maintains its financial records in accordance with the Uniform System of Accounts for Cities prescribed by the State Comptroller. The financial records of the City are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2016 and is attached as Appendix C. In addition, the financial affairs of the City are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the City has complied with the requirements of various State and Federal statutes. The City also prepares an Annual Financial Report Update Document (unaudited) (the "AUD") that is filed with the State Comptroller.

Fund Structure and Accounts

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

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

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

Basis of Accounting

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

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

Investment Policy

Pursuant to the statutes of the State of New York and its adopted Investment Policy, the City is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State, provided however, that such time deposit account or certificate of deposit is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (4) obligations of the State of New York; (5) in the case of moneys held in certain reserve funds established by the City pursuant to law, in obligations of the City. Any investments made by the City pursuant to law are required to be payable or redeemable at the option of the City within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. These statutes also require that the City's investments, unless registered or inscribed in the name of the City, must be purchased through, delivered to and held in custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law.

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

Financial Operations

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

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

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

Revenues

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

Real Property Taxes

See "Real Property Tax Information", herein.

State Aid

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

Based on the audited results, the City received approximately 11.11% of its total General Fund operating revenue from State aid in 2016. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

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

The following table sets forth the percentage of the City's General Fund revenue comprised of State and Federal Aid for each of the fiscal years 2012 through 2016 and as budgeted for 2017 and 2018.

<u>Fiscal Year Ended December 31:</u>	<u>General Fund Total Revenue</u>	<u>State & Federal Aid</u>	<u>State Aid To Revenues (%)</u>
2012	\$34,564,055	\$4,484,261	12.97
2013	36,071,435	4,832,569	13.40
2014	36,830,208	4,442,594	12.06
2015	38,887,343	4,487,525	11.54
2016	40,084,751	4,451,696	11.11
2017 (Budgeted)	41,755,982	4,501,280	10.78
2018 (Budgeted)	42,519,568	4,899,797	11.52

Source: Audited Financial Statements (2012-2016) and Adopted Budgets of the City (2017-2018).

Expenditures

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

2018 Adopted Budget

The 2018 Budget of the City as adopted called for total expenditures of \$42,519,568 which is an increase of \$763,586 over the 2017 Adopted Budget. The City appropriated \$932,177 in general fund balance to balance the 2018 Budget.

2017 Adopted Budget

The 2017 Budget of the City as adopted called for total expenditures of \$41,467,784 which is an increase of \$1,434,502 over the 2016 Adopted Budget. The total budgeted tax levy did not change from 2016 to 2017. The City appropriated \$775,000 in general fund balance to balance the 2017 Budget.

Results of Operations: 2016 (Audited)

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

Results of Operations: 2015 (Audited)

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

Results of Operations: 2014 (Audited)

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

The State Comptroller's Fiscal Stress Monitoring System

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

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

The most current applicable report of OSC designates the City as "No Designation" (Fiscal Score: 19.2%). More information on the FSMS may be obtained from the Office of the State Comptroller.

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

Pension Systems

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

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

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

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

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

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

Contributions to the Retirement Systems

Fiscal Year Ending <u>December 31:</u>	Total Amount of <u>Contribution</u>
2012	\$3,446,425
2013	4,649,767
2014	4,004,062
2015	4,154,765
2016	4,367,192
2017	4,196,697
2018 (Budgeted)	4,365,007

Due to prior poor performance of the investment portfolio of the Retirement System, the employer contribution rates for required pension contributions has increased. To help mitigate the impact of such increases, legislation has been enacted that permits local governments and school districts to amortize a portion of such contributions. The City has elected to amortize certain contribution costs in the 2005 through 2007 fiscal years, inclusive, and the 2012 through 2015 fiscal years inclusive. As of December 1, 2017, the total unpaid liability was approximately \$2 million across all operating funds. The City has reduced the amount amortized over the last year and to the extent possible, plans to reduce the amortized amount in the future. As of December 31, 2017, the principal and interest payments to maturity are as follows:

Fiscal Year Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$303,621	\$68,285	\$371,906
2019	314,053	57,854	371,907
2020	324,843	47,063	371,906
2021	336,009	35,898	371,907
2022	300,112	24,345	324,457
2023	245,689	14,172	259,861
2024	142,564	5,826	148,390
2025	30,958	984	31,942
Totals.....	<u>\$1,997,849</u>	<u>\$254,427</u>	<u>\$2,252,276</u>

Other Post Employment Benefits

The City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the City, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 45 (“GASB 45”) described below requires such accounting.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

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

The following table shows the components of the City's other post employment benefits liability as of the date of the most recent completed audited financial statements for fiscal year ended December 31, 2016.

<u>Annual OPEB Cost and Net OPEB Obligation</u>	<u>Fiscal Year Ended December 31, 2016</u>
Annual required contribution (ARC)	\$11,570,000
Interest on net OPEB obligation	1,770,000
Less: Adjustments to ARC	<u>(1,960,000)</u>
Annual OPEB cost (expense)	11,380,000
Less: Contributions made	<u>3,100,000</u>
Increase in net OPEB obligation	8,280,000
Net OPEB obligation-beginning of year	<u>47,200,000</u>
Net OPEB obligation-end of year	<u><u>\$55,480,000</u></u>

Should the City be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the City's finances and could force the City to reduce services, raise taxes or both. At the present time, however, there is no current requirement for the City to partially fund its actuarial accrued OPEB liability.

The OSC has proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. Under the State Comptroller's proposal, there are no limits on how much a local government can deposit into the trust. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the City has decided to continue funding the expenditure on a pay-as-you-go basis.

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

REAL PROPERTY TAX INFORMATION

Real Property Taxes

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

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

Tax Levy and Collection Record

	<u>Fiscal Year Ending December 31:</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Taxes on Roll	\$25,154,916	\$25,384,219	\$25,641,801	\$25,672,660	\$25,657,010
Collected During Year	24,112,950	24,224,442	24,738,826	24,955,431	N/A
Uncollected Amount	1,041,966	1,159,777	902,975	916,729	N/A
Percent Collected	95.86	95.43	96.48	97.21	N/A
 Tax Rate Per \$1,000					
Homestead	\$14.33	\$14.61	\$14.99	\$14.92	\$14.71
Non-Homestead	22.14	22.86	23.49	23.31	22.50

a. Includes the County, Library, and Relevies.

Constitutional Tax Limit

The Constitution limits the amount that may be raised by the City ad valorem tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the City plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the City for the 2018 fiscal year is as follows:

2% Limitation of Five Year Average Full Valuation	\$28,063,310
Plus Exclusions	<u>2,792,920</u>
Maximum Taxing Power	<u>30,856,230</u>
Tax Levy Subject to Tax Limit	<u>\$17,650,940</u>
Tax Margin	<u><u>\$13,205,290</u></u>

The following table sets forth the percentage of the City’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2012 through 2016, inclusive, and budgeted for the year ending December 31, 2017 and December 31, 2018.

Fiscal Year Ended <u>December 31:</u>	<u>Total Revenue</u>	Real Property <u>Taxes</u>	Real Property Taxes to <u>Revenues (%)</u>
2012	\$34,564,055	\$13,830,685	40.01
2013	36,071,435	14,811,073	41.06
2014	36,830,208	14,994,481	40.71
2015	38,887,343	16,591,621	42.67
2016	40,084,751	17,167,464	42.83
2017 (Budgeted)	41,755,982	18,631,633	44.62
2018 (Budgeted)	42,519,568	18,616,944	43.78

Source: Audited Financial Statements (2012-2016) and Adopted Budget of the City (2018).

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

Tax Collection Procedure

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

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

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

Large Taxable Properties
2017 Assessment Roll^a

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Central Hudson Corp	Utility	\$47,710,293
Herzog Supply Co. Inc	Shopping Center	10,043,800
Kingston Motel Corp	Motel	9,765,000
Stony Run II Co., LLC	Apartments	8,153,000
Stony Run Co. LLC	Apartments	6,698,000
Dutch Village Associates LLC	Commercial	6,527,000
Ulster Savings Bank	Commercial	6,430,000
Fairview Gardens LLC	Apartments	6,163,000
Orchard Hills North LLC	Apartments	5,778,000
Verizon, NY Inc.	Utility	<u>5,823,342</u>
	Total ^a	<u>\$113,091,435</u>

a. Represents 7.92% of the total taxable Assessed Valuation of the City for 2018.

Tax Certiorari Claims

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

LITIGATION

In the opinion of the Attorney for the City, there are no significant claims or actions pending in which the City has not asserted a substantial and adequate defense, nor which, if determined against the City, would have an adverse material effect on the financial condition of the City, in view of the City's ability to fund the same through use of appropriate funding mechanisms provided by the Local Finance Law.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the City, threatened against or affecting the City to restrain or enjoin sale or delivery of the Bonds and the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds and the Notes or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the Bonds and the Notes or contesting the corporate existence or boundaries of the City.

**RISK FACTORS
AND
MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND
MUNICIPALITIES OF THE STATE**

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

There are various other forms of risk associated with investing in the Bonds and the Notes. Although none of such risks currently exist with respect to the City or the Bonds and the Notes, there can be no assurance that one or more of such events will not occur in the future. (See "Remedies Upon Default", herein). If a Bondholder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Bonds and the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

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

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City.

In several recent years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

If and when a holder of any of the Bonds and the Notes should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds and the Notes. In addition, the price and principal value of the Bonds and the Notes is dependent on the prevailing level of interests rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

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

TAX MATTERS

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds and the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. In recent years, legislative proposals which generally would limit the exclusion from gross income of interest on obligations like the Bonds and the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates have been introduced. Other proposals have also been made in recent months in connection with tax rate reduction and tax reform proposals. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds and the Notes, Prospective purchasers of the Bonds and the Notes should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

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

RATING

The Notes are not rated.

The City has applied to S&P Global Ratings ("S&P") 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153, for a rating on the Bonds and such application is pending at this time. This rating reflects only the view of the rating agency furnishing the same, and an explanation of the significance of this rating may be obtained only from the rating agency. There is no assurance such rating will continue for any given period of time, or that such rating will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. Any such action could have an adverse effect on the market for and market price of the Bonds and the Notes.

MUNICIPAL ADVISOR

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

OTHER MATTERS

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Bonds and the Notes are to be issued is the Local Finance Law.

The procedure for the validation of the Bonds and the Notes provided in Title 6 of Article 2 of the Local Finance Law, has been complied with.

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

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

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

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of the City Comptroller, City Hall, 420 Broadway, Kingston, New York 12401, telephone number 845/331-0080 or from the office of Munistat Services Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

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

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

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

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

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

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

CITY OF KINGSTON, NEW YORK

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

March , 2018

APPENDIX A

FINANCIAL INFORMATION

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

	Fiscal Year Ending December 31:				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
REVENUES:					
Real property taxes	\$ 13,830,685	\$ 14,811,073	\$ 14,994,481	\$ 16,591,621	\$ 17,167,464
Other property tax items	851,520	976,747	893,457	1,126,135	1,036,276
Non property tax items	12,571,648	12,406,782	12,718,865	13,082,816	13,609,148
Departmental income	1,629,423	1,384,408	1,793,339	1,604,592	2,347,725
Intergovernmental charges	446,591	422,290	598,362	437,788	65,000
Use of money & property	34,846	30,056	29,158	11,780	28,477
Licenses & permits	246,005	244,717	277,201	341,404	565,322
Fines and forfeitures	245,906	224,464	218,896	224,443	206,344
Sale of property & comp. for loss	90,063	598,779	664,090	797,524	145,580
Miscellaneous/Interfund local sources	133,107	139,550	199,765	157,470	359,570
Interfund Revenues					100,000
State aid and Federal Aid	4,484,261	4,832,569	4,442,594	4,487,525	4,451,696
Total Revenues	<u>34,564,055</u>	<u>36,071,435</u>	<u>36,830,208</u>	<u>38,863,098</u>	<u>40,082,602</u>
EXPENDITURES:					
General government support	4,853,327	4,289,297	4,808,002	4,621,122	5,622,147
Public safety	17,263,615	18,020,507	18,031,292	18,742,792	19,450,322
Health	163,170	58,189	28,242	29,292	49,591
Transportation	2,784,569	2,923,143	3,114,761	3,055,481	3,142,448
Economic assistance & opportunity	182,900	198,530	165,716	231,475	171,637
Culture and recreation	1,634,835	1,725,697	1,915,404	1,955,309	1,918,316
Home and community services	2,937,812	3,006,540	3,068,335	3,305,775	3,240,465
Employee benefits	2,190,983	3,463,703	3,460,168	3,428,303	2,962,134
Capital outlay	118,763				
Debt service	172,882	563,231	757,161	809,479	526,872
Total expenditures	<u>32,302,856</u>	<u>34,248,837</u>	<u>35,349,081</u>	<u>36,179,028</u>	<u>37,083,932</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,261,199	1,822,598	1,481,127	2,684,070	2,998,670
OTHER SOURCES/USES:					
Operating transfers in				24,245	34
Operating transfers out	(1,743,418)	(1,564,485)	(1,363,302)	(1,410,133)	(2,133,277)
Total Other Sources/Uses	<u>(1,743,418)</u>	<u>(1,564,485)</u>	<u>(1,363,302)</u>	<u>(1,385,888)</u>	<u>(2,133,243)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	517,781	258,113	117,825	1,298,182	865,427
FUND BALANCE - BEGINNING OF YEAR	4,370,649	4,848,588	5,106,701	5,224,526	6,522,708
PRIOR PERIOD ADJUSTMENT	(39,842)				
ADJUSTED FUND EQUITY- BEGINNING OF YEAR	<u>4,330,807</u>	<u>4,848,588</u>	<u>5,106,701</u>	<u>5,224,526</u>	<u>6,522,708</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,848,588</u>	<u>\$ 5,106,701</u>	<u>\$ 5,224,526</u>	<u>\$ 6,522,708</u>	<u>\$ 7,388,135</u>

