City of Port Jervis, New York

Financial Statements And
Supplementary Information

Year Ended December 31, 2013

City of Port Jervis, New York

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O'CONNOR DAVIES

PKF

Independent Auditors' Report

The Honorable Mayor and City Council of the City of Port Jervis, New York

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Port Jervis, New York ("City") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2013, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General and Water funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress – Other Post Employment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
August 5, 2014

City of Port Jervis, New York

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

Introduction

The following Discussion and Analysis of the City of Port Jervis, New York's financial statement provides an overview of the financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the basic financial statements and the accompanying notes to those statements that follow this section.

Financial Highlights

Key financial highlights for the fiscal year 2013 are as follows:

- On the government-wide financial statements, the net position of the City exceeded the total liabilities of the City by $13,078,402 as compared to $15,197,402 in 2013. This is primarily related to the liability associated with the recording requirements for other post employment benefits ("OPEB"). Without the impact of OPEB, the City would have experienced a minor gain in net position. Of this amount, the majority of funds has been restricted as to use and are not available to meet the government's ongoing obligations. This trend will continue until the economic environment improves and the City is able to fund a portion of the OPEB liability.

- The City's total fund balance at the end of the year was $7,137,378 which represents an increase from the prior year of $2,393,164. The increase was due to an increase in the Capital fund representing completion of a major project within the City. The primary operational funds of the City are the General and Water fund. The General Fund experienced a decrease of $620,892 and the water fund an increase of $192,065. The City had planned in its budget for a deficit situation due to the stresses of the economy, increased fringe benefits costs, the costs of associated with 3 retirements and 4 new hires being trained in the police department and a new pilot program to add dispatchers to the police department. In addition to the planned expenditures there was unfortunately an unplanned main line sewer system break which cost substantial funds to repair on an emergency basis as well.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $778,852 or 6.7% of total General Fund expenditures. It should also be noted that the restricted fund balance of $372,503 is only restricted to use by the resolution of the Common Council not by law and as such could be made available for use as well making the total percentage available 9.8%. The available fund balance for the Water Fund is now listed as assigned per the new GASB 54 regulations, as it is restricted to the purpose of providing water, is $1,117,321 or 57.0% of Water Fund expenditures. The high fund balance position in the Water fund is necessary to provide a positive cash position due to excessive amounts of uncollected water rents, correcting previous negative cash positions requiring inter-fund borrowing in the past. Due to the high receivables only 36% or $414,501 of the fund balance is available for operational uses. The adjusted ratio to expenditures would be 19.3% of expenditures. The City is also building the strength of this fund as it is desirous of adding a clarifier system to the water treatment facility which will require future bonding to implement.

- During the current fiscal year, the City issued $160,000 of capital notes and a serial bond issue of $3,185,433. The serial bond issue was to fund major projects and major equipment acquisition.

- The City paid $917,445 in principal on long-term debt during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also includes supplementary information to provide the reader with any pertinent additional details.

Government–Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's financial position in a manner similar to a private sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position.* Over time increases or decreases in net position may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information reflecting how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as underlying events giving rise to changes occur, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal periods.

Both the statement of net position and statement of activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities).* The governmental activities of the City of Port Jervis include general governmental support, public safety, transportation, economic opportunity and development, culture and recreation, home and community services and interest.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is use to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and out flows of expendable resources*, as well as on

balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities.*

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Community Development, Section 8 Housing Assistance Payment Program, Water and the Capital Projects funds, all of which are considered to be major funds. Data for any other governmental funds are combined into a single, aggregated presentation. Individual fund data for the non-major governmental fund is provided elsewhere in the report.

The City adopts an annual appropriated budget for its General, Community Development and Water funds. A budgetary comparison statement has been provided for these funds within the basic financial statements to demonstrate compliance with these budgets.

The financial statements for the governmental funds can be found in the basic financial statements section of this report.

Fiduciary Funds - The *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The City maintains only one type of fiduciary fund that is known as an Agency Fund. Resources are held in this fund by the City purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment and remittance of resources to the appropriate individual, organization or government.

The financial statements for the Fiduciary Fund can be found in the basic financial statements section of this report.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are located following the basic financial statements section of this report.

Other information - Additional statements and schedules can be found immediately following the notes to financial statements. These include the combining statements for the non-major governmental funds and schedules of budget to actual comparisons.

Net Position
December 31,

	2013	2012
Current Assets	$ 12,595,563	$ 10,172,626
Capital Assets, net	24,117,519	24,308,396
Total Assets	36,712,082	34,481,022
Deferred Outflows of Resources	117,502	-
Current Liabilities	3,432,308	3,138,299
Non-Current Liabilities	20,320,234	16,145,321
Total Liabilities	23,752,542	19,283,620
NET POSITION		
Net invested in capital assets	18,359,181	18,111,266
Restricted	3,697,690	3,980,781
Unrestricted	(8,978,829)	(6,894,645)
Total Net Position	$ 13,078,042	$ 15,197,402

One of the components of the City's net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens and these assets cannot be used to liquidate debt.

Changes in Net Position
Years Ended December 31,

	2013	2012
Program Revenues:		
Charges for Services	$ 2,781,530	$ 2,896,726
Operating Grants and Contributions	1,985,729	2,050,456
Capital Grants and Contributions	507,036	533,568
General Revenues:		
Real Property Taxes	4,261,577	4,139,356
Other Tax Items	186,116	188,507
Non-Property Taxes	3,869,106	3,840,643
Unrestricted Use of Money and Property	40,635	43,805
Sale of Property and Compensation for Loss	318	17
Unrestricted State Aid	1,481,938	1,473,777
Insurance Recoveries	57,237	229,900
Miscellaneous	93,266	7,185
Total Revenues	15,264,488	15,403,940
Expenses:		
General Government Support	2,682,661	2,505,707
Public Safety	7,349,772	6,629,453
Transportation	1,985,659	1,781,812
Economic Opportunity and Development	236,553	228,162
Culture and Recreation	548,162	535,125
Home and Community Services	4,309,067	4,487,707
Interest	271,974	262,241
Total Expenses	17,383,848	16,430,207
Change in Net Position	(2,119,360)	(1,026,267)
Net Position - Beginning	15,197,402	16,223,669
Net Position - Ending	$ 13,078,042	$ 15,197,402

The net position of the City of Port Jervis decreased in 2013 by $2,119,360 as compared to a decrease in 2012 by $1,026,267. This is primarily due to the Governmental Accounting Standards Board Statement No. 45 which obligated the City to begin recording in the current period expenses associated with other post employment benefits which do not require the use of current funds, higher expenditure levels due to paying a full retirement cost and expanding the personnel within the police department to combat the proliferation of drug traffic within the City.

The total revenues associated with the changes in 2013 were $15,264,448 and $15,403,940 for 2012. The major changes between the years are as follows:

- Operating Grants and Contributions along with charges for services decreased during 2013.
- There was no substantial sale of any disposable City assets.
- Real property taxes increased.
- Other sources decreased overall due to a decrease in insurance recoveries due a lack of storm/disaster related claims as experienced in 2012.

The major sources of revenue for the City during 2013 were as follows:

Charges for services	$ 2,781,530	18.22%
Operating Grants and Contributions	1,985,729	13.01
Real Property Taxes	4,261,577	27.92
Non-Property Taxes	3,869,106	25.35
Unrestricted State Aid	1,481,938	9.71
Capital Grants and Contributions	507,036	3.32
All Other Sources	377,572	2.47

Expenses for the year 2013 are $17,383,848 compared to the 2012 expenses of $16,430,207 which represents an increase from 2012 of $953,641 or 5.8%. This is the direct result of the City's increase public safety expenditures as well as fringe benefits expenditures.

Unfortunately overall revenues still decreased due to the harsh economic environment.

Financial Analysis of the City's Funds

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

Governmental Funds:

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $7,137,378 as compared to $4,744,201 in 2012, an increase of $2,393,164 from the prior year. This increase was driven primarily by the issuance of a serial bond debt issuance within the Capital Fund. The implementation of GASB 54 with respect to Fund Balance Classification has modified the categorization of these balances. Previously unreserved amounts were shown in all funds. Now however, this classification is shown in the general fund only. All other funds are viewed as special purpose and defined as assigned funds. Any designation of general funds to the category of assigned is by the choice and desire of the Common Council and is revocable at their will. Prepaid expenditures were reclassified as Nonspendable and anything with a legal or contractual obligation is noted as Restricted.

As of 12/31/2013 the City had $2,943,748 or 41.24% categorized as other than restricted. The majority of the restricted fund balance of $4,193,594 is $3,611,178 within the Capital Fund which must be used for capital acquisition or debt repayment.

The General and Water Funds are the primary operating funds of the City. At the end of the current fiscal year, the total fund balance of the General and Water funds was $2,857,797 as compared to 2012 at $3,286,624.

When the fiscal 2013 General and Water Fund budgets were adopted, the City had anticipated the use of fund balance from the previous year. Actual operations did result in use of unrestricted fund balance. The City has also budgeted for some use of fund balance in the upcoming year but has a goal of minimizing this through additional cost containment and revenue generation.

The accounts receivable of the General Fund decreased by $173,139 and the Water Fund increased by $22,295. There continues to be increases of amounts due from property owners for water services. These are subject to Tax lien sales along with the property taxes. General government receivables decreased as payments were received after the reorganization of higher levels of government due staff reductions.

The movement in both funds does not include the expense charges for other post employment benefits as it does not use current funds.

Capital Assets

The City's investment in capital assets for its government activities as of December 31, 2013 is $24,117,519 (net of accumulated depreciation) which is a decrease from 2012 as the City replaced an aging fleet of vehicles utilizing a bulk purchase for financial efficiency. A complete inventory of the infrastructure and associated reporting of values was completed in 2006.

Schedule of Capital Assets
December 31,
(net of accumulated depreciation)

	2013	2012
Land	$ 781,035	$ 781,035
Land Improvements	1,830,445	1,947,249
Buildings and Improvements	3,468,960	3,603,645
Machinery and Equipment	3,739,214	4,142,313
Infrastructure	11,256,841	11,539,237
Construction-in-Progress	3,041,024	2,294,917
Total Capital Assets	$ 24,117,519	$ 24,308,396

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of $7,257,300. This represents an increase of $2,694,213 as the City retires long-term debt and had a new bond issuance. The City maintains a 5-year needs assessment and long-term borrowing plan which it will be revising in the upcoming year to plan any future issuances. As required by New York State Law, all bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City.

The new debt issuance that was done this year was done in the form of a 20 year serial bond for major capital projects and purchase of major equipment inclusive of a new ladder truck for the fire department.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk/Treasurer, City of Port Jervis, PO Box 1002, Port Jervis, New York, 12771.

City of Port Jervis, New York

Statement of Net Position
December 31, 2013

	Primary Government	Component Unit
	Governmental Activities	Industrial Development Agency
ASSETS		
Cash and equivalents	$ 5,843,686	$ 26,539
Receivables		
Taxes, net	1,004,479	-
Accounts	152,587	-
Water rents	736,854	-
Due from other governments	1,283,892	-
State and Federal aid	431,164	-
Loans	2,838,472	-
Prepaid expenses	304,429	-
Capital assets		
Not being depreciated	3,822,059	-
Being depreciated, net	20,295,460	-
Total Assets	36,713,082	26,539
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	117,502	-
LIABILITIES		
Accounts payable	200,783	-
Accrued liabilities	1,254,239	-
Due to other governments	11,001	-
Due to school districts	514,240	-
Unearned revenues	31,517	-
Tax anticipation note payable	49,614	-
Accrued interest payable	90,529	-
Non-current liabilities		
Due within one year	1,280,385	-
Due in more than one year	20,320,234	-
Total Liabilities	23,752,542	-
NET POSITION		
Net investment in capital assets	18,359,181	-
Restricted for		
Debt service	190,815	-
Special Revenue funds		
Section 8 Housing Assistance Payment Program	84,563	-
Community Development	3,323,670	-
Special Purpose	98,642	-
Unrestricted	(8,978,829)	26,539
Total Net Position	$ 13,078,042	$ 26,539

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

City of Port Jervis, New York

Statement of Activities
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities				
General government support	$ 2,682,661	$ 338,986	$ -	$ -
Public safety	7,349,772	167,597	57,228	1,941
Transportation	1,985,659	36,239	96,143	462,263
Economic opportunity and development	236,553	9,172	93,000	-
Culture and recreation	548,162	58,383	26,261	25,000
Home and community services	4,309,067	2,171,153	1,713,097	17,356
Interest	271,974	-	-	476
Total Governmental Activities	$ 17,383,848	$ 2,781,530	$ 1,985,729	$ 507,036
Component unit				
Industrial Development Agency	$ -	$ 12	$ -	$ -
General revenues				
Real property taxes				
Other tax items				
Payments in lieu of taxes				
Interest and penalties on real property taxes				
Gain on sale of tax acquired property				
Non-property taxes				
Tax on consumer utility bills				
Franchise fees				
Utilities gross receipts taxes				
Non-property tax distribution from County				
Unrestricted use of money and property				
Sale of property and compensation for loss				
Unrestricted State aid				
Miscellaneous				
Insurance recoveries				
Total General Revenues				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Component Unit
$ (2,343,675)	$ -
(7,123,006)	-
(1,391,014)	-
(134,381)	-
(438,518)	-
(407,461)	-
(271,498)	-
(12,109,553)	-
-	12
4,261,577	-
56,841	-
124,990	-
4,285	-
216,422	-
122,345	-
124,682	-
3,405,657	-
40,635	51
318	-
1,481,938	-
93,266	-
57,237	-
9,990,193	51
(2,119,360)	63
15,197,402	26,476
$ 13,078,042	$ 26,539