Source: Audited Annual Financial Reports of the City (2012-2016)
Table itself is NOT audited.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
OPERATING REVENUES:					
Departmental income	\$ 3,759,693	\$ 3,864,068	\$ 4,023,090	\$ 4,260,023	\$ 4,196,092
Miscellaneous local sources	24,995	63,341	101,246	51,907	307,794
Total Operating Revenues	<u>3,784,688</u>	<u>3,927,409</u>	<u>4,124,336</u>	<u>4,311,930</u>	<u>4,503,886</u>
OPERATING EXPENDITURES:					
Personal Services	2,578,254	1,684,273	1,661,568	2,611,356	2,635,427
Real property taxes	266,914	269,815	268,099	272,425	274,565
Utilities	99,651				
Repairs and maintenance	116,260				
Materials and supplies	119,225				
Contractual services and Other Expenses*	224,073	1,568,074	1,670,357	695,900	624,215
Depreciation and amortization	527,076	508,788	530,634	569,416	581,955
Total Operating Expenditures	<u>3,931,453</u>	<u>4,030,950</u>	<u>4,130,658</u>	<u>4,149,097</u>	<u>4,116,162</u>
Operating Income	(146,765)	(103,541)	(6,322)	162,833	387,724
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	2,227	1,617	1,430	1,175	879
Interest expense	(144,404)	(44,832)	(141,097)	(170,440)	(148,229)
Rental income	41,379				48,926
Interest on Bonds and Notes		(165,965)			
Other Income		50,336	44,474		
Sale of capital asset	(44,980)	2,206	9,416		1,534
Total Nonoperating Revenue (Expenses)	<u>(145,778)</u>	<u>(156,638)</u>	<u>(85,777)</u>	<u>(169,265)</u>	<u>(96,890)</u>
Income Before Transfers	(292,543)	(260,179)	(92,099)	(6,432)	290,834
Transfers In					
Changes in Net Assets	(292,543)	(260,179)	(92,099)		
Prior Period Adjustments		(99,657)		(17,901)	18,884
FUND EQUITY/NET ASSETS					
BEGINNING OF YEAR	<u>4,812,818</u>	<u>4,520,275</u>	<u>4,160,439</u>	<u>4,050,438</u>	<u>4,062,889</u>
FUND EQUITY/NET ASSETS					
FUND BALANCE - END OF YEAR	<u>\$ 4,520,275</u>	<u>\$ 4,160,439</u>	<u>\$ 4,068,340</u>	<u>\$ 4,044,006</u>	<u>\$ 4,353,723</u>

*Beginning in the year ending December 31, 2013, maintenance, operations, utilities, supplies and contractual expenditures are presented in the aggregate as one expense in the Financial Statements of the City.

Source: Audited Annual Financial Reports of the City (2012-2016)
Table itself is NOT audited.

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

	Fiscal Year Ending December31:				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
OPERATING REVENUES:					
Charges for Services	\$ 4,947,649	\$ 5,031,073	\$ 5,195,426	\$ 4,900,947	\$ 4,929,705
State Aid		103,034	43,104	402,587	54,960
Miscellaneous	16,063	23,551	23,156	38,037	74,258
Total Operating Revenues	<u>4,963,712</u>	<u>5,157,658</u>	<u>5,261,686</u>	<u>5,341,571</u>	<u>5,058,923</u>
OPERATING EXPENDITURES:					
Personal Services	2,141,780	2,190,621	2,381,169	2,487,497	2,704,933
Utilities	295,746				
Repairs and Maintenance	123,145				
Materials and Supplies	241,064				
Contractual Services and Other Expenses*	586,415	1,367,656	1,394,385	1,142,136	1,344,955
Depreciation and Amortization	933,167	921,165	924,765	942,701	1,018,063
Total Operating Expenditures	<u>4,321,317</u>	<u>4,479,442</u>	<u>4,700,319</u>	<u>4,572,334</u>	<u>5,067,951</u>
Operating Income (Loss)	<u>642,395</u>	<u>678,216</u>	<u>561,367</u>	<u>769,237</u>	<u>(9,028)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment Earnings	151		4,796	4,796	368
Insurance Recovery	12,760				
Interest Expense	(325,780)	(302,630)	(289,423)	(272,846)	(292,799)
Grant Income	44,148				
Sale of Capital Assets	588				2,948
Total Nonoperating Revenue (Expenses)	<u>(268,133)</u>	<u>(302,630)</u>	<u>(284,627)</u>	<u>(268,050)</u>	<u>(289,483)</u>
Income Before Transfers and Contributions	<u>374,262</u>	<u>375,586</u>	<u>276,740</u>	<u>501,187</u>	<u>(298,511)</u>
Transfers	37,507	12,288	(20,076)	70,663	
Changes in Net Assets	411,769	387,874	256,664	571,850	(298,511)
Total Net Assets-Beginning of the Year	6,961,994	7,373,763	7,761,637	8,018,301	8,584,558
Prior Period Adjustment				(5,593)	
Total Net Assets-End of the Year	<u>\$ 7,373,763</u>	<u>\$ 7,761,637</u>	<u>\$ 8,018,301</u>	<u>\$ 8,584,558</u>	<u>\$ 8,286,047</u>

*Beginning in the year ending December 31, 2013, maintenance, operations, utilities, supplies and contractual expenditures are presented in the aggregate as one expense in the Financial Statements of the City.

Source: Audited Annual Financial Reports of the City (2012-2016)

Balance Sheets
General Fund
Fiscal Year Ending December 31:

	<u>2015</u>	<u>2016</u>
ASSETS:		
Cash	\$ 6,586,455	\$ 6,754,019
Taxes Receivable	5,374,581	5,088,681
Due From Other Governments	2,185,125	2,556,089
Other Receivables	932,371	1,211,454
State and Federal Aid Receivables	844,529	1,035,247
Inventory	19,256	9,704
Prepaid Expenses	592,099	604,029
Due from Other Funds	1,607,949	2,178,287
Total Assets	<u>18,142,365</u>	<u>19,437,510</u>
 LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable and Accrued Liabilites	1,109,350	1,455,850
Due to Other Funds	796,626	1,355,853
Due to Other Governments	4,793,024	4,319,864
Other Liabilities	304,921	221
Deferred Revenue	4,615,736	4,917,587
Total Liabilities	<u>11,619,657</u>	<u>12,049,375</u>
 Fund Balances:		
Nonspendable Fund Balance	611,355	613,733
Restricted Fund Balance		
Assigned Appropriated	775,000	775,000
Assigned Unappropriated	444,704	511,445
Unassigned	4,691,649	5,487,957
Total Fund Balances	<u>6,522,708</u>	<u>7,388,135</u>
 Total Liabilities and Fund Balances	 <u>\$ 18,142,365</u>	 <u>\$ 19,437,510</u>

Source: Audited Annual Financial Reports of the City (2015-2016)
Table itself is NOT audited.

GENERAL FUND BUDGET SUMMARIES

Fiscal Year Ending December 31

	<u>2017</u>	<u>2018</u>
Revenues:		
Real Property Taxes & Items	\$ 18,631,633	\$ 18,616,944
Non Property Taxes	14,332,000	14,789,000
Other Local Sources	4,291,069	4,213,827
State Aid	3,983,780	4,079,281
Federal Aid	<u>517,500</u>	<u>820,516</u>
Total Revenues	<u>\$ 41,755,982</u>	<u>\$ 42,519,568</u>
Expenditures:		
General Government	\$ 6,302,483	\$ 7,068,327
Public Safety	20,277,467	20,399,210
Health	93,502	155,676
Transportation	3,429,445	3,038,251
Economic Assistance	269,086	326,454
Culture & Recreation	2,175,999	2,119,338
Home & Community Services	3,413,050	3,437,507
Employee Benefits	3,165,124	3,314,000
Debt Service	1,964,822	1,803,031
Interfund Transfers	<u>665,004</u>	<u>857,774</u>
Total Expenditures	<u>\$ 41,755,982</u>	<u>\$ 42,519,568</u>

Source: Adopted Budgets of the City

APPENDIX B

FORMS OF BOND COUNSEL'S OPINIONS

FORM OF BOND COUNSEL'S OPINION

March 22, 2018

City of Kingston
County of Ulster,
State of New York

Re: City of Kingston, Ulster County, New York
\$11,930,000 Public Improvement (Serial) Bonds, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$11,930,000 Public Improvement (Serial) Bonds, 2018 (the "Obligation"), of the City of Kingston, Ulster County, New York (the "Obligor"), dated the date of delivery, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of _____ per centum (_____%) per annum as to bonds maturing in the following amounts: \$810,000 on March 15, 2019, \$825,000 on March 15, 2020, \$745,000 on March 15, 2021, \$700,000 on March 15, 2022, \$620,000 on March 15, 2023, \$610,000 on March 15, 2024, \$625,000 on March 15, 2025, \$585,000 on March 15, 2026, \$590,000 on March 15, 2027, \$610,000 on March 15, 2028, \$600,000 on March 15, 2029, \$610,000 on March 15, 2030, \$535,000 on March 15, 2031, \$510,000 on March 15, 2032, \$485,000 on March 15, 2033, \$505,000 on March 15, 2034, \$515,000 on March 15, 2035, \$505,000 on March 15 in each of the years 2036 and 2037, and \$440,000 on March 15, 2038, with interest thereon payable on March 15, 2019 and semi-annually thereafter on September 15 and March 15.

We have examined:

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

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

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

In our opinion:

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

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

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

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

Very truly yours,

/s/ Orrick, Herrington & Sutcliffe LLP

March 22, 2018

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

Re: City of Kingston, Ulster County, New York
\$2,300,000 Bond Anticipation Note, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of a \$2,300,000 Bond Anticipation Note, 2018 (the "Obligation"), of the City of Kingston, Ulster County, New York (the "Obligor"), dated March 22, 2018, numbered _____, of the denomination of \$2,300,000, bearing interest at the rate of _____ % per annum, payable at maturity, and maturing March 22, 2019.

We have examined:

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

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

In our opinion:

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

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

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

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

Very truly yours,

/es

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN DRAFTED REVIEWED AND/OR UPDATED BY THE CITY'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT.

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LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Mayor and
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, 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 and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Kingston, New York's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements.

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

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 Net Position – Proprietary Funds. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principle 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 comparison information, other post-employment benefits plan schedule of funding progress, schedule of proportionate share of the net pension liability, and schedule of employer contributions on pages 4-15 and 54-57 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kingston, New York's basic financial statements. The schedule of expenditures of federal awards and selected state awards is presented for purposes of additional analysis 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 is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017 on our consideration of the City of Kingston, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kingston's internal control over financial reporting and compliance.

Restatement

Management has restated the accompanying financial statements as described in Note K.

RBT CPAs, LLP

Poughkeepsie, New York
October 2, 2017, except as to Note K, which is as of November 3, 2017

City of Kingston

New York 12401

Office of the Comptroller



CPO Box 1627
City Hall, 420 Broadway

Telephone: (845)331-0080
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Management's Discussion and Analysis

The discussion and analysis of the City of Kingston's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2016. Please read it in conjunction with the City's financial statements, which begin on page 23. The management discussion and analysis for component units are presented in the component units' own separately issued financial reports.

Financial Highlights

The City's net position decreased as a result of this year's operations. The net assets of our business-type activities increased by \$11,207 or 0.09% and net assets of our governmental activities decreased by \$1,778,771 or 19.26%.

During the year the City had expenses that were \$5.0 million more than the \$44.3 million generated in tax and other revenues for governmental programs. This is compared to last year when expenses exceeded revenue by \$4.86 million.

The revenues for the City's business-type activities increased by \$213,334 or 2.26%. Expenses decreased by \$96,779 or 1.04%.

The cost of all the City's programs increased by \$5,345,941.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position on pages 23 – 24 and the Statement of Activities and Changes in Net Position on page 25 provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 25. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information
For the Year Ended December 31, 2016 (cont'd)
(Un-audited)

Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

One of the most important questions asked about the City's finances is, "Is the City better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities and Changes in Net Position report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or financial position. Over time increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets (roads, buildings, water, and sewer lines) to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities and Changes in Net Position we divide the City into three kinds of activities.

Governmental activities - Most of the City's basic services are reported here, including the police, fire, public works, community development and parks department and general administration. Property taxes, sales tax, franchise fees, charges for services and state and federal grants finance most of these activities.

Business - type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

Component units - The City included two separate legal entities in its report - the Kingston Local Development Corp., and Kingston - Ulster Empire Zone for 2011. Although legally separate, these "component units" are important because the City is financially accountable for them, or they are significant to the City's activities. The EZ is not included as a component unit for 2012 as it is no longer considered significant.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information
For the Year Ended December 31, 2016 (cont'd)
(Un-audited)

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 11. The fund financial statements begin on page 22 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However the City Council establishes many other funds to help it control and manage money for particular purposes (such as capital projects) or to show that it is meeting legal responsibilities for using certain grants and other money (like grants received from the U.S. Department of Housing and Urban Development). The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities and Changes in Net Position) and governmental funds in a reconciliation following the fund financial statements.

Proprietary funds - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as a Whole

The City's total net position changed from a year ago, decreasing from a positive \$3,394,703 to \$1,262,643 or 63%. In contrast, from 2014 to 2015, net assets decreased by 27.0%. Our analysis on page 13 focuses on the net position (Table 1) and changes in net assets page 15 (Table 2) of the City's governmental and business-type activities.

Condensed Financial Statement and Analysis
Table 1

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current & Other Assets	\$ 23,130,506	\$ 22,248,796	\$ 8,102,083	\$ 8,874,042	\$ 31,232,589	\$ 31,122,838
Capital Assets	44,198,463	41,751,179	36,634,874	32,237,865	80,833,337	73,989,044
Total Assets	<u>67,328,969</u>	<u>63,999,975</u>	<u>44,736,957</u>	<u>41,111,907</u>	<u>112,065,926</u>	<u>105,111,882</u>
Deferred Outflow of Resources	12,142,130	1,627,861	1,756,099	549,756	13,898,229	2,177,617
Total Assets and Deferred Outflow of Resources	<u>79,471,099</u>	<u>65,627,836</u>	<u>46,493,056</u>	<u>41,661,663</u>	<u>125,964,155</u>	<u>107,289,499</u>
Long Term Liabilities	73,121,371	61,485,517	24,888,797	22,795,109	98,010,168	84,280,626
Other Liabilities	15,417,104	13,184,733	8,682,934	6,103,995	24,100,038	19,288,728
Total Liabilities	<u>88,538,475</u>	<u>74,670,250</u>	<u>33,571,731</u>	<u>28,899,104</u>	<u>122,110,206</u>	<u>103,569,354</u>
Deferred Inflows of Resources	1,945,256	191,447	281,554	133,995	2,226,810	325,442
Total Liabilities and Deferred Inflows of Resources	<u>90,483,731</u>	<u>74,861,697</u>	<u>33,853,285</u>	<u>29,033,099</u>	<u>124,337,016</u>	<u>103,894,796</u>
Net Position						
Invested in Capital Assets, net of Debt	28,313,543	24,936,418	12,724,069	13,521,582	41,037,612	38,458,000
Restricted	120,065	186,673	-	-	120,065	186,673
Unrestricted(deficit)	(39,446,240)	(34,356,952)	(448,794)	(893,018)	(39,895,034)	(35,249,970)
Total Net Position	<u>\$ (11,012,632)</u>	<u>\$ (9,233,861)</u>	<u>\$ 12,275,275</u>	<u>\$ 12,628,564</u>	<u>\$ 1,262,643</u>	<u>\$ 3,394,703</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information
For the Year Ended December 31, 2016 (cont'd)
(Un-audited)

Net position of the City's governmental activities decreased by 19.26% (Negative \$11.1 million compared to \$9.2 million). Unrestricted net position represents the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The prior year deficit in unrestricted net position of \$34,356,952 is now a deficit of \$ 39,446,240

The deficit in unrestricted governmental net position is mainly due to the requirement to accrue postemployment benefits under GASB Statement No. 45. The total accrued liability for postemployment benefits was \$48,697,452 as of December 31, 2016.

The net position of the business-type activities increased by 0.09% (\$12.628 million to \$12.639 million) in 2016 mainly due to increases in charges for services. This was partially offset by the requirement to accrue additional postemployment benefits of \$1,475,181 under GASB Statement No. 45. The total accrued liability for postemployment benefits was \$6,782,548 as of December 31, 2016. Even though the business-type activities have positive net position they cannot be used to offset governmental activities. The City generally can only use these net assets to finance the continuing operations of the water and sewer departments.

Changes in Net Assets
Table 2

	Governmental Activities		Business-Type Activities		Total Primary Government	
Revenues	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for Services	\$ 3,091,358	\$ 2,168,499	\$ 9,562,809	\$ 9,653,501	\$ 12,654,167	\$ 11,822,000
Operating Grants & Contrib.	490,231	663,563	-	-	490,231	663,563
Capital Grants & Contrib.	4,363,998	4,467,518	-	-	4,363,998	4,467,518
Total Program Revenues	7,945,587	7,299,580	9,562,809	9,653,501	17,508,396	16,953,081
General Revenues						
Property Taxes	18,497,686	16,679,155	-	-	18,497,686	16,679,155
Other Taxes	13,940,953	13,344,805	-	-	13,940,953	13,344,805
State Aid	3,725,033	3,092,087	-	-	3,725,033	3,092,087
Other General Revenues	265,600	1,633,154	54,655	5,971	320,255	1,639,125
Total General Revenues	36,429,272	34,749,201	54,655	5,971	36,483,927	34,755,172
Total Revenues	44,374,859	42,048,781	9,617,464	9,659,472	53,992,323	51,708,253
Program Expenses						
General Government	5,901,866	4,921,781	-	-	5,901,866	4,921,781
Public Safety	26,094,485	23,449,361	-	-	26,094,485	23,449,361
Health	68,623	35,864	-	-	68,623	35,864
Trasportation	6,175,840	3,825,433	-	-	6,175,840	3,825,433
Economic Assist. & Opp.	225,525	311,686	-	-	225,525	311,686
Culture & Recreation	2,851,488	2,975,635	-	-	2,851,488	2,975,635
Home & Community Serv.	4,638,797	4,990,175	-	-	4,638,797	4,990,175
Employee Benefits, retirees	2,962,134	3,428,303	-	-	2,962,134	3,428,303
Interest Expense	336,246	431,248	-	-	336,246	431,248
Water	-	-	4,264,391	4,319,537	4,264,391	4,319,537
Sewer	-	-	5,360,750	4,845,181	5,360,750	4,845,181
Total Expenses	49,255,004	44,369,486	9,625,141	9,164,718	58,880,145	53,534,204
Change in Net Assets before transfers	(4,880,145)	(2,320,705)	(7,677)	494,754	(4,887,822)	(1,825,951)
Transfers	-	(70,663)	-	70,663	-	-
Increase (decrease) in net assets	\$ (4,880,145)	\$ (2,391,368)	\$ (7,677)	\$ 565,417	\$ (4,887,822)	\$ (1,825,951)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information
For the Year Ended December 31, 2016 (cont'd)
(Un-audited)

The City's total revenues increased by \$2,284,058 or 4.42%. The total cost of all programs and services increased by \$5,345,941 or 9.99%. The following analysis separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for the City's governmental activities increased by \$2,326,066 or 5.53%, while total expenses increased by \$4,885,518 or 11.01%, which results in a decrease in net assets of \$2.6 million for 2016 compared to a \$2.3 million decrease in 2015.

The cost of all governmental activities this year was \$49.26 million compared to \$44.37 million last year. However, as shown in Table 2, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$18,497,686 because some of the cost was paid by those who directly benefited from the programs, (\$3,091,358) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,854,229) and other general revenue (\$17,931,574). Overall, the City's governmental program revenues increased \$646,007 or 8.85%. The City paid for the remaining "public benefit" portion of governmental activities with \$36.43 million in taxes and with the other revenues, such as general state aid.

Business-type Activities

Revenues of the City's business-type activities (see Table 2) decreased from \$9.65 million to \$9.61 million or 0.43% and expenses increased from \$9.16 million to \$9.63 million or 2.94%. The most significant factor driving the decrease in net assets was the cost of postemployment benefit expenses.

Details on changes relating to the Water Department may be found in the management discussion and analysis that is presented in the Department's own separately issued financial reports.

The City's Funds

As the City completed the year, its governmental funds as presented in the Balance Sheet on page 21 reported a combined fund balance of \$1,648,918 which is \$1,936,929 lower than last year's total. The capital expenditures create new assets for the City and are reported in the Statement of Net Position.

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information
For the Year Ended December 31, 2016 (cont'd)
(Un-audited)

General Fund Budgetary Highlights

Over the course of the year, the Council revised the City budget several times. These budget amendments include the following:

1. Modifications required to reflect new grants which were obtained and to authorize expenditures for same.
2. Various modifications throughout the year for unanticipated expenditures.

Even with these adjustments, the actual charges to appropriations (expenditures) of \$39,217,209 were \$1,727,549 less than the final budget amount. This is most significantly due to Public Safety expenditures being under-budget by \$837,677 and General Government Support expenditures being under-budget by \$391,086

Capital Assets

At the end of 2016, the City had \$80,833,337 invested in a broad range of capital assets, including buildings, roads, park facilities, water and sewer lines and equipment for police, fire, public works departments. (See Table 3 on page 19) This amount represents a net increase (including additions and deductions) of \$6,844,203 or 9.25% over the last year.

This year's major additions included:

General Fund

Washington Avenue storm sewer remediation paid with bonding.	\$561,098
Various equipment purchases	\$1,331,096
Road improvements using CHIPS funding.	\$532,877
Greenkill Ave Bridge Improvements paid with grants and bonding	\$1,197,280

Water Fund

Water system improvements paid with bonding and local share.	\$ 3,305,370
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Sewer Fund

Sewer system improvements paid with grants, bonding, and local share.	\$2,387,668
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The City's 2017 general fund capital budget anticipates a spending level of \$660,000 which will be financed with grants and long term bonding. There was \$0 of anticipated spending at the time the 2016 sewer fund capital budget was adopted. Most sewer infrastructure projects are approved outside of the annual capital budget process. The 2017 water fund capital budget is approximately \$ 3,200,000 and will be financed by a combination of bonding and budget appropriations. More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

**Capital Assets at Year End
(Net Depreciation)
Table 3**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 192,500	\$ 192,500	\$ 118,729	\$ 118,729	\$ 311,229	\$ 311,229
Construction in Progress	2,534,099	5,172,330	3,764,586	4,300,103	6,298,685	9,472,433
Buildings	6,977,720	7,265,571	4,929,335	3,615,794	11,907,055	10,881,365
Improvements	9,949,586	8,742,674	4,429,274	4,919,176	14,378,860	13,661,850
Infrastructure	19,319,190	15,615,128	21,785,283	18,012,755	41,104,473	33,627,883
Machinery & Equip.	5,225,368	4,763,066	1,607,667	1,271,308	6,833,035	6,034,374
Total	\$44,198,463	\$41,751,269	\$36,634,874	\$32,237,865	\$80,833,337	\$73,989,134

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information
For the Year Ended December 31, 2016 (cont'd)
(Un-audited)

Debt

At year-end, the City had \$38,261,386 in bonds and notes outstanding versus \$37,246,724 last year – a decrease of 2.72%.

On April 2, 2014, S&P raised the rating on the City's long-term rating and underlying rating (SPUR) one notch from A+ to AA-, with a stable outlook. Some of the factors cited in the decision for the upgrade include strong budgetary flexibility, very strong liquidity, adequate overall budget performance, a strong debt and contingent liabilities profile, and strong management conditions with good financial management practices.

On March 6, 2016, S&P assigned its AA- long-term rating to the City's \$8,673,407 public improvement bonds - 2016. At the same time, S&P affirmed the AA- long-term rating and underlying rating on the city's outstanding general obligation bonds. The outlook is stable. Some of the factors cited in the decision include strong budgetary flexibility, very strong liquidity, strong management conditions, strong debt and contingent liabilities profile, and strong institutional framework score.

On July 27, 2016, S&P assigned its AA- long-term rating to the City's \$2,675,000 public improvement refunding bonds - 2016. At the same time, S&P affirmed the AA- long-term rating and underlying rating on the city's outstanding general obligation bonds. The outlook is stable. Some of the factors cited in the decision include strong budgetary flexibility, very strong liquidity, strong management, strong debt and contingent liability position, and strong institutional framework score.

The State limits the amount of general obligation debt that cities can issue to 7% of the average 5 year full assessed value of all taxable property within the City. The City's outstanding debt was approximately 25% of its limit at the end of the year.

Other obligations include liabilities for retirement, compensated absences, judgments and claims, and landfill closure. More detailed information about the City's long-term liabilities is presented in the notes to the financial statement. See Table 5 for details on debt.

Outstanding Debt at Year End

Table 4

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
General obligation bonds (Backed by the City)	\$ 9,155,337	\$ 10,956,385	\$ 4,544,662	\$ 4,947,021	\$ 13,699,999	\$ 15,903,406
Bond anticipation notes	5,999,495	5,007,077	6,459,593	3,125,040	12,459,088	8,132,117
NYS EFC Revolving Loans	-	-	9,903,000	10,644,221	9,903,000	10,644,221
Installment Debt	730,088	851,298	1,469,213	1,715,682	2,199,301	2,566,980
Total	\$ 15,884,920	\$ 16,814,760	\$ 22,376,468	\$ 20,431,964	\$ 38,261,388	\$ 37,246,724

MANAGEMENT'S DISCUSSION AND ANALYSIS
Required Supplemental Information
For the Year Ended December 31, 2016 (cont'd)
(Un-audited)

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. As of December 2016, unemployment in the Kingston, NY Metropolitan Statistical Area stands at 4.3 percent versus the state unemployment rate of 4.5 percent.

The residential housing market shows some signs of improvement, however the City has experienced declines in assessed value the last several budget cycles. Sales tax revenues have showed strong, consistent growth.

These indicators were taken into account when adopting the General Fund budget for 2017. Revenues were budgeted at \$41,467,784 which was an increase from the 2016 actual amount of \$40,082,624. The City appropriated \$775,000 of fund balance for the 2017 budget.

Budgeted expenditures of \$41,467,784 exceeded the final 2016 expended amount of \$39,212,209. The City has added no major new programs or initiatives to the 2017 budget. The City has continued to implement a program of conservative spending for required programs and seek out grants and other sources of funding to cover unexpected expenses related to infrastructure repair. Through aggressive actions to control spending, the City has been able to minimize negative impact on fund balance.