City of Port Jervis, New York

Balance Sheet
Governmental Funds
December 31, 2013

	General	Section 8 Housing Assistance Payment Program	Community Development	Water
ASSETS				
Cash and equivalents	$ 982,612	$ 117,953	$ 507,456	$ 734,273
Taxes receivable, net of allowance for uncollectible taxes	1,004,479	-	-	-
Other receivables				
Accounts	123,262	-	29,325	-
Water rents	-	-	-	736,854
Due from other governments	1,167,443	77,594	13,855	-
State and Federal aid	103,365	-	-	-
Due from other funds	79,423	-	-	386
Loans	-	-	2,838,472	-
	1,473,493	77,594	2,881,652	737,240
Prepaid expenditures	232,789	2,346	-	69,294
Total Assets	$ 3,693,373	$ 197,893	$ 3,389,108	$ 1,540,807
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ 105,179	$ 47,660	$ 53
Accrued liabilities	1,116,412	-	-	137,827
Due to other funds	-	-	-	-
Due to other governments	-	-	11,001	-
Due to school districts	514,240	-	-	-
Unearned revenues	31,517	-	2,838,472	105,041
Compensated absences	-	8,151	6,777	-
Tax anticipation note payable	49,614	-	-	-
Total Liabilities	1,711,783	113,330	2,903,910	242,921
Deferred inflows of resources				
Deferred tax revenues	421,679	-	-	-
Total Liabilities and Deferred Inflows of Resources	2,133,462	113,330	2,903,910	242,921
Fund balances				
Nonspendable	232,789	2,346	-	69,294
Restricted	372,503	-	-	111,271
Assigned	175,767	82,217	485,198	1,117,321
Unassigned	778,852	-	-	-
Total Fund Balances	1,559,911	84,563	485,198	1,297,886
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,693,373	$ 197,893	$ 3,389,108	$ 1,540,807

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

Capital Projects	Other Governmental	Total Governmental Funds
$ 3,400,264	$ 101,128	$ 5,843,686
-	-	1,004,479
-	-	152,587
-	-	736,854
25,000	-	1,283,892
327,799	-	431,164
-	-	79,809
-	-	2,838,472
352,799	-	5,522,778
-	-	304,429
$ 3,753,063	$ 101,128	$ 12,675,372
$ 64,562	$ -	$ 217,454
-	-	1,254,239
77,323	2,486	79,809
-	-	11,001
-	-	514,240
-	-	2,975,030
-	-	14,928
-	-	49,614
141,885	2,486	5,116,315
-	-	421,679
141,885	2,486	5,537,994
-	-	304,429
3,611,178	98,642	4,193,594
-	-	1,860,503
-	-	778,852
3,611,178	98,642	7,137,378
$ 3,753,063	$ 101,128	$ 12,675,372

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City of Port Jervis, New York

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

Fund Balances - Total Governmental Funds	$ 7,137,378
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,117,519
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	421,679
Departmental income	2,943,513
	3,365,192
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.	
Deferred charges	117,502
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(90,529)
Bonds payable	(7,282,746)
Loan payable	(430,772)
Capital notes payable	(210,484)
Capital leases	(1,439,648)
Compensated absences	(2,636,690)
Retirement incentives and other pension obligations	(319,765)
Other post employment benefit obligations payable	(9,265,586)
	(21,676,220)
Net Position of Governmental Activities	$ 13,061,371

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

City of Port Jervis, New York

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2013

	General	Section 8 Housing Assistance Payment Program	Community Development	Water
REVENUES				
Real property taxes	$ 4,367,298	$ -	$ -	$ -
Other tax items	186,116	-	-	-
Non-property taxes	3,869,106	-	-	-
Departmental income	352,959	-	224,796	2,149,218
Use of money and property	90,117	-	364	-
Licenses and permits	55,867	-	-	-
Fines and forfeitures	136,111	-	-	-
Sale of property and compensation for loss	318	-	-	-
State aid	1,609,490	-	-	2,199
Federal aid	248,887	1,580,536	17,728	-
Miscellaneous	95,683	6,029	-	-
Total Revenues	11,011,952	1,586,565	242,888	2,151,417
EXPENDITURES				
Current				
General government support	1,543,632	-	-	168,878
Public safety	4,001,659	-	-	-
Transportation	1,068,631	-	-	-
Economic opportunity and development	158,733	-	-	-
Culture and recreation	284,478	-	-	-
Home and community services	543,302	1,612,915	193,675	885,206
Employee benefits	3,357,584	-	-	479,382
Capital outlay	-	-	-	-
Debt service				
Principal	608,118	-	-	309,327
Interest	123,944	-	-	116,559
Total Expenditures	11,690,081	1,612,915	193,675	1,959,352
Excess (Deficiency) of Revenues Over Expenditures	(678,129)	(26,350)	49,213	192,065
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	57,237	-	-	-
Capital notes issued	-	-	-	-
Bonds issued	-	-	-	-
Total Other Financing Sources	57,237	-	-	-
Net Change in Fund Balances	(620,892)	(26,350)	49,213	192,065
FUND BALANCES				
Beginning of Year	2,180,803	110,913	435,985	1,105,821
End of Year	$ 1,559,911	$ 84,563	$ 485,198	$ 1,297,886

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

Capital Projects	Other Governmental	Total Governmental Funds
$ -	$ -	$ 4,367,298
-	-	186,116
-	-	3,869,106
-	-	2,726,973
-	17	90,498
-	-	55,867
-	-	136,111
-	-	318
193,933	-	1,805,622
287,627	-	2,134,778
25,000	57,338	184,050
506,560	57,355	15,556,737
-	-	1,712,510
-	19,642	4,021,301
-	-	1,068,631
-	-	158,733
-	27,562	312,040
-	-	3,235,098
-	-	3,836,966
1,063,016	-	1,063,016
-	-	917,445
-	-	240,503
1,063,016	47,204	16,566,243
(556,456)	10,151	(1,009,506)
-	-	57,237
160,000	-	160,000
3,185,433	-	3,185,433
3,345,433	-	3,402,670
2,788,977	10,151	2,393,164
822,201	88,491	4,744,214
$ 3,611,178	$ 98,642	$ 7,137,378