As for the City's business-type activities, we expect that the 2017 results will be consistent with 2016 as there were no rate increases for Sewer charges. Also, the Kingston Water Board did not make any changes in its 2017 rates.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Comptroller's Office at 420 Broadway, Kingston, New York, 12401.

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,980,514	\$ 3,527,360	\$ 11,507,874	\$ 1,930,378
Taxes receivable	5,088,681	-	5,088,681	-
Due from other governments	5,169,819	178,664	5,348,483	-
Notes receivable	911,050	-	911,050	214,038
Other receivables	4,555,334	2,021,818	6,577,152	19,661
Inventory	9,704	154,240	163,944	-
Prepaid expenses	359,387	168,658	528,045	8,904
Internal balances	(943,983)	943,983	-	-
Total current assets	23,130,506	6,994,723	30,125,229	2,172,981
Non-current assets:				
Cash - restricted	-	1,107,360	1,107,360	280,749
Long term receivables	-	-	-	1,120,627
Total non-current assets	-	1,107,360	1,107,360	1,401,376
Capital assets:				
Land	192,500	118,729	311,229	2,784,953
Improvements and Infrastructure, net of depreciation	29,157,349	26,701,016	55,858,365	230,412
Buildings, machinery and equipment, net of depreciation	12,314,515	6,050,541	18,365,056	1,479,960
Construction in progress	2,534,099	3,764,588	6,298,687	-
Total capital assets	44,198,463	36,634,874	80,833,337	4,495,325
DEFERRED OUTFLOW OF RESOURCES				
Other	24,587	-	24,587	-
Pension	12,117,543	1,756,099	13,873,642	-
Total deferred outflows of resources	12,142,130	1,756,099	13,898,229	-
Total assets and deferred outflow of resources	\$ 79,471,099	\$ 46,493,056	\$ 125,964,155	\$ 8,069,682

See notes to the financial statements

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL PRIMARY GOVERNMENT	COMPONENT UNITS
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 2,720,017	\$ 1,863,686	\$ 4,583,703	\$ 1,370
Accrued liabilities and retainage payable	621,384	307,006	928,390	6,458
Due to other governments	4,043,549	226,682	4,270,231	-
Bond anticipation notes payable	5,999,495	4,968,839	10,968,334	-
Notes payable	-	-	-	85,733
Bond & Installment Obligations Payable	2,032,659	1,311,338	3,343,997	-
Compensated absence liability	-	5,383	5,383	-
Total current liabilities	15,417,104	8,682,934	24,100,038	93,561
Non-current liabilities:				
Bond & Installment Obligations Payable	7,852,766	14,605,537	22,458,303	-
Bond anticipation notes payable	-	1,490,754	1,490,754	-
Notes payable	-	-	-	841,557
Compensated absence liability	2,636,116	506,819	3,142,935	-
Other long term liabilities	594,838	27,958	622,796	-
Other post-employment benefits	48,697,452	6,782,548	55,480,000	-
Due to retirement system	1,911,823	-	1,911,823	-
Share of net pension liability	11,428,376	1,475,181	12,903,557	-
Total non-current liabilities	73,121,371	24,888,797	98,010,168	841,557
Total liabilities	88,538,475	33,571,731	122,110,206	935,118
DEFERRED INFLOW OF RESOURCES				
Deferred revenue	281,291	-	281,291	-
Pension	1,663,965	281,554	1,945,519	-
Total deferred inflows of resources	1,945,256	281,554	2,226,810	-
NET POSITION				
Net Investment in Capital Assets	28,313,543	12,724,069	44,062,703	4,495,325
Restricted for economic and community development	120,065	-	120,065	-
Restricted for special projects	-	364,496	-	-
Unrestricted	(39,446,240)	(448,794)	(42,555,629)	2,639,239
Total net position	(11,012,632)	12,639,771	1,627,139	7,134,564
Total liabilities, deferred inflow of resources, and net position	\$ 79,471,099	\$ 46,493,056	\$ 125,964,155	\$ 8,069,682

See notes to the financial statements

CITY OF KINGSTON, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

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	\$ 5,901,866	\$ 2,005,630	\$ 88,992	\$ -	\$ (3,807,244)	\$ -	\$ (3,807,244)	\$ -
Public safety	26,094,485	282,656	-	94,576	(25,717,253)	-	(25,717,253)	-
Health	68,623	63,753	-	-	(4,870)	-	(4,870)	-
Transportation	6,175,840	143,353	264,326	3,082,765	(2,685,396)	-	(2,685,396)	-
Economic assistance & opportunity	225,525	-	62,179	1,186,657	1,023,311	-	1,023,311	-
Culture and recreation	2,851,488	380,016	74,734	-	(2,396,738)	-	(2,396,738)	-
Home and community services	4,638,797	215,950	-	-	(4,422,847)	-	(4,422,847)	-
Employee benefits	2,962,134	-	-	-	(2,962,134)	-	(2,962,134)	-
Interest on long-term debt	336,246	-	-	-	(336,246)	-	(336,246)	-
Total governmental activities	49,255,004	3,091,358	490,231	4,363,998	(41,309,417)	-	(41,309,417)	-
Business-type activities:								
Water Fund	4,264,391	4,503,886	-	-	-	239,495	239,495	-
Sewer Fund	5,360,750	5,058,923	-	-	-	(301,827)	(301,827)	-
Total business-type activities	9,625,141	9,562,809	-	-	-	(62,332)	(62,332)	-
Total primary government	\$ 58,880,145	\$ 12,654,167	\$ 490,231	\$ 4,363,998	(41,309,417)	(62,332)	(41,371,749)	-
Component Units:								
Kings ton Local Development Corp.	\$ 277,731	\$ 157,624	\$ -	\$ -	-	-	-	(120,107)
General revenues								
Taxes:								
Real property taxes					17,461,410	-	17,461,410	-
Other real property tax items					1,036,276	-	1,036,276	-
Sales taxes					12,898,536	-	12,898,536	-
Mortgage taxes					331,805	-	331,805	-
Utility taxes					336,784	-	336,784	-
Franchise taxes					373,828	-	373,828	-
Grants and contributions					3,725,033	-	3,725,033	-
Unrestricted investment earnings					27,990	1,247	29,237	7,734
Special item-Gain on sale of property and compensation for loss					145,580	4,482	150,062	-
Miscellaneous					92,030	48,926	140,956	-
Total general revenues, special items and transfers					36,429,272	54,655	36,483,927	7,734
Change in net position					(4,880,145)	(7,677)	(4,887,822)	(112,373)
Net position - beginning, as previously stated					(9,233,873)	12,628,564	3,394,691	7,246,937
Prior period adjustment (Note H)					3,101,386	18,884	3,120,270	-
Net position - beginning, restated					(6,132,487)	12,647,448	6,514,961	7,246,937
Net position - ending					\$ (11,012,632)	\$ 12,639,771	\$ 1,627,139	\$ 7,134,564

See notes to the financial statements

CITY OF KINGSTON, NEW YORK
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Restated General	Special Grant	Capital Projects	Debt Service	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,754,019	\$ 120,148	\$ 177,509	\$ 928,838	\$ 7,980,514
Receivables:					
Taxes	5,088,681	-	-	-	5,088,681
Other	1,211,454	-	-	-	1,211,454
Inventory	9,704	-	-	-	9,704
Mortgage loans receivable	-	911,050	-	-	911,050
Due from other funds	2,178,287	-	1,041,194	162,975	3,382,456
Due from other governments	2,556,089	-	81,073	599,000	3,236,162
State and federal receivable	1,035,247	-	2,308,633	-	3,343,880
Prepaid expenses	604,029	-	-	-	604,029
Total assets	\$ 19,437,510	\$ 1,031,198	\$ 3,608,409	\$ 1,690,813	\$ 25,767,930
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 940,397	\$ -	\$ 1,779,620	\$ -	\$ 2,720,017
Accrued liabilities	515,453	-	-	-	515,453
Retainage payable	-	-	30,890	-	30,890
Bond anticipation notes payable	-	-	5,999,495	-	5,999,495
Due to other funds	1,355,853	-	2,057,689	912,897	4,326,439
Due to other governments	4,319,864	83	18,050	-	4,337,997
Deferred revenues	4,917,587	911,050	357,391	-	6,186,028
Other liabilities	221	-	-	2,472	2,693
Total liabilities	12,049,375	911,133	10,243,135	915,369	24,119,012
Fund Balance:					
Nonspendable	613,733	-	-	-	613,733
Restricted	-	-	3,663,800	-	3,663,800
Assigned appropriated	775,000	-	-	-	775,000
Assigned unappropriated	511,445	120,065	-	775,444	1,406,954
Unassigned	5,487,957	-	(10,298,526)	-	(4,810,569)
Total fund balance	7,388,135	120,065	(6,634,726)	775,444	1,648,918
Total liabilities and fund equity	\$ 19,437,510	\$ 1,031,198	\$ 3,608,409	\$ 1,690,813	\$ 25,767,930

See 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, 2016

	Total Governmental Funds	Long-Term Assets and Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Cash and Cash Equivalents	\$ 7,980,514	\$ -	\$ -	\$ 7,980,514
Receivables				
Taxes	5,088,681	-	-	5,088,681
Other	4,555,334	-	-	4,555,334
Inventory	9,704	-	-	9,704
Mortgage loans receivable	911,050	-	-	911,050
Due from Other Funds	3,382,456	-	(4,326,439)	(943,983)
Due from other governments	3,236,162	1,933,657	-	5,169,819
Prepaid Expenses	604,029	(244,642)	-	359,387
Capital Assets, Net	-	-	-	-
Land	-	192,500	-	192,500
Improvements and Infrastructure, net	-	29,157,349	-	29,157,349
Buildings, machinery and equipment, net	-	12,314,515	-	12,314,515
Construction in progress	-	2,534,099	-	2,534,099
Deferred Outflows of Resources - Other	-	24,587	-	24,587
Deferred Outflows of Resources - Pension	-	12,117,543	-	12,117,543
Total Assets and Deferred Outflows	\$ 25,767,930	\$ 58,029,608	\$ (4,326,439)	\$ 79,471,099
LIABILITIES				
Accounts Payable	\$ 2,720,017	\$ -	\$ -	\$ 2,720,017
Other Liabilities	2,693	592,145	-	594,838
Accrued Expenditures	515,453	75,041	-	590,494
Retainage payable	30,890	-	-	30,890
Bond Anticipation Notes Payable	5,999,495	-	-	5,999,495
Bond & Installment Obligations Payable	-	9,885,425	-	9,885,425
Due to Other Funds	4,326,439	-	(4,326,439)	-
Due to other governments	4,337,997	(294,448)	-	4,043,549
Due to Employees' Retirement System	-	1,911,823	-	1,911,823
Compensated Absences	-	2,636,116	-	2,636,116
Net Pension Liability-Proportionate Share	-	11,428,376	-	11,428,376
Other Postemployment Benefits	-	48,697,452	-	48,697,452
Deferred Inflows of Resources - Deferred Revenue	6,186,028	(5,904,737)	-	281,291
Deferred Inflows of Resources - Pension	-	1,663,965	-	1,663,965
Total Liabilities and Deferred Inflows	24,119,012	70,691,158	(4,326,439)	90,483,731
Total Fund Balances	1,648,918	(12,661,550)	-	(11,012,632)
Total Liabilities, Deferred Inflows and Fund Balances	\$ 25,767,930	\$ 58,029,608	\$ (4,326,439)	\$ 79,471,099

See 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, 2016

	General	Special Grant	Capital Projects	Debt Service	Total Governmental Funds
Revenues:					
Real Property Taxes	\$ 17,167,464	\$ -	\$ -	\$ -	\$ 17,167,464
Real Property Tax Items	1,036,276	-	-	-	1,036,276
Non Property Tax Items	13,609,148	-	-	-	13,609,148
Departmental Income	2,347,725	-	77,341	-	2,425,066
Intergovernmental Charges	65,000	-	-	-	65,000
Use of Money and Property	28,477	-	30	19,959	48,466
Licenses and Permits	565,322	-	-	-	565,322
Fines and Forfeitures	206,344	-	-	-	206,344
Sale of Property and Compensation for Loss	145,580	-	-	-	145,580
Miscellaneous	359,570	40,859	56,633	-	457,062
Interfund Revenues	100,000	-	-	-	100,000
State and Federal Aid	4,451,696	1,248,836	2,554,653	-	8,255,185
Total Revenues	40,082,602	1,289,695	2,688,657	19,959	44,080,913
Expenditures:					
General Government	5,622,147	-	218,910	5,289	5,846,346
Public Safety	19,450,322	-	693,673	-	20,143,995
Public Health	49,591	-	-	-	49,591
Transportation	3,142,448	-	2,730,382	-	5,872,830
Economic Assistance and Opportunity	171,637	-	-	-	171,637
Culture and Recreation	1,918,316	-	995,253	-	2,913,569
Home and Community Services	3,240,465	1,301,664	1,204,601	-	5,746,730
Employee Benefits	2,962,134	-	-	-	2,962,134
Debt Service	526,872	-	14,743	2,053,109	2,594,724
Total Expenditures	37,083,932	1,301,664	5,857,562	2,058,398	46,301,556
Excess/(Deficiency) of Revenues Over Expenditures	2,998,670	(11,969)	(3,168,905)	(2,038,439)	(2,220,643)
Other Financing Sources/(Uses):					
BANS Redeemed from Appropriations	-	-	-	-	-
Proceeds from Obligations	-	-	338,353	-	338,353
Operating Transfers In	34	-	125,500	2,007,777	2,133,311
Operating Transfers Out	(2,133,277)	-	(34)	-	(2,133,311)
Total Other Financing Sources/(Uses)	(2,133,243)	-	463,819	2,007,777	338,353
Change in Fund Balances	865,427	(11,969)	(2,705,086)	(30,662)	(1,882,290)
Fund Balances - Beginning, Previously Stated	6,522,708	186,673	(3,929,640)	806,106	3,585,847
Prior Period Adjustment (Note H)	-	(54,639)	-	-	(54,639)
Fund Balances - Beginning, as Restated	6,522,708	132,034	(3,929,640)	806,106	3,531,208
Fund Balances - Ending	\$ 7,388,135	\$ 120,065	\$ (6,634,726)	\$ 775,444	\$ 1,648,918

See 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, 2016

	Total Governmental Funds	Long-Term Revenue, Expenses	Capital Related Items	Long-Term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
Revenues:						
Real Property Taxes	\$ 17,167,464	\$ 293,946	\$ -	\$ -	\$ -	\$ 17,461,410
Real Property Tax Items	1,036,276	-	-	-	-	1,036,276
Non Property Tax Items	13,609,148	-	-	-	-	13,609,148
Departmental Income	2,425,066	-	-	-	-	2,425,066
Intergovernmental/Grant Income	65,000	-	-	-	-	65,000
Use of Money and Property	48,466	-	-	-	-	48,466
Licenses and Permits	565,322	-	-	-	-	565,322
Fines and Forfeitures	206,344	-	-	-	-	206,344
Sale of Property and Compensation for Loss	145,580	-	-	-	-	145,580
Miscellaneous	457,062	-	-	-	-	457,062
Interfund Revenues	100,000	-	-	-	-	100,000
State and Federal Aid	8,255,185	-	-	-	-	8,255,185
Total Revenues	44,080,913	293,946	-	-	-	44,374,859
Expenditures:						
General Government	5,846,346	(427,653)	483,173	-	-	5,901,866
Public Safety	20,143,995	6,163,619	(213,129)	-	-	26,094,485
Public Health	49,591	19,032	-	-	-	68,623
Transportation	5,872,830	526,277	(223,267)	-	-	6,175,840
Economic Assistance and Opportunity	171,637	53,888	-	-	-	225,525
Culture and Recreation	2,913,569	569,825	(631,906)	-	-	2,851,488
Home and Community Services	5,746,730	754,222	(1,862,155)	-	-	4,638,797
Employee Benefits	2,962,134	-	-	-	-	2,962,134
Debt Service	2,594,724	-	-	(1,920,125)	(338,353)	336,246
Total Expenditures	46,301,556	7,659,210	(2,447,284)	(1,920,125)	(338,353)	49,255,004
Excess/(Deficiency) of Revenues Over Expenditures	(2,220,643)	(7,365,264)	2,447,284	1,920,125	338,353	(4,880,145)
Other Financing Sources/(Uses):						
Proceeds from Obligations	338,353	-	-	-	(338,353)	-
Operating Transfers In	2,133,311	-	-	-	(2,133,311)	-
Operating Transfers Out	(2,133,311)	-	-	-	2,133,311	-
Total Other Financing Sources/(Uses)	338,353	-	-	-	(338,353)	-
Change in Fund Balances	\$ (1,882,290)	\$ (7,365,264)	\$ 2,447,284	\$ 1,920,125	\$ -	\$ (4,880,145)

See notes to the financial statements

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	WATER FUND	SEWER FUND	TOTAL
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,141,424	\$ 2,385,936	\$ 3,527,360
Receivables:			
Charges for Services	964,806	1,026,355	1,991,161
Other	-	30,657	30,657
Internal balances	-	1,650,944	1,650,944
Prepaid expenses	165,522	3,136	168,658
Due from other governments	-	178,664	178,664
Inventories - net of allowance	154,240	-	154,240
Total current assets	2,425,992	5,275,692	7,701,684
Non current assets:			
Restricted cash and cash equivalents	1,107,360	-	1,107,360
Total non-current assets	1,107,360	-	1,107,360
Capital assets:			
Land	118,729	-	118,729
Improvements and Infrastructure, net of depreciation	5,593,246	21,107,770	26,701,016
Buildings, Machinery and Equipment, net of depreciation	5,128,776	921,765	6,050,541
Construction in progress	3,216,367	548,221	3,764,588
Total capital assets	14,057,118	22,577,756	36,634,874
DEFERRED OUTFLOW OF RESOURCES	897,255	858,844	1,756,099
Total assets and deferred outflow of resources	\$ 18,487,725	\$ 28,712,292	\$ 47,200,017

See notes to the financial statements

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2016

	WATER FUND	SEWER FUND	TOTAL
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,096,861	\$ 766,825	\$ 1,863,686
Accrued liabilities	95,825	56,184	152,009
Retainage payable	-	82,628	82,628
Internal balances	139,097	567,864	706,961
Due to other governments	6,370	220,312	226,682
Bond anticipation notes payable	1,360,000	3,608,839	4,968,839
Current portion of bonds, notes, and loans payable	482,922	828,416	1,311,338
Compensated absence liability	5,383	-	5,383
Total current liabilities	3,186,458	6,131,068	9,317,526
Non-current liabilities:			
Bond anticipation notes payable	1,490,754	-	1,490,754
Compensated absence liability	192,501	314,318	506,819
Bonds, notes, and loans payable	5,363,435	9,314,471	14,677,906
Other long term liabilities	27,958	-	27,958
Other post-employment benefits	3,020,000	3,762,548	6,782,548
Proportionate share of net pension liability	761,919	713,262	1,475,181
Total non-current liabilities	10,856,567	14,104,599	24,961,166
Total liabilities	14,043,025	20,235,667	34,278,692
DEFERRED INFLOW OF RESOURCES	90,976	190,578	281,554
NET POSITION			
Net investment in capital assets	4,326,532	8,397,537	12,724,069
Restricted	-	364,496	364,496
Unrestricted (deficit)	27,192	(475,986)	(448,794)
Total net position	4,353,724	8,286,047	12,639,771
Total liabilities, deferred inflow of resources and net position	\$ 18,487,725	\$ 28,712,292	\$ 47,200,017

See 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, 2016

	WATER FUND	SEWER FUND	TOTAL
OPERATING REVENUES			
Charges for services	\$ 4,196,092	\$ 4,929,705	\$ 9,125,797
Program grants and subsidies	-	54,960	54,960
Other revenue	307,794	74,258	382,052
Total operating revenues	4,503,886	5,058,923	9,562,809
OPERATING EXPENSES			
Personal services	2,635,427	2,704,933	5,340,360
Real property taxes	274,565	-	274,565
Maintenance, operations and contractual services	624,215	1,344,955	1,969,170
Depreciation	581,955	1,018,063	1,600,018
Total operating expenses	4,116,162	5,067,951	9,184,113
Net Operating Income (Loss)	387,724	(9,028)	378,696
Non-operating income and (expense)			
Interest income	879	368	1,247
Sale of property	1,534	2,948	4,482
Interest on bonds and notes	(148,229)	(292,799)	(441,028)
Rental Income	48,926	-	48,926
Total non-operating revenues (expenses)	(96,890)	(289,483)	(386,373)
Change in Net Position	290,834	(298,511)	(7,677)
Net Position, December 31, 2015	4,044,006	8,584,558	12,628,564
Prior Period Adjustment - (Note H)	18,884	-	18,884
Net Position, December 31, 2016	\$ 4,353,724	\$ 8,286,047	\$ 12,639,771

See notes to the financial statements

**CITY OF KINGSTON, NEW YORK
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	WATER FUND	SEWER FUND	TOTAL
Cash Flows From Operating Activities:			
Cash received from users	\$ 4,574,157	\$ 5,854,849	\$ 10,429,006
Cash paid to employees	(1,859,006)	(2,704,933)	(4,563,939)
Cash paid for operating expenses	(1,356,684)	(2,308,589)	(3,665,273)
Net Cash Provided by Operating Activities	1,358,467	841,327	2,199,794
Cash Flows From Capital and Related Financing Activities:			
Proceeds from capital debt	1,526,254	1,516,077	3,042,331
Proceed from sale of capital assets	1,534	2,947	4,481
Purchase of Fixed Assets, net	(2,289,426)	(2,716,134)	(5,005,560)
Interest payments on bonded indebtedness	(147,490)	(292,799)	(440,289)
Principal payments on bonded indebtedness	(541,534)	(781,284)	(1,322,818)
Loans provided/paid, net	-	1,878,798	1,878,798
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,450,662)	(392,395)	(1,843,057)
Cash Flows From Investing Activities:			
Rental income	48,926	-	48,926
Interest received	879	368	1,247
Net Cash Provided by Investing Activities	49,805	368	50,173
Net Increase (Decrease) in Cash and Cash Equivalents	(42,390)	449,300	406,910
Cash and Cash Equivalents at January 1, 2016	2,291,174	1,936,636	4,227,810
Cash and Cash Equivalents at December 31, 2016	\$ 2,248,784	\$ 2,385,936	\$ 4,634,720
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 387,724	\$ (9,028)	\$ 378,696
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	581,955	1,018,063	1,600,018
Changes in assets and liabilities:			
Decrease (Increase) in accounts receivable	70,211	795,926	866,137
Decrease (Increase) in inventories	(35,577)	-	(35,577)
Decrease (Increase) in prepaid items	13,173	(3,136)	10,037
Decrease (Increase) in due from related party	25,778	(568,334)	(542,556)
Increase (Decrease) in accounts payable	30,260	(49,426)	(19,166)
Increase (Decrease) in deferred revenues	(602,025)	73,065	(528,960)
Increase(Decrease) in accrued expenses and other liabilities	886,968	(415,803)	471,165
Net Cash Provided by Operating Activities	\$ 1,358,467	\$ 841,327	\$ 2,199,794

See notes to the financial statements

CITY OF KINGSTON, NEW YORK
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2016

	AGENCY FUNDS
ASSETS	
Cash and cash equivalents	\$ 317,761
Total assets	
	\$ 317,761
LIABILITIES	
Escrow funds returnable and other liabilities	\$ 317,761
Total liabilities	
	317,761
NET POSITION	
-	
Total liabilities and net position	
	\$ 317,761

See notes to the financial statements

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE A - Summary of Accounting Policies

The City of Kingston, New York, (the "City") which was incorporated in 1872, is governed by its Charter, the City of Kingston local law and other general laws of the State of New York. The City operates under a strong-mayor 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 fiscal officer. The following basic services are provided: fire and police protection; public works activities including water and sewer services, wastewater treatment, trash collection and removal, street maintenance, snow and ice removal; public transportation; cultural and recreational activities and public parks and facilities; economic and community development; human rights advocacy; tax assessment, collection and enforcement; and code enforcement.

The financial statements of the City of Kingston have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the City are discussed below.

1. The Reporting Entity

The financial reporting entity consists of (a) the primary government which is the City of Kingston, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Codification Section 2100.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB Codification Section 2100, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the City of Kingston's reporting entity.

The City of Kingston Local Development Corporation (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. KLDC is included in the City of Kingston financial statements as a discretely presented component unit.

The City of Kingston previously included the Kingston Housing Authority in its financial statements for the year ending December 31, 2011. The City implemented GASB Statement No. 61 and have concluded that the Kingston Housing Authority no longer meets the criteria necessary to be included in the City's financial statements as a component unit.

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

The Dietz Stadium is jointly administered with the Kingston City School District and is excluded from the financial statements. See Note F for further information.

There were no significant transactions with component units other than that the City processes the payroll for Kingston Local Development Corp and Kingston-Ulster Empire Zone. These entities then reimburse the City.

NOTE A - Summary of Accounting Policies - continued

2. Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). The government-wide statements include the Statement of Net Position and the Statement of Activities. The other statements are fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the City's services are classified as governmental activities except for water and sanitary sewer. These services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual economic resource basis, which recognizes all long term assets and receivables as well as long term related debt; restricted net position; and unrestricted net position. Net assets are reported as restricted when there are external restrictions by creditors, grantors, laws or regulations of other governments. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, transportation, etc.). The functions are also supported by general government revenues (property, sales and use taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related charges for services, operating and capital grants. Charges for services must be directly associated with the function (public safety, transportation, home and community services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, investment earnings, etc.). The City does not allocate indirect costs. This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

3. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements using the current financial resources measurement focus. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The City records its transactions in the fund types below:

- 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 governmental fund types:
 - a) General fund - the principal operating fund and includes all operations not accounted for and reported in another fund.
 - b) Special revenue funds - used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects. This fund is used to account for the activities of the Community Development Office which are funded by HUD. This fund utilizes a June 30 year-end.

NOTE A - Summary of Accounting Policies - continued

3. Basic Financial Statements – Fund Financial Statements - 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. The City has only one type of proprietary fund; 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 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.

- 3) Fund Balance - Fund balance is presented in five different classifications which focus on the constraints imposed on resources in governmental funds, rather than on availability for appropriation. The classifications include: non-spendable, restricted, committed, assigned, and unassigned.
- a) Non-spendable consists of assets that are inherently non-spendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.
 - b) Restricted consists of 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.

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE A - Summary of Accounting Policies - continued

3. Basic Financial Statements – Fund Financial Statements – continued

- c) Committed consists of amounts that are subject to a purpose constraint imposed by a formal action of the government’s highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Common Council is the decision-making authority that can, by action taken prior to the end of the fiscal year, commit fund balance.
- d) Assigned consists of 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 their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. The Common Council has not authorized a designated official to assign fund balance.
- e) Unassigned represents the residual classification for the government’s general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the City spends funds in the following order: restricted, committed, assigned, unassigned.