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City of Port Jervis, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2013

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

Net Change in Fund Balances - Total Governmental Funds	$ 2,393,164
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. This amount may be less than total capital outlay since capital outlay includes amounts under the capitalization threshold.	
Capital outlay expenditures	1,037,875
Depreciation expense	(1,228,752)
	(190,877)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	(105,721)
Departmental income	(19,776)
	(125,497)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Capital notes issued	(160,000)
Bonds issued	(3,185,433)
Principal paid on serial bonds	491,220
Principal paid on capital notes	164,799
Principal paid on loan	71,795
Principal paid on capital lease	189,631
Amortization of loss on refunding and premium	(66,592)
	(2,494,580)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	(22,598)
Compensated absences	(184,497)
Other post employment benefit obligations	(1,494,475)
	(1,701,570)
Change in Net Position of Governmental Activities	$ (2,119,360)

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

City of Port Jervis, New York

Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
General and Water Funds
Year Ended December 31, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	$ 4,388,314	$ 4,388,314	$ 4,367,298	$ (21,016)
Other tax items	182,000	159,342	186,116	26,774
Non-property taxes	4,038,000	3,888,000	3,869,106	(18,894)
Departmental income	332,450	368,506	352,959	(15,547)
Use of money and property	81,952	81,952	90,117	8,165
Licenses and permits	77,600	79,300	55,867	(23,433)
Fines and forfeitures	168,000	148,000	136,111	(11,889)
Sale of property and compensation for loss	5,000	5,000	318	(4,682)
State aid	1,577,606	1,590,006	1,609,490	19,484
Federal aid	149,678	256,678	248,887	(7,791)
Miscellaneous	13,440	38,440	95,683	57,243
Total Revenues	11,014,040	11,003,538	11,011,952	8,414
EXPENDITURES				
Current				
General government support	1,574,085	1,521,485	1,543,632	(22,147)
Public safety	3,739,886	3,836,885	4,001,659	(164,774)
Transportation	989,494	1,008,241	1,068,631	(60,390)
Economic opportunity and development	153,396	153,396	158,733	(5,337)
Culture and recreation	281,492	282,853	284,478	(1,625)
Home and community services	537,064	587,664	543,302	44,362
Employee benefits	3,312,322	3,212,322	3,357,584	(145,262)
Debt service				
Principal	670,640	670,640	608,118	62,522
Interest	129,095	126,095	123,944	2,151
Total Expenditures	11,387,474	11,399,581	11,690,081	(290,500)
Excess (Deficiency) of Revenues Over Expenditures	(373,434)	(396,043)	(678,129)	(282,086)
OTHER FINANCING SOURCES				
Insurance recoveries	30,000	39,113	57,237	18,124
Net Change in Fund Balances	(343,434)	(356,930)	(620,892)	(263,962)
FUND BALANCES (DEFICITS)				
Beginning of Year	343,434	356,930	2,180,803	1,823,873
End of Year	$ -	$ -	$ 1,559,911	$ 1,559,911

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

Water Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
2,139,500	2,049,500	2,149,218	99,718
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	2,199	2,199
-	-	-	-
-	-	-	-
2,139,500	2,049,500	2,151,417	101,917
203,262	155,582	168,878	(13,296)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
942,483	927,483	885,206	42,277
469,430	469,430	479,382	(9,952)
309,328	310,255	309,327	928
116,562	116,777	116,559	218
2,041,065	1,979,527	1,959,352	20,175
98,435	69,973	192,065	122,092
-	-	-	-
98,435	69,973	192,065	122,092
(98,435)	(69,973)	1,105,821	1,175,794
$ -	$ -	$ 1,297,886	$ 1,297,886

City of Port Jervis, New York

Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2013

	Agency
ASSETS	
Cash and equivalents	$ 186,341
LIABILITIES	
Deposits	$ 186,341

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

Note 1 - Summary of Significant Accounting Policies

The City of Port Jervis, New York ("City") was incorporated in 1907 and operates in accordance with its Charter and the various other applicable laws of the State of New York. The City operates under a Mayor/Council form of government. The City Council is the legislative body responsible for overall operation. The Mayor serves as the chief executive officer and the City Treasurer serves as the chief financial officer. The City provides the following services to its residents: public safety, transportation, economic opportunity and development, culture and recreation, home and community services and general and administrative support.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's more significant accounting policies:

A. Financial Reporting Entity

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

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

The Port Jervis Industrial Development Agency ("Agency") is a public benefit corporation created by State legislation to promote the economic welfare, recreation opportunities and prosperity of the City's inhabitants. Members of the Agency are appointed by the City Council. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The City is not liable for Agency bonds or notes. The governing board of the Agency serves at the pleasure of the City Council and therefore the City is considered able to impose its will on the Agency. Since the Agency does not provide services entirely or almost entirely to the City, the financial statements of the Agency have been reflected as a discretely presented component unit. Complete financial statements may be obtained from the City of Port Jervis, Municipal Building, 14-20 Hammond Street, P.O. Box 1002, Port Jervis, NY 12771.

The following organization is related to the City:

The Port Jervis Housing Authority was organized by an act of the New York State Legislature as a municipal housing authority created and established for the residents of the City under the Public Housing Law of the State of New York.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

The Statement of Net Position presents the financial position of the City at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The City does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances/net position, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The City maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation. The City's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

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

Note 1 - Summary of Significant Accounting Policies (Continued)

General Fund - The General Fund constitutes the primary operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue funds of the City are as follows:

Section 8 Housing Assistance Payment Program Fund - The Section 8 Housing Assistance Payment Program Fund is provided to account for resources received and used for housing assistance payment purposes. A fiscal year ending September 30th is mandated for this program. The major revenue of this fund is departmental Federal aid.

Community Development Fund - The Community Development Fund is used to account for projects financed by entitlements from the U.S. Department of Housing and Urban Development. The major revenue of this fund is Federal aid.

Water Fund - The Water Fund is used to record the water utility operations of the City, which render services to the general public. The major revenue of this fund is departmental income.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets, other than those financed by proprietary funds.

The City also reports the following non-major governmental fund.

Special Revenue Fund

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the City in accordance with the terms of a trust agreement.

b. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary Funds are used to account for assets held by the City in an agency capacity on behalf of others. These include Agency Funds. The City's Agency Fund is primarily utilized to account for various deposits that are payable to other jurisdictions or individuals.

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

(all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, retirement incentives and other pension obligations and other post employment benefit obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Component Unit

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Deposits and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's investment policies are governed by State statutes. The City has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The City is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

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

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

The City was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Taxes Receivable - Real property taxes attach as an enforceable lien on real property and are levied on January 1st. The City collects City, County and school district taxes. City taxes are payable in two installments, with the first installment payable until April 30th and the second installment due by June 30th. County taxes are due January 1st and are payable without penalty until January 31st. School district taxes for the period July 1st through June 30th are collected by the City School District through November 1st at which time the City assumes the responsibility for the collection of the taxes. The City guarantees the full payment of the school district tax levy in November of the following year. The City also has the responsibility for conducting in-rem foreclosure proceedings.

The City functions in both a fiduciary and guarantor relationship with the County of Orange and the City School District with respect to the collection and payment of real property taxes levied by such jurisdictions. County taxes are payable in accordance with the tax calendar disclosed above. School district taxes are levied on July 1st and are due on September 1st, payable without penalty until September 30th. The City remits to the respective jurisdictions all taxes as collected. County taxes which are uncollected at September 30th are funded by tax anticipation notes. The proceeds from the notes are used to satisfy the City's obligation to the County. In January, the amount of the tax anticipation note is added to the County's tax levy. The City, during the subsequent County collection period, retains sufficient amounts to redeem the tax anticipation note. With respect to school district taxes, the City is required to satisfy the warrant in November of the next succeeding year. Thus, the City retains a fiduciary relationship with the City School District for fourteen months,

Note 1 - Summary of Significant Accounting Policies (Continued)

at which time the City must satisfy the warrant. The collection of school district taxes is deemed a financing transaction until the warrant is satisfied.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the City. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Loans Receivable - Loans receivable consist of residential and commercial loans made by the City through the Community Development Program. The loans have various interest rates and maturities.

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

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

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Note 1 - Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant, equipment and infrastructure of the City are depreciated using the straight line method over the following estimated useful lives.

Class	Life in Years
Land improvements	20
Building and improvements	20-50
Machinery and equipment	5-30
Infrastructure	15-40

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In government-wide financial statements, unearned revenues consist of amounts received in advance and/or grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City has reported unearned revenues of $31,517 for amounts received in advance in the General Fund. The City has also reported unearned revenues of $2,838,186 for outstanding loans and $286 for Federal aid received in advance in the Community Development Fund and $105,041 for water rents in the Water Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

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

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

The City reported deferred outflows of resources of $117,502 for a deferred loss on refunding of bonds in the government-wide Statement of Net Position. This amount resulted from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City has reported deferred inflows of resources of $421,679 for real property taxes in the General Fund. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

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

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

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for debt service and special revenue funds. The balance is classified as unrestricted.

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

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

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are

Note 1 - Summary of Significant Accounting Policies (Continued)

restricted for debt service obligations and for other items contained in General Municipal Law of the State of New York.

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

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the City Council for amounts assigned for balancing the subsequent year's budget or the City Treasurer for amounts assigned as encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

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

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General and Water funds. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 5, 2014.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The City generally follows the procedures enumerated below in establishing the budgetary data reflected in the financial statements:

a) Prior to October 1st, the head of each administrative unit shall submit to the budget officer an estimate of expenditures for such administrative unit for the ensuing year.

b) The budget officer, upon completion of the review of the estimates, shall prepare a tentative budget and file such budget in the office of the Mayor on or before October 15th.

c) The Mayor shall review the tentative budget and may make such changes, alterations and revisions as are considered advisable and which are consistent with law. Upon completion of such review, the tentative budget and any modifications as approved by the Mayor shall become the preliminary budget.

d) On or before November 15th, the Mayor shall present to the City Council a preliminary budget.

e) On or before November 30th, a public hearing shall be held on the preliminary budget.

f) After the public hearing, the City Council may further change, alter and revise the preliminary budget subject to provisions of the law.

g) The preliminary budget as submitted or amended shall be adopted by resolution not later than December 31st.

h) Formal budgetary integration is employed during the year as a management control device for General and Water funds.

Note 2 - Stewardship, Compliance and Accountability (Continued)

i) Budgets for General and Water funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. Annual budgets are not adopted by the City Council for the Community Development Fund, Section 8 Housing Assistance Payment Program Fund and the Special Purpose Fund.

j) The City Council has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the City Council. Any modification to appropriations resulting from an increase in revenue estimates or supplemental reserve appropriations also require a majority vote by the City Council.

k) Appropriations in the General and Water funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted, or as amended by the City Council.

B. Property Tax Limitation

The City is permitted by the Constitution of the State of New York to levy taxes up to 2% of the five year average full valuation of taxable real estate located within the City, exclusive of the amount raised for the payment of interest on and redemption of long-term debt. The City Council has further restricted this limit to 1.5%. In accordance with this latter amount, the maximum amount of the levy for 2013 was $9,327,477, inclusive of exclusions, which exceeded the actual levy by $4,939,163.

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

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

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

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy, subject to certain exceptions. The Tax Levy Limitation Law permits the City to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor," which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by (ii) the

Note 2 - Stewardship, Compliance and Accountability (Continued)

average of the National Consumer Price Indexes determined by the United States with the result expressed as a decimal to four places. The City is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the City, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the City. The City Council may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the City Council first enacts, by a vote of at least sixty percent of the total voting power of the City Council, a local law to override such limit for such coming fiscal year.

C. Application of Accounting Standards

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

D. Excess of Actual Expenditures Over Budget

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

General Government Support		
Common Council	$	32,657
Expenses of tax sale		7,953
Corporation Counsel		5,909
Buildings		1,218
Unallocated insurance		37,676
Metropolitan Commuter Transportation Mobility tax		965
Public Safety		
Police Department		205,559
Transportation		
Street maintenance		36,483
Street lighting		28,822
Bus system operations		7,653
Economic Opportunity and Development		
Nutrition Title III-C1		6,337
Culture and Recreation		
Recreation administration		769
Parks		5,887
Historical society		1
Home and Community Services		
Emergency disaster work		3,118
Employee Benefits		
State retirement		98,119
Police and fire retirement		64,702
Social security		14,378
Dental insurance		2,358
Unemployment benefits		1,259
Water Fund		
General Government Support		13,296
Employee Benefits		9,952

Note 2 - Stewardship, Compliance and Accountability (Continued)

The following capital projects exceeded their budgetary provision by the amounts indicated resulting in deficit fund balances of like amounts.