The City has, by resolution, adopted a fund balance policy that states the City must maintain a minimum unrestricted (the total of committed, assigned, and unassigned) fund balance of at least ten percent of the general fund operating budget. Unrestricted fund balance below the minimum should be replenished.

Nonspendable			
Inventory	\$	9,704	
Prepaid expenses		<u>604,029</u>	
			\$ 613,733
Assigned Appropriation			
Designated for subsequent year's budget			775,000
Assigned Unappropriated			
Recreation fees		114,202	
Risk retention reserve		225,804	
Encumbered		<u>171,439</u>	
			511,445
Unassigned			<u>5,487,957</u>
Total fund balance	\$		<u><u>7,388,135</u></u>

NOTE A - Summary of Accounting Policies - continued

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes, is employed in the general fund. Encumbrances are reported as restrictions, commitments, or assignments of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. Encumbrances of \$171,439 were included in the reporting of assigned fund balance in the general fund.

5. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

A. Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

B. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

6. Financial Statement Amounts

A. Cash and Investments

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. City monies must be deposited in FDIC-insured commercial banks located within the State. The Comptroller is authorized to use demand accounts and certificates of deposit. 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.

For the purposes of the proprietary funds statement of cash flows, the City considers all cash and cash equivalents with an original maturity of three months or less to be cash equivalents.

**CITY OF KINGSTON, NEW YORK
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE A - Summary of Accounting Policies - continued

A. Cash and Investments – continued

Deposits and investments at year-end were entirely covered by federal deposit insurance or by collateral held by a custodial bank in the City's name as follows:

<u>Bank</u>	<u>Bank Balance</u>	<u>Insured (FDIC)</u>	<u>Collateralized- Custodial Bank</u>	<u>Not Collateralized</u>
Chase Bank	\$ 1,168,486	\$ 500,000	\$ 853,034	\$ -
Catskill Hudson	2,545,520	500,000	2,626,708	-
M&T Bank	6,791,905	500,000	8,580,398	-
TD Bank	1,570,170	250,000	2,500,000	-

B. 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, 2016, the City had total real property tax assets of \$5,088,681. On the fund financial statements, the taxes are offset by deferred tax revenue of \$4,426,587 for the City portion. The deferred tax revenue 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 the City regardless of when received.

Other revenues totaling \$34,514 are deferred in the governmental fund financial statements as they were not received within 60 days following year-end; 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.

C. Notes Receivable

The following is a summary as of December 31, 2016:

- a) 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.

**CITY OF KINGSTON, NEW YORK
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE A - Summary of Accounting Policies - continued

6. Financial Statement Amounts - continued

C. Notes Receivable - continued

Summary of 2016 activity

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016	Due in One Year
Homeowner Loans	\$ 781,118	\$ 129,932	\$ -	\$ 911,050	\$ -
Total Loans	\$ 781,118	\$ 129,932	\$ -	\$ 911,050	\$ -

D. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15-40 years
Improvements	15-40 years
Infrastructure	15-40 years
Machinery and equipment	3-40 years

NOTE A - Summary of Accounting Policies - continued

6. Financial Statement Amounts - continued

E. Capital Assets – continued

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, underground pipe, etc. Neither their historical cost nor related depreciation had historically been reported in the financial statements prior to 2004 when the City's implemented all the provisions of GASB Statement No. 34 including retroactive reporting of infrastructure.

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. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

H. Budgets

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.

Basis of Budgeting - Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues and expenditures are budgeted by department and class. Appropriations in all budgeted funds lapse at the end of the fiscal year, except that outstanding encumbrances are re-apportioned in the subsequent year.

NOTE A - Summary of Accounting Policies - continued

6. Financial Statement Amounts – continued

I. Deficit Fund Balances

The capital projects fund had a deficit fund balance at December 31, 2016. The deficit will be eliminated as short-term debt is converted to permanent financing.

J. Encumbrances

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.

K. Revenues

Substantially all governmental fund revenues are accrued. The governmental fund financial statements recognize the proceeds of debt as other financing sources.

Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No.33. In applying GASB No. 33 to grant revenues, the grantor recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the grantor and deferred revenue by the recipient.

L. Expenditures

Expenditures are recognized when the fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than when purchased.

M. Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employer-related costs when earned (or estimated to be earned) by the employee based on varying contracts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations. The amount estimated to be used in subsequent fiscal years is maintained separately for governmental funds and represents a reconciling item between the fund and government-wide presentations.

NOTE A - Summary of Accounting Policies – continued

6. Financial Statement Amounts - continued

N. Pension Plans

Plan Description

The City of Kingston is required to participate in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Policemen's and Firemen's Retirement System (PFRS) (the Systems). 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 System. 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 publically 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, 110 State Street, Albany, New York, 12244.

Funding Policy

The Systems are generally noncontributory. Tiers I-IV are noncontributory after ten years of participation and Tier V is required to contribute 3% of their salary, and Tier VI is required to contribute a minimum of 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates of participating employers expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by those employers to the pension accumulation fund.

The City is required to contribute to the Systems at an actuarially determined rate. The required contributions for the current and prior two calendar years were \$1,509,733, \$1,668,827, and \$1,822,264 for ERS, and \$2,205,484, \$2,287,767, and \$2,726,392 for PFRS.

Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- i. For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- ii. For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- iii. For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to payoff existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2007 through 2016. The total unpaid liability at the end of the fiscal year was \$1,911,823 which is reported in the governmental activities of the government-wide financial statements.

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE A - Summary of Accounting Policies - continued

6. Financial Statement Amounts - continued

M. Pension Plans -continued

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

At December 31, 2016, the City reported liabilities of \$4,950,767 under the Employees' Retirement System, net of \$17,043 allocated to the Kingston Local Development Corporation, and \$7,969,833 under the Police and Fire Retirement System for its proportionate share of the net pension liability. This amount is recorded as a long-term liability due to the NYS Retirement System. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 pension plan relative to the projected contributions of all participating members, actuarially determined.

At March 31, 2016, the City's proportion was 0.0308454 percent of the Employees' Retirement System liability and 0.2691796 of the Police and Fire Retirement System.

For the year ended December 31, 2016, the City recognized pension expense of \$1,831,262 under the Employees' Retirement System and \$2,934,394 under the Police and Fire Retirement System. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience - ERS	\$ 25,017	\$ 586,831
Differences between expected and actual experience - PFRS	71,482	1,204,943
Changes of assumptions - ERS	1,320,220	-
Changes of assumptions - PFRS	3,435,769	-
Net difference between projected and actual investment earnings on pension plan investments - ERS	2,937,067	-
Net difference between projected and actual investment earnings on pension plan investments - PFRS	4,466,447	-
Changes in proportion and differences between employer contributions and proportionate share of contributions - ERS	224,824	4,311
Changes in proportion and differences between employer contributions and proportionate share of contributions - PFRS	70,902	46,050
Employer contributions subsequent to the measurement date - ERS	1,334,258	-
Total	<u>\$ 13,885,986</u>	<u>\$ 1,842,135</u>

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE A - Summary of Accounting Policies -continued

6. Financial Statement Amounts -continued

M. Pension Plans -continued

\$1,334,258 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>ERS</u>	<u>PFRS</u>	<u>TOTAL</u>
2017	\$ 999,882	\$ 1,598,863	\$ 2,598,745
2018	999,882	1,598,863	2,598,745
2019	999,882	1,598,863	2,598,745
2020	916,340	1,536,673	2,453,013
2021	-	460,346	460,346

Actuarial Assumptions

The total pension liability at March 31, 2016, was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2015, valuation were as follows:

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.5%	2.5%
Salary increases	3.8%	4.5%
Investment rate of return (net of investment expense, including inflation)	7.0%	7.0%
Cost of living adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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 of the target asset allocation percentage and by adding expected inflation.

CITY OF KINGSTON, NEW YORK
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE A - Summary of Accounting Policies -continued

6. Financial Statement Amounts -continued

M. Pension Plans -continued

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.30%
International equity	8.55
Private equity	11.00
Real estate	8.25
Absolute return strategies	6.75
Opportunistic portfolio	8.60
Real assets	8.65
Bonds and mortgages	4.00
Cash	2.25
Inflation-indexed bonds	4.00

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 these 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 net pension liability calculated using the discount rate of 7.0 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net ERS pension liability/(asset)	\$ 11,163,620	\$ 4,950,767	\$ (298,828)
City's proportionate share of the net PFRS pension liability/(asset)	\$ 17,801,462	\$ 7,969,833	\$ (271,201)

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE A - Summary of Accounting Policies -continued

6. Financial Statement Amounts -continued

M. Pension Plans -continued

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of all employers as of March 31, 2016, were as follows:

	Dollars in Thousands		
	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727	\$ 202,651,271
Plan net position	156,253,265	27,386,940	183,640,205
Employers' net pension liability	<u>\$ 16,050,279</u>	<u>\$ 2,960,787</u>	<u>\$ 19,011,066</u>
Ratio of plan net position to the employers' total pension liability	90.7%	90.2%	90.6%

N. Post-employment Benefits (Health insurance and firefighter disability)

From an accrual accounting perspective, the cost of postemployment benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB statement No. 45 during the year ended December 31, 2008, the City recognizes the cost of postemployment benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

Plan Description

The City provides continuation of medical insurance coverage to employees that retire directly from City employment after retirement age with a minimum of ten years of service. Based on collective bargaining agreements, the retiree and his or her beneficiaries receive this coverage for the life of the retiree and survivor. Healthcare benefits for non-union employees are based on those of union employees. Currently the retiree's share of premium cost ranges from 0 to 50%, depending on the employee group and lengths of service. These contracts will be renegotiated at various times in the future. Also, under requirements of state and local law, the City compensates firefighters that retire due to disability before the mandatory retirement age of 70. This compensation is equal to the differential between the retiree's pension and the salary that they would be paid if still in active service. There are currently 5 firefighters receiving such compensation.

The total number of participants as of January 1, 2016, the effective date of the OPEB valuations, follows:

Active employees	309
Retired employees	288
Spouses of deceased employees	<u>0</u>
	<u>703</u>

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE A - Summary of Accounting Policies -continued

6. Financial Statement Amounts -continued

O. Post-employment Benefits (Health insurance and firefighter disability) (Cont'd)

Funding Policy

The City currently pays for postemployment healthcare benefits on a pay-as-you-go basis through premiums paid to insurance companies and reimbursements to retirees for their Medicare premiums.

Annual Other Post-employment Benefit Cost

For the year ended December 31, 2016, the City's annual OPEB cost (expense) was \$11,380,000 and the Annual Required Contribution was \$11,570,000. The payment of current health insurance premiums and Medicare reimbursement, which totaled \$3,100,000 for retirees and their survivors, resulted in a Net OPEB obligation of \$55,480,000 for the year ended December 31, 2016.

	Governmental Funds	Proprietary Funds	Total
Amortization of UAAL over 30 Years	\$ 5,061,273	\$ 698,727	\$ 5,760,000
Normal cost with interest to end of year	5,172,104	637,896	5,810,000
Annual required contribution (ARC)	10,233,377	1,336,623	11,570,000
Interest on net OPEB obligation	1,542,395	227,605	1,770,000
Adjustment to annual required contribution	(1,708,642)	(251,359)	\$ (1,960,000)
Annual OPEB cost	10,067,131	1,312,869	11,380,000
Contributions made	(2,673,654)	(426,346)	\$ (3,100,000)
Increase in net OPEB obligation	7,393,477	886,523	8,280,000
Net OPEB obligation - beginning of year	41,303,975	5,896,025	47,200,000
Net OPEB obligation - end of year	<u>\$ 48,697,452</u>	<u>\$ 6,782,548</u>	<u>\$ 55,480,000</u>

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016 actuarial valuation, the most recent actuarial valuation date, the liabilities were computed using the projected unit credit cost method. The actuarial assumptions utilized a 3.75% discount rate. Because the plan is unfunded, this rate was selected based on the expected earnings of the City of Kingston's short-term investments such as certificates of deposit. The valuation assumes a current 8.00% healthcare cost trend increase, reduced by decrements to a rate of 0.5% per year through year seven, to 5.0% thereafter. GASB Statement #45 requires that actuarial valuations be performed at least biennially.

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF KINGSTON, NEW YORK
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE A - Summary of Accounting Policies -continued

6. Financial Statement Amounts -continued

P. Subsequent Events

Management has evaluated subsequent events through October 2, 2017, the date the financial statements were available to be issued.

NOTE B - Interfund Receivables, Payables and Transfers

The following is a summary of amounts due from and due to other funds and transfers as of December 31, 2016. These inter-fund balances have been eliminated as part of the aggregation of balances in the statement of net assets. Such balances arise through the use of a pooled cash disbursement account and the temporary funding of capital projects. Transfers are recorded for the reimbursement of expenses and the permanent funding of capital projects.