Project	Amount
Decant Tank Enclosure	$ 56,738
NYS DOT Downtown Promenade Project	12,020
Restore 9 Sussex	431
Water System Improvements	54,179

Note 3 - Detailed Notes on All Funds

A. Taxes Receivable

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

City and County taxes - Current and overdue	$ 194,356
School District taxes - Current and overdue	514,240
Tax liens	295,883
Property acquired for taxes	406,983
	1,411,462
Allowance for uncollectible taxes	(406,983)
	$ 1,004,479

School district taxes are offset by liabilities to the school district, which will be satisfied in a subsequent period. Taxes receivable are also partially offset by deferred tax revenues of $421,679, which represents an estimate of the taxes receivable which will not be collected within the first sixty days of the subsequent year.

B. Due From/To Other Funds

The balances reflected as due from/to other funds at December 31, 2013 were as follows:

Fund	Due From	Due To
General	$ 79,423	$ -
Water	386	-
Capital Projects	-	77,323
Other Governmental	-	2,486
	$ 79,809	$ 79,809

Note 3 - Detailed Notes on All Funds (Continued)

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

C. Capital Assets

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

Class	Balance January 1, 2013	Additions	Balance December 31, 2013
Capital Assets, not being depreciated			
Land	$ 781,035	$ -	$ 781,035
Construction-in-progress	2,294,917	746,107	3,041,024
Total Capital Assets, not being depreciated	$ 3,075,952	$ 746,107	$ 3,822,059
Capital Assets, being depreciated			
Land improvements	$ 2,641,925	$ 37,196	$ 2,679,121
Buildings and improvements	8,009,343	-	8,009,343
Machinery and equipment	9,036,583	97,988	9,134,571
Infrastructure	32,270,698	156,584	32,427,282
Total Capital Assets, being depreciated	51,958,549	291,768	52,250,317
Less Accumulated Depreciation for			
Land improvements	694,676	154,000	848,676
Buildings and improvements	4,405,698	134,685	4,540,383
Machinery and equipment	4,894,270	501,087	5,395,357
Infrastructure	20,731,461	438,980	21,170,441
Total Accumulated Depreciation	30,726,105	1,228,752	31,954,857
Total Capital Assets, being depreciated, net	$ 21,232,444	$ (936,984)	$ 20,295,460
Capital Assets, net	$ 24,308,396	$ (190,877)	$ 24,117,519

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

General Government Support	$ 137,647
Public Safety	254,187
Transportation	283,412
Culture and Recreation	59,169
Home and Community Services	494,337
Total Depreciation Expense	$ 1,228,752

Note 3 - Detailed Notes on All Funds (Continued)

D. Accrued Liabilities

Accrued liabilities at December 31, 2013 were as follows:

Payroll and Employee Benefits	$ 1,094,368
Other	159,871
	$ 1,254,239

E. Pension Plans

The City participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS") ("Systems"). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The Systems are non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary, employees in tier 5 who also contribute 3% of their salary without regard to their years of service and employees in tier 6 who contribute between 3% and 6% depending on salary levels and also without regard to years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and regular pension contributions. Contribution rates for the plans' year ended March 31, 2014 are as follows:

	Tier/Plan	Rate
ERS	2 75I	26.2 %
	3 A14	21.0
	4 A15	21.0
	5 A15	16.9
	6 A15	11.4
PFRS	2 384D	28.4
	5 384D	27.1
	6 384D	16.0

Note 3 - Detailed Notes on All Funds (Continued)

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

	ERS	PFRS
2013	$ 501,643	$ 658,202
2012	344,179	558,174
2011	387,803	566,513

These contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

The current year PFRS contribution was charged to the General Fund. The current year ERS contribution was charged to the funds identified below:

Fund	Amount
General	$ 390,479
Water	111,164
	$ 501,643

F. Short-Term Non-Capital Borrowings

The schedule below details the changes in short-term non-capital borrowings. These borrowings consisted of notes issued in anticipation of the collection of real property taxes and certain other revenues.

	Balance January 1, 2013	New Issues	Redemptions	Balance December 31, 2013
Tax Anticipation Note	$ 56,835	$ 49,614	$ 56,835	$ 49,614

The tax anticipation note of $56,835 was issued in November 2012 and matured on January 30, 2013, with interest at 1.80%. Interest expense/expenditures of $253 were recorded in the fund financial statements in the General Fund and in the government-wide financial statements.

The City, in October 2013, issued a note in anticipation of the collection of the 2013 taxes. The note, in the amount of $49,614, is due on January 30, 2014, with interest at 0.75%.

Note 3 - Detailed Notes on All Funds (Continued)

G. Long-Term Liabilities

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

	Balance January 1, 2013	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2013	Due Within One Year
Bonds Payable	$ 4,563,087	$ 3,185,433	$ 491,220	$ 7,257,300	$ 511,866
Plus: Unamortized premium on bonds	27,898	-	2,452	25,446	-
	4,590,985	3,185,433	493,672	7,282,746	511,866
Loan Payable	502,567	-	71,795	430,772	71,795
Capital Notes Payable	215,283	160,000	164,799	210,484	210,484
Capital Lease	1,629,279	-	189,631	1,439,648	196,347
Compensated Absences	2,435,522	456,096	240,000	2,651,618	262,000
Retirement Incentives and Other Pension Obligations	319,765	-	-	319,765	27,893
Other Post Employment Benefit Obligations Payable	7,771,111	2,123,524	629,049	9,265,586	-
Total Other Non-Current Liabilities	12,873,527	2,739,620	1,295,274	14,317,873	768,519
Governmental Activities Long-Term Liabilities	$ 17,464,512	$ 5,925,053	$ 1,788,946	$ 21,600,619	$ 1,280,385

Each governmental fund's liability for bonds, loans, capital notes, capital leases, compensated absences, retirement incentives and other pension obligations and other post employment benefit obligations is liquidated by the General and Water funds.

Bonds Payable

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

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at December 31, 2013
Water Pollution Control	1994	$ 614,440	September, 2014	3.900 %	$ 36,867
Fire Truck	1999	691,690	December, 2014	4.750	50,000
Various Purposes	2002	1,305,000	June, 2017	4.375-4.600	460,000
Fire Truck	2005	610,000	July, 2015	3.875-4.000	140,000
Refunding Bonds	2005	2,895,000	March, 2024	4.100	2,220,000
Various Purposes	2009	1,408,320	September, 2024	4.000-4.300	1,165,000
Various Purposes	2013	3,185,433	September, 2033	4.000-4.500	3,185,433
					$ 7,257,300

Note 3 - Detailed Notes on All Funds (Continued)

Interest expenditures of $69,703 and $112,554 were recorded in the fund financial statements in the General and Water funds, respectively. Interest expense of $217,966 was recorded in the government-wide financial statements.