<u>FUND</u>	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General	\$ 2,178,287	\$ (1,355,853)
Capital Projects	1,041,194	(2,057,689)
Special Grant	-	-
Debt Service	162,975	(912,897)
subtotal Governmental funds	<u>3,382,456</u>	<u>(4,326,439)</u>
Proprietary funds:		
Water	-	(139,097)
Sewer	1,650,944	(567,864)
Subtotal Proprietary funds	<u>1,650,944</u>	<u>(706,961)</u>
TOTALS	<u>\$ 5,033,400</u>	<u>\$ (5,033,400)</u>
	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General	\$ 34	\$ (2,133,277)
Capital Projects	125,500	(34)
Special Grant	-	-
Debt Service	2,007,777	-
subtotal Governmental funds	<u>2,133,311</u>	<u>(2,133,311)</u>
Proprietary funds:		
Water	-	-
Sewer	-	-
Subtotal Proprietary funds	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 2,133,311</u>	<u>\$ (2,133,311)</u>

CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE C – Capital Assets

The table on the following page provides a summary of changes in capital assets. In addition, depreciation was charged to governmental activities functions as follows:

General government	\$	548,285
Public Safety		495,835
Transportation		1,234,897
Culture and Recreation		352,428
Home and community services		688,960
Total governmental activities depreciation	\$	<u>3,320,405</u>

The following describes the City's Capital Assets:

	Balance 12/31/2015	Additions	Disposals/ Transfers	Balance 12/31/2016
<u>Governmental Activities:</u>				
Land	\$ 192,500	\$ -	\$ -	\$ 192,500
Construction in progress	5,172,330	1,456,890	(4,095,121)	2,534,099
Depreciated Assets:				
Buildings	13,232,255	-	-	13,232,255
Improvements	14,927,400	1,897,828	-	16,825,228
Infrastructure	25,682,106	4,819,257	-	30,501,363
Machinery and equipment	15,502,375	1,688,835	-	17,191,210
Total Capital Assets	<u>74,708,966</u>	<u>9,862,810</u>	<u>(4,095,121)</u>	<u>80,476,655</u>
Less accumulated depreciation:				
Buildings	5,966,683	287,852	-	6,254,535
Improvements	6,184,726	690,916	-	6,875,642
Infrastructure	10,067,068	1,115,105	-	11,182,173
Machinery and equipment	10,739,310	1,226,532	-	11,965,842
Total Accumulated Depreciation	<u>32,957,787</u>	<u>3,320,405</u>	<u>-</u>	<u>36,278,192</u>
Net Governmental Assets	<u>41,751,179</u>	<u>6,542,405</u>	<u>(4,095,121)</u>	<u>44,198,463</u>
<u>Business-Type Activities:</u>				
Land	118,729	-	-	118,729
Construction in progress	4,300,103	3,071,549	(3,607,066)	3,764,586
Depreciated Assets:				
Buildings	4,996,149	1,518,737	-	6,514,886
Improvements	16,973,641	4,572	-	16,978,213
Infrastructure	26,006,807	4,463,811	-	30,470,618
Machinery and equipment	3,862,101	523,438	-	4,385,539
Total Capital Assets	<u>56,257,530</u>	<u>9,582,107</u>	<u>(3,607,066)</u>	<u>62,232,571</u>
Less accumulated depreciation:				
Buildings	1,380,355	205,196	-	1,585,551
Improvements	12,054,465	494,474	-	12,548,939
Infrastructure	7,994,052	691,283	-	8,685,335
Machinery and equipment	2,590,793	209,065	(21,986)	2,777,872
Total Accumulated Depreciation	<u>24,019,665</u>	<u>1,600,018</u>	<u>(21,986)</u>	<u>25,597,697</u>
Net Business-Type Assets	<u>32,237,865</u>	<u>7,982,089</u>	<u>(3,585,080)</u>	<u>36,634,874</u>
Primary Government Net Assets	<u>\$ 73,989,044</u>	<u>\$ 14,524,494</u>	<u>\$ (7,680,201)</u>	<u>\$ 80,833,337</u>

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE D - Long-Term Liabilities

Constitutional Debt Limit- At December 31, 2016 the total outstanding indebtedness of the City of Kingston aggregated \$38,062,086. Of this amount, \$24,964,275 was subject to the constitutional debt limit and represented approximately 25% 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.

1. Types

a. Serial Bonds

The City of Kingston borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of these capital assets. These long-term liabilities, which are backed by the full faith and credit of the City, are recorded in the enterprise funds and government-wide statements.

b. Loans Payable

- i. 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.
- ii. 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 \$14,630.
- iii. 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 \$80,077.

c. Judgments and Claims

As described in Note D.1f. Insurance Claims, the City has prepared an estimate of future loss liabilities based on historical trends and other factors.

d. Compensated Absence and Vacation Pay Obligations

The City has prepared an estimate of the value of earned but unused leave time which is payable from future resources.

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE D - Long-Term Liabilities -continued

1. Types -continued

e. 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 estimated cost to the City of post-closure care was \$2,692,498 at December 31, 2011. This estimate had not been reviewed for several years. Now that the City is half way through the post-closure period, the prior costs were reviewed to determine if the estimate was still appropriate. As a result of this review, the estimated remaining liability was increased to \$601,842 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.

f. Insurance Claims

The City has adopted an insurance program which includes a self-insurance portion. The City is responsible for the payment of the first \$50,000 of every claim arising prior to June 1, 1998 and for claims subsequent to that date, the self-insured retention is \$25,000. 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. It is estimated that the City's potential liability for claims for the period prior to December 31, 2012 is \$300,000 of which \$225,804 has been reserved in the general fund.

The City also participates in a risk sharing pool to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to workers' compensation claims. The City's share of the liability for unbilled and open claims is \$402,340 which is reported with other long term liabilities in the government-wide financial statements.

2. Schedule of Notes Payable

Description	Date of Issue	Interest Rate	Balance 12/31/2015	Issued (Paid) During Year	Balance 12/31/2016	Date of Maturity
<u>DUE IN ONE YEAR</u>						
Bond Anticipation:						
Equipment/Improvement	Nov-16	1.00%	\$ 5,007,077	\$ 992,418	\$ 5,999,495	Nov-17
Sewer Improvements	Nov-16	1.00%	1,730,040	1,878,798	3,608,838	Nov-17
Water Improvements	Mar-16	1.25%	1,395,000	(35,000)	1,360,000	Mar-17
Total Bond Anticipation			8,132,117	2,836,216	10,968,333	
<u>DUE IN MULTIPLE YEARS</u>						
Bond Anticipation:						
Water Improvements	Mar-16	2.00%	-	1,490,754	1,490,754	Mar-17
Installment Debt:						
Equipment #3	Nov-05	4.49%	314,385	(57,479)	256,906	Nov-20
Wendel Energy	Aug-07	3.41%	2,115,495	(272,645)	1,842,850	Aug-22
Water Vehicles	Jun-10	5.90%	137,100	(37,556)	99,544	Jun-17
Total Installment Debt			2,566,980	1,123,074	3,690,054	

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE D - Long-Term Liabilities -continued

3. Changes

The changes in the City's indebtedness during the year ended December 31, 2016, are summarized as follows:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due in One Year
<u>Governmental Activities:</u>					
Bonds Payable	\$ 10,956,387	\$ -	\$ (1,801,049)	\$ 9,155,338	\$ 1,785,683
Retirement payable	2,244,092		(332,270)	1,911,822	-
Compensated absences	2,786,701	-	(150,585)	2,636,116	-
Judgements and claims	68,103		(77,800)	(9,697)	-
Landfill closure liability	599,696	2,146		601,842	-
Installment debt	851,298	-	(121,210)	730,088	125,766
Share of net pension liability	1,441,500	9,986,876	-	11,428,376	-
OPEB liability	41,303,975	7,393,477	-	48,697,452	-
Total governmental	<u>60,251,752</u>	<u>17,382,499</u>	<u>(2,482,914)</u>	<u>75,151,337</u>	<u>1,911,449</u>
<u>Business-type Activities:</u>					
Bonds Payable	15,591,241	-	(1,143,579)	14,447,662	1,131,317
Installment debt	1,715,683	-	(246,470)	1,469,213	216,246
Compensated absences	428,010	84,192	-	512,202	5,383
Share of net pension liability	320,611	1,154,570	-	1,475,181	-
OPEB liability	5,896,025	886,523	-	6,782,548	-
Total business-type	<u>23,951,570</u>	<u>2,125,285</u>	<u>(1,390,049)</u>	<u>24,686,806</u>	<u>1,352,946</u>
Total Long Term Debt	<u>\$ 84,203,322</u>	<u>\$ 19,507,784</u>	<u>\$ (3,872,963)</u>	<u>\$ 99,838,143</u>	<u>\$ 3,264,395</u>

4. Description

a. Serial Bonds

The City borrows money in order to acquire or construct buildings and public improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are backed by the full faith and credit of the City, are recorded in the long-term liabilities. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of long-term liabilities.

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE D - Long-Term Liabilities -continued

7. Description -continued

a. Serial Bonds (Cont'd).

The following is a schedule of the City's serial bonds as of December 31, 2016:

Description	Date of Issue/ Maturity	Interest Rate	Total Authorized	Balance 12/31/2015	Issued (Paid) During Year	Balance 12/31/2016
Serial Bonds:						
Clean Water Revolving Loan	3/98 to 6/18	3.75% to 5.20%	\$ 1,183,625	\$ 195,000	\$ (65,000)	\$ 130,000
Clean Water Revolving Loan	7/04 to 2/25	1.99% to 5.025%	2,545,816	1,465,000	(125,000)	1,340,000
Clean Water Revolving Loan	3/05 to 5/25	2.10% to 4.405%	571,283	239,221	(21,221)	218,000
Clean Water Revolving Loan	7/05 to 10/24	2.059% to 3.969%	1,552,579	770,000	(80,000)	690,000
Public Improvement Serial	7/06 to 3/26	4.250% to 4.375%	4,116,824	220,000	(220,000)	-
Public Improvement Serial	4/10 to 4/27	2% to 4.25%	4,815,000	2,475,000	(300,000)	2,175,000
Refunding Serial Bonds	5/13 to 2/18	2% to 3.6%	3,110,000	1,860,000	(605,000)	1,255,000
Clean Water Revolving Loan	7/11 to 5/31	.28% to 4.113%	5,819,243	4,895,000	(295,000)	4,600,000
Clean Water Revolving Loan	11/12 to 11/32	.285% to 3.483%	3,552,158	3,080,000	(155,000)	2,925,000
Refunding Serial Bonds	8/15 to 8/21	.285% to 3.483%	2,675,000	2,675,000	(260,000)	2,415,000
Public Improvement Serial	3/15 to 3/35	.285% to 3.483%	8,673,407	8,673,407	(818,407)	7,855,000
				<u>\$ 17,874,221</u>	<u>\$ (2,944,628)</u>	<u>\$ 23,603,000</u>

b. Bond Anticipation Notes Payable

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.

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE D - Long-Term Liabilities -continued

4. Description -continued

c. Amortization

The annual requirements needed to amortize bonded debt and installment debt as of December 31, 2016, are as follows:

	Governmental Activities		Business-type Activities			
	Principal	Interest	Sewer Fund		Water Fund	
			Principal	Interest	Principal	Interest
2017	\$ 1,785,683	\$ 241,648	\$ 684,539	\$ 291,186	\$ 446,778	\$ 181,871
2018	1,666,648	198,041	623,396	274,438	451,756	169,336
2019	742,848	163,153	622,396	256,156	391,756	156,978
2020	601,143	142,128	659,095	235,782	396,762	144,984
2021	611,143	124,671	659,095	213,790	410,762	132,152
2022-2026	2,260,673	408,818	3,039,327	741,017	1,979,000	439,680
2027-2031	943,000	148,730	2,038,000	262,660	1,304,000	164,639
2032-2036	544,000	37,208	375,000	25,591	366,000	13,441
	<u>\$ 9,155,138</u>	<u>\$ 1,464,397</u>	<u>\$ 8,700,848</u>	<u>\$ 2,300,620</u>	<u>\$ 5,746,814</u>	<u>\$ 1,403,081</u>

d. Advance Refunding of Public Improvement Debt

In May 2005, the City issued \$3,335,000 in serial bonds, and in July 2006, issued \$4,116,824 in serial bonds through the Depository Trust Company. The proceeds were used to fund public improvements in the City, with \$4,981,824 allocated to General Fund, \$2,395,000 allocated for Sewer purposes, and \$75,000 allocated for Water purposes. The net proceeds of the 2015 refunding, \$2,932,469, after payment of \$70,850 in underwriting and other issuance costs, were used to purchase state and local securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As of August 19, 2015, the escrow funds were deposited to pay the refunded debt of \$2,810,000. The outstanding principal balance on the refunding debt totaled \$2,415,000 at December 31, 2016, with an average interest rate of 4.30%

NOTE E - Commitments and Contingencies

1. Litigation

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. 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.

2. Grant Programs

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.

3. Authorized Debt

In addition to the debt shown above, \$31,084,460 had been authorized but was unissued at December 31, 2016.

4. Capital Projects

The Water Department and City of Kingston other than the Water Department have prepared four and five-year capital plans. The current estimated total cost of projects contemplated for the next five years is \$28,164,964 for the Water Department and \$17,700,000 for the City other than the Water Dept. 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.

5. Deferred Compensation Plan

City employees may elect to participate in the deferred compensation plan created in accordance with IRS Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.

On October 1, 1997 the NY State Deferred Compensation Board (Board) created an agreement that made Chase Manhattan Bank the Trustee and Custodian of the plan. Consequently, Statement No. 32 became effective for the New York State Deferred Compensation Plan as of October 1, 1997. Since the Board is no longer the trustee of the plan, the plan no longer meets the criteria for inclusion in New York State's financial statements. Therefore, municipalities which participate in New York State's Deferred Compensation Plan are no longer required to record the value of the plan assets.

CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE F – Jointly Governed Organization

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

NOTE G – Lease Agreements

In August 2005, the City entered into an agreement with Aslan Environmental Services to implement and manage a process for converting sludge into bio-solid pellets with equipment provided by Aslan. The initial term of the agreement was for 10 years; however, it was later increased to 15 years. The initial monthly payment is \$19,600 with an increase of 3% for each of the subsequent years. The City has the option to purchase the equipment based on the following schedule with an exercise payment of 5% of the purchase price. The first payment under the lease was not due until the equipment commenced operation to dry the sludge. A total of \$220,104 was paid in 2016.