Loan Payable

The City, during 1999, received a loan from the New York State Environmental Facilities Corporation in the amount of $1,435,902 to finance improvements to its drinking water systems. This interest free loan is due in annual installments of $71,795 through 2019. The balance due at December 31, 2013 was $430,772.

Capital Notes Payable

The following capital notes were outstanding at December 31, 2013:

Purpose	Year of Original Issue	Rate of Interest	Amount Outstanding
Various Capital Improvements	2012	1.39%	$ 50,484
Various Capital Improvements	2013	1.39	160,000
			$ 210,484

The Local Finance Law of the State of New York provides that capital notes must be redeemed by the last day of the second fiscal year succeeding the fiscal year in which such notes are issued. An installment of not less than fifty percent of the notes shall mature in the fiscal year succeeding the fiscal year in which such notes are issued, unless the notes are authorized and issued subsequent to adoption of the annual budget. The notes must be redeemed from real property taxes and are therefore considered permanent financing.

Interest expenditures of $2,992 were recorded in the fund financial statements in the General Fund. Interest expense of $2,844 was recorded in the government-wide financial statements.

Capital Leases

During the 2006 fiscal year, the City entered into a $435,062 capital lease agreement to acquire various equipment for the City. The agreement provides for annual payments of $54,383, including interest at 4.70% through August 2014. The balance due at December 31, 2013 was $51,941.

During the 2008 fiscal year, the City entered into a $477,743 capital lease agreement to acquire a fire truck for the City. The agreement provides for annual payments of $44,115, including interest at 4.48% through July 2022. The balance due at December 31, 2013 was $320,955.

Note 3 - Detailed Notes on All Funds (Continued)

During the 2011 fiscal year, the City entered into a $866,751 capital lease agreement to acquire energy equipment for the City. The agreement provides for semi-annual payments of $37,655, including interest at 3.10% through September 2026. The balance due at December 31, 2013 was $800,773.

During the 2012 fiscal year, the City entered into a $278,100 capital lease agreement to acquire various equipment for the City. The agreement provides for semi-annual payments of $29,707, including interest at 2.44% through September 2017. The balance due at December 31, 2013 was $225,140.

During the 2012 fiscal year, the City entered into a $50,102 capital lease agreement to acquire telephone equipment for the City. The agreement provides for annual payments of $11,410, including interest at 4.46% through February 2017. The balance due at December 31, 2013 was $40,839.

Interest expenditures of $50,996 and $4,005 were recorded in the fund financial statements in the General and Water funds, respectively. Interest expense of $50,911 was recorded in the government-wide financial statements.

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt, loans, capital notes and capital leases as of December 31, 2013, including interest payments of $2,710,944 are as follows:

Year Ending December 31,	Bonds		Loan	Capital Notes	
	Principal	Interest	Principal	Principal	Interest
2014	$ 511,866	$ 290,312	$ 71,795	$ 210,484	$ 2,926
2015	555,434	273,500	71,795	-	-
2016	515,000	250,206	71,795	-	-
2017	535,000	228,451	71,795	-	-
2018	425,000	208,889	71,795	-	-
2019-2023	2,390,000	770,224	71,797	-	-
2024-2028	1,245,000	357,982	-	-	-
2029-2033	1,080,000	149,750	-	-	-
	$ 7,257,300	$ 2,529,314	$ 430,772	$ 210,484	$ 2,926

Note 3 - Detailed Notes on All Funds (Continued)

Year Ending December 31,	Capital Leases		Total	
	Principal	Interest	Principal	Interest
2014	$ 196,347	$ 55,000	$ 990,492	$ 348,238
2015	149,094	48,285	776,323	321,785
2016	153,946	41,155	740,741	291,361
2017	158,966	36,302	765,761	264,753
2018	92,975	31,283	589,770	240,172
2019-2023	474,155	97,110	2,935,952	867,334
2024-2028	214,165	19,319	1,459,165	377,301
2029-2033	-	-	-	-
	$ 1,439,648	$ 328,454	$ 8,258,204	$ 2,710,944

The above general obligation bonds, loans, capital notes and capital leases are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the City.

Compensated Absences

In accordance with existing collective bargaining agreements, all employees are entitled to accumulate a maximum of one hundred eighty days of sick leave. Upon retirement, death or permanent disability, employees will be compensated for accumulated leave at current pay rates. Employees will be compensated for vacation leave earned the year of retirement. The City's liability for accumulated sick and vacation leave has been reflected in the government-wide financial statements.

Retirement Incentives and Other Pension Obligations

The State Legislature enacted Chapter 57 of the Laws of 2010. This chapter authorized local governments, at their option, to amortize a portion of their respective ERS and PFRS contributions beginning in 2010. The maximum amortization amount each year going forward will be determined by the difference between each employer's effective contribution rate as compared to the System's overall graded rate. The amortized amounts are to be paid in equal annual installments over a ten year period, although amounts may be prepaid at any time. Interest will be charged at rates which approximate a market rate of return on taxable fixed rate securities of a comparable duration and will be adjusted annually. The City elected to amortize the maximum allowable ERS contribution for 2013 as noted in the table below.

Original Amount Amortized	Current Year Payments	Balance Due	Due Within One Year
$319,765	$ -	$319,765	$ 27,893

Note 3 - Detailed Notes on All Funds (Continued)

Other Post Employment Benefit Obligations Payable

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the City may vary according to length of service. The cost of providing post employment health care benefits is shared between the City and the retired employee. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. The cost of retiree health care benefits is recognized as an expenditure as claims are paid within the government funds. The City has recognized revenues and expenditures of $24,075 for Medicare Part D payments made directly to its health insurance carrier on behalf of its retirees.

The City's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. GASB Statement No. 45 establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The City is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis. The assumed rates of increase in postretirement benefits are as follows:

Year Ended December 31,	Assumed Increases in Benefits	
	Medical Rates	Dental and Vision Rates
2014+	5.00 %	5.00 %

The amortization basis is the level percentage of payroll method with a closed amortization approach with 25 years remaining in the amortization period. The actuarial assumptions included a 4% investment rate of return. The City currently has no assets set aside for the purpose of paying post employment benefits. The actuarial cost method utilized was the projected unit credit method.