Schedule of terms for options to purchase:

	<u>Price</u>	<u>Credit</u>
< 2 years	\$ 1,900,000	16,000
2-4 years	1,650,000	32,000
4-6 years	1,400,400	48,000
6-8 years	1,150,000	64,000
> 8 years	900,000	80,000

NOTE H – Prior Period Adjustment

In 2016, the following prior period adjustments were recorded to properly state fund balance and net position as of December 31, 2015:

<u>Location</u>	<u>Amount</u>	<u>Reason</u>	<u>Effect</u>
Government Wide	\$ 3,156,025	To decrease OPEB liability overstated in prior year	Increase net position
Special Grant	54,639	To reflect write off of uncollectable receivables	Decrease of net position
Water Fund	18,884	To agree opening fund balance to prior year audit report received after 2015 audit date	Increase of net position

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE I – New Reporting Standards

GASB issued Statement 72, Fair Value Measurement and Application, which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement 72 is effective for fiscal year 2016. The City determined that the new standard did not have a significant impact on its financial reporting.

GASB has issued Statement 73, Accounting and Financial Reporting for Pension and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local government for making decisions and assessing accountability. This Statement also amends Statement 67, Financial Reporting for Pension Plans. GASB Statement 73 is effective for fiscal year 2016. The City determined that the new standard did not have a significant impact on its financial reporting.

GASB has issued Statement 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. The City determined that the new standard did not have a significant impact on its financial reporting.

GASB has issued Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The City is currently studying the Statement and plans on adopting if and when required, which will be for the December 31, 2018 financial statements.

GASB has issued Statement 77, Tax Abatement Disclosures. This Statement requires governments to disclose in the notes certain information related to tax abatement agreements. GASB Statement 77 is effective for fiscal year 2016. The City has implemented Statement 77 as required.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. The City has not evaluated the effect of GASB 83 on its financial statements.

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 has not evaluated the effect of GASB 83 on its financial statements.

In March 2017, GASB issued Statement 85, *Omnibus 2017*. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The City is required to implement this standard for the year ending December 31, 2018.

**CITY OF KINGSTON, NEW YORK
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE I – New Reporting Standards - continued

The City has also issued Statements 76, 78-82, and 86, none of which are expected to have any substantive effects on the City's net position.

NOTE J – Subsequent Events

On March 23, 2017, the City renewed a bond anticipation note for \$3,122,439 at 2.00%. The note was for the purposes of various capital improvements and equipment purchases for various City departments.

NOTE K – Restated Financial Statements

The City has restated its 2016 financial statements because of a change in the classification of fund balance in the General Fund. The overall fund balance for the General Fund did not change.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KINGSTON, NEW YORK
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	GENERAL FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Real property taxes	\$ 17,669,687	\$ 17,669,687	\$ 17,167,464	\$ (502,223)
Other property tax items	1,088,000	1,088,000	1,036,276	(51,724)
Non property tax items	13,370,000	13,386,281	13,609,148	222,867
Departmental income	2,378,144	2,391,244	2,347,725	(43,519)
Intergovernmental charges	74,500	74,500	65,000	(9,500)
Use of money and property	32,500	32,500	28,477	(4,023)
Licenses and permits	387,800	387,800	565,322	177,522
Fines and forfeitures	235,000	235,000	206,344	(28,656)
Sale of property and compensation for loss	54,300	54,300	145,580	91,280
Miscellaneous local sources	454,700	454,700	459,570	4,870
State aid	3,779,151	3,779,151	3,829,008	49,857
Federal aid	509,500	509,500	622,688	113,188
Total revenues	40,033,282	40,062,663	40,082,602	19,939
Appropriation of prior year's fund balance	775,000	882,095	-	(882,095)
Total revenues and appropriation of prior year's fund balance	40,808,282	40,944,758	40,082,602	(862,156)
EXPENDITURES				
General Government Support	6,257,827	6,013,233	5,622,147	391,086
Public safety	20,045,603	20,287,999	19,450,322	837,677
Health	57,379	57,379	49,591	7,788
Transportation	3,311,192	3,347,567	3,142,448	205,119
Economic assistance & opportunity	142,003	208,561	171,637	36,924
Culture and recreation	2,063,751	2,099,996	1,918,316	181,680
Home and community service	3,428,344	3,449,120	3,240,465	208,655
Employee benefits, retirees	2,889,000	2,889,000	2,962,134	(73,134)
Debt Service:				
Principal	451,048	451,048	459,563	(8,515)
Interest	94,256	94,256	67,309	26,947
Total expenditures	38,740,403	38,898,159	37,083,932	1,814,227
Excess (deficiency) of revenues over expenditures	2,067,879	2,046,599	2,998,670	952,071
Other financing sources (uses):				
Operating transfers in	-	-	34	34
Operating transfers out	(2,067,879)	(2,046,599)	(2,133,277)	(86,678)
Total other financing sources	(2,067,879)	(2,046,599)	(2,133,243)	(86,644)
Excess (deficiency) of revenues and appropriation of prior year's fund balance and other sources over (under) expenditures, encumbrances	\$ -	\$ -	\$ 865,427	\$ 865,427

**CITY OF KINGSTON, NEW YORK
OTHER POST-EMPLOYMENT BENEFITS
PLAN SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2016**

EXHIBIT II

	<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Unfunded Actuarial Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as % of Payroll</u>
*	2016	\$ 11,380,000	27%	\$ 55,480,000	\$ 138,530,000	0%	\$ 19,710,000	703%
*	2015	9,150,000	32%	47,200,000	121,140,000	0%	18,490,000	673%
*	2014	11,380,000	32%	47,200,000	115,100,000	0%	19,800,000	591%

* Includes Water Fund portion of OPEB liability

**CITY OF KINGSTON, NEW YORK
SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
DECEMBER 31, 2016**

EXHIBIT III

NYSLRS Pension Plan
Last 10 Fiscal Years *

	Employees' Retirement System <u>March 31, 2016</u>	Police and Fire Retirement System <u>March 31, 2016</u>	Employees' Retirement System <u>March 31, 2015</u>	Police and Fire Retirement System <u>March 31, 2015</u>
City's proportion of the net pension liability (asset)	0.0308454%	0.2691796%	0.0310462%	0.2604413%
City's proportionate share of the net pension liability (asset)	\$ 4,950,767	\$ 7,969,833	\$ 1,045,219	\$ 716,890
City's covered-employee payroll	\$ 9,085,750	\$ 10,826,434	\$ 8,805,830	\$ 10,492,852
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.49%	73.61%	11.87%	6.83%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	90.24%	97.95%	99.03%

*The amounts presented for each fiscal year were determined as of the System's measurement date

This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is compiled, the City will present
information for those years for which information is available.

CITY OF KINGSTON, NEW YORK
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

EXHIBIT IV

NYSLRS Pension Plan
 Last 10 Fiscal Years*

	Employees' Retirement System <u>March 31, 2016</u>	Police and Fire Retirement System <u>March 31, 2016</u>	Employees' Retirement System <u>March 31, 2015</u>	Police and Fire Retirement System <u>March 31, 2015</u>
Contractually required contribution	\$ 1,831,262	\$ 2,934,394	\$ 979,145	\$ 1,650,841
Contributions in relation to the contractually required contribution	<u>1,509,733</u>	<u>2,205,484</u>	<u>1,668,827</u>	<u>2,287,767</u>
Contribution (deficiency)/excess	<u>\$ (321,529)</u>	<u>\$ (728,910)</u>	<u>\$ 689,682</u>	<u>\$ 636,926</u>
City's covered-employee payroll	\$ 9,085,750	\$ 10,826,434	\$ 8,805,830	\$ 10,492,852
Contributions as a percentage of covered-employee payroll	16.62%	20.37%	18.95%	21.80%

*The amounts presented for each fiscal year were determined as of the System's measurement date

This schedule is presented to illustrate the requirement to show information for 10 years.
 However, until a full 10-year trend is compiled, the City will present
 information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITORS' 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**

To the Mayor and
Members of the Common Council
City of Kingston
Kingston, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kingston, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Kingston's basic financial statements, and have issued our report thereon dated October 2, 2017. 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 Net Position – Proprietary Funds. Those statements were audited by other auditors, whose report has been furnished to us.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiency 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 that are 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 City of Kingston, New York's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Kingston, New York's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RBT CPAs, LLP

Poughkeepsie, New York
October 2, 2017



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

To the Mayor and
Members of the Common Council
City of Kingston
Kingston, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Kingston, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Kingston's major federal programs for the year ended December 31, 2016. The City of Kingston's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Kingston, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We did not audit the compliance over major programs of the City's Water Fund. This audit was performed by other auditors, whose reports has been furnished to us, and our opinion, as it relates to the compliance over the Water Fund's federal programs, is based solely on the report of the other auditors. 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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kingston, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, 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, 2016.

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 preceding paragraph 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 a material weakness. 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

Poughkeepsie, New York
October 2, 2017



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND CONTROLS
OVER STATE TRANSPORTATION ASSISTANCE EXPENDED
BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor
and Members of the Common Council
City of Kingston
Kingston, New York

Report on Compliance for Each State Transportation Assistance Program

We have audited the City of Kingston, New York's compliance with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that could have a direct and material effect on each of City of Kingston, New York's state transportation assistance programs that were tested for the year ended December 31, 2016. 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the City of Kingston, New York's compliance 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 Draft Part 43 of NYCRR. Those standards and Draft 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 of Kingston, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each transportation assistance program that was tested. However, our audit does not provide a legal determination on the City of Kingston, New York's compliance.

Opinion on State Transportation Assistance Program

In our opinion, the City of Kingston, New York, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its state transportation assistance programs tested for the year ended December 31, 2016.

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 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 the state transportation assistance programs that were tested in order to determine the auditing procedures are appropriate in the circumstances for the purpose of expressing our opinion for each tested program and to test and report on internal control over compliance in accordance with Draft 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 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 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 the preliminary Draft Part 43 of NYCRR. Accordingly, this report is not suitable for any other purpose.

RBT CPAs, LLP

Poughkeepsie, New York
October 2, 2017

**CITY OF KINGSTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Financial Statement Findings:

No matters were reported.

Findings and Questioned Costs for Federal Awards:

No matters were reported.

**CITY OF KINGSTON, NEW YORK
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SELECTED STATE AWARDS
DECEMBER 31 ,2016**

<u>Grantor/ Program Title</u>	<u>NYS DOT Contract/ Reference Number</u>	<u>CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal/State Expenditures</u>
<u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
DIRECT PROGRAMS:				
* CDBG-Entitlement		14.218	\$ 141,632	\$ 1,278,086
PASSED THROUGH NYS HOUSING TRUST FUND CORP.:				
Home Investment Partnerships Program	SHARS ID 20113154	14.239	-	40,310
<u>US DEPARTMENT OF TRANSPORTATION</u>				
DIRECT PROGRAMS:				
Federal Transit Formula Grant		20.507	-	634,000
			-	634,000
PASSED THROUGH STATE:				
* Highway Planning & Construction		20.205	-	1,035,444
			-	1,035,444
<u>US DEPARTMENT OF HOMELAND SECURITY</u>				
PASSED THROUGH STATE DHSSES:				
Tactical Team Targeted Grant	C158839	97.067	-	94,576
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
PASSED THROUGH STATE				
* Capitalization Grants for Drinking Water State Revolving Funds	18147-75	66.468	-	1,526,254
TOTAL FEDERAL AWARDS EXPENDED			\$ 141,632	\$ 4,608,670
<u>STATE TRANSPORTATION ASSISTANCE</u>				
New York State Department of Transportation:				
CHIPS - Capital Reimbursement Component	n/a			\$ 532,877
State Transit Op Assistance - Sponsor Operated	n/a			234,123
State Formula Grant -5307	NY-90-X769			38,250
Marchiselli Match - Federal Highway Projects	8756.18.121			165,228
Marchiselli Match - Federal Highway Projects	8757.10.221			294
Marchiselli Match - Federal Highway Projects	8760.29.121			4,055
TOTAL STATE TRANSPORTATION ASSISTANCE EXPENDITURES				\$ 974,827

* A major program

**CITY OF KINGSTON, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AND SELECTED STATE AWARDS
DECEMBER 31, 2016**

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal and selected state awards includes all grants awarded from the Federal government and financial assistance programs provided by the NYS Department of Transportation to the City of Kingston (primary government only) and is presented on the modified accrual basis of accounting. See individual financial statements for reporting on component units. The 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), *Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – Subrecipients

The following is a summary of subrecipient activity for 2016:

<u>Program Title</u>	<u>CDFA Number</u>	Amount Provided to <u>Subrecipients</u>
Entitlement- Direct Programs	14.218	\$ 141,632

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. Since this is a loan program, no activity is reflected in the City's financial statements. See KLDC financial statement for details on outstanding 108 loans.

**CITY OF KINGSTON, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2016**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements	<u>Response</u>
Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not material weaknesses?	No
Noncompliance material to the financial statements noted?	No
Federal Awards	
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of major programs:	
<u>Name of Federal Program</u>	<u>CFDA Numbers</u>
Highway Planning and Construction	20.205
CDBG - Entitlement	14.218
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee	No
State Transportation Assistance	
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not material weaknesses?	No
Type of auditors' report issued on compliance for programs tested	Unmodified
Summary of audit findings	No State
Identification of state transportation programs tested	CHIPS

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AND SELECTED STATE AWARDS

No matters were reported