Note 3 - Detailed Notes on All Funds (Continued)

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

	Participants
Active Employees	74
Retired Employees	41
	115

Amortization Component:	
Actuarial Accrued Liability as of January 1, 2013	$ 24,870,712
Assets at Market Value	-
Unfunded Actuarial Accrued Liability	$ 24,870,712
Funded Ratio	0.00%
Covered Payroll (active plan members)	$ 4,833,716
UAAL as a Percentage of Covered Payroll	514.53%
Annual Required Contribution	$ 2,193,495
Interest on Net OPEB Obligation	310,844
Adjustment to Annual Required Contribution	(380,815)
Annual OPEB Cost	2,123,524
Contributions Made	(629,049)
Increase in Net OPEB Obligation	1,494,475
Net OPEB Obligation - Beginning of Year	7,771,111
Net OPEB Obligation - End of Year	$ 9,265,586

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years is as follows:

Fiscal Year Ended December 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	$ 2,123,524	31.10 %	$ 9,265,586
2012	2,021,707	29.10	7,771,111
2011	1,930,794	28.10	6,338,152

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Note 3 - Detailed Notes on All Funds (Continued)

H. Net Position

The components of net position are detailed below:

Net *Invested in Capital Assets* - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

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

Restricted for Special Revenue Funds - the component of net position that represents funds restricted for specific purposes under New York State law or by external parties and/or statutes.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net invested in capital assets".

Note 3 - Detailed Notes on All Funds (Continued)

I. Fund Balances

	2013							2012						
	General Fund	Section 8 Housing Assistance Payment Program Fund	Community Development Fund	Water Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Section 8 Housing Assistance Payment Program Fund	Community Development Fund	Water Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable														
Prepaid expenditures	$ 232,789	$ 2,346	$ -	$ 69,294	$ -	$ -	$ 304,429	$ 246,942	$ -	$ -	$ 73,510	$ -	$ -	$ 320,452
Restricted														
Debt service	190,815	-	-	-	-	-	190,815	190,339	-	-	-	-	-	190,339
Compensated absences	181,688	-	-	111,271	-	-	292,959	233,678	-	-	77,260	-	-	310,938
Capital projects	-	-	-	-	3,611,178	-	3,611,178	-	-	-	-	822,201	-	822,201
Special purposes	-	-	-	-	-	98,642	98,642	-	-	-	-	-	88,491	88,491
Total Restricted	372,503	-	-	111,271	3,611,178	98,642	4,193,594	424,017	-	-	77,260	822,201	88,491	1,411,969
Assigned														
Subsequent year's expenditures	175,767	-	-	-	-	-	175,767	343,434	-	-	-	-	-	343,434
Section 8	-	82,217	-	-	-	-	82,217	-	110,913	-	-	-	-	110,913
Community development purposes	-	-	485,198	-	-	-	485,198	-	-	435,985	-	-	-	435,985
Water Fund	-	-	-	1,117,321	-	-	1,117,321	-	-	-	955,051	-	-	955,051
Total Assigned	175,767	82,217	485,198	1,117,321	-	-	1,860,503	343,434	110,913	435,985	955,051	-	-	1,845,383
Unassigned	778,852	-	-	-	-	-	778,852	1,166,410	-	-	-	-	-	1,166,410
Total Fund Balances	$ 1,559,911	$ 84,563	$ 485,198	$ 1,297,886	$ 3,611,178	$ 98,642	$ 7,137,378	$ 2,180,803	$ 110,913	$ 435,985	$ 1,105,821	$ 822,201	$ 88,491	$ 4,744,214

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Prepaid Expenditures has been established to account for retirement and health insurance payments made in advance. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

The Restricted for Compensated Absences represents a segregation of fund balance to account for accumulated sick leave earned by employees which will be paid upon retirement.

The Restricted for Capital Projects represents the component of net position that reports the amounts restricted for capital projects, exclusive of unexpended bond proceeds and unrestricted interest earnings.

Subsequent year's expenditures represent that at December 31, 2013, the City Board has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

The City, in common with other municipalities, receives numerous notices of claims for money damages arising from false arrest, property damage or personal injury. Of the claims pending, none are expected to have a material effect on the City, if adversely settled.

The City is a defendant in pending certiorari proceedings, the results of which could require the payment of future tax refunds by the City, if existing assessment rolls are modified based on the outcome of the litigation proceedings. The amount of the possible refunds cannot be determined at the present time. Any payments pursuant to such judgments will be funded in the year in which the payment is made.

The City is party to threatened litigation as a result of a hazardous waste site identified on City owned property. The City's environmental engineering consultants and New York State Department of Environmental Conservation representatives have estimated that a final remediation of the property and DEC past remediation costs could cost up to $7.5 million. Counsel cannot estimate the ultimate loss or the likelihood of a favorable outcome with regard to this matter.

In June 2014, the City signed an Order of Consent with the New York State Department of Environmental Conservation with regard to a sanitary sewer line break and release of sewage from the City's sewage collection system in February 2013. The City is required to complete an engineering study that includes prioritizing recommendations of corrective actions and a schedule for implementation. The ultimate cost of these improvements cannot be quantified at this time.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

B. Risk Management

The City purchases various conventional liability insurance policies to provide against potential losses. The general liability policy provides coverage of $1 million per occurrence and $2 million in the aggregate. The police professional liability policy provides coverage of $1 million per occurrence and the public officials and employees liability policy provides coverage with limits up to $1 million. The City also maintains an excess liability policy with an additional $10 million of coverage. Conventional health and workers' compensation insurance for City employees is provided by various carriers. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

C. Contingencies

The City participates in various Federal grant programs. These programs are subject to program compliance audits pursuant to the Single Audit Act. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the City anticipates such amounts, if any, to be immaterial.

* * * * *

City of Port Jervis, New York

Required Supplementary Information - Schedule of Funding Progress
Other Post Employment Benefits
Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
January 1, 2011	$ -	$ 22,342,192	22,342,192	- %	$ 4,600,800	485.62 %
January 1, 2012	-	23,593,119	23,593,119	-	4,715,820	500.30
January 1, 2013	-	24,870,712	24,870,712	-	4,833,716	514.53

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City of Port Jervis, New York

General Fund
Comparative Balance Sheet
December 31,

	2013	2012
ASSETS		
Cash and equivalents	$ 982,612	$ 1,064,916
Taxes receivable		
City and County taxes	194,356	233,435
School district taxes	514,240	586,035
Tax liens	295,883	486,306
Property acquired for taxes	406,983	280,284
	1,411,462	1,586,060
Allowance for uncollectible taxes	(406,983)	(280,284)
	1,004,479	1,305,776
Other receivables		
Accounts	123,262	296,401
Due from other governments	1,167,443	1,233,958
State and Federal aid	103,365	46,202
Due from other funds	79,423	31,571
	1,473,493	1,608,132
Prepaid expenditures	232,789	246,942
Total Assets	$ 3,693,373	$ 4,225,766
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accrued liabilities	$ 1,116,412	$ 863,111
Due to school districts	514,240	586,035
Unearned revenues	31,517	11,582
Tax anticipation note payable	49,614	56,835
Total Liabilities	1,711,783	1,517,563
Deferred inflows of resources		
Deferred tax revenues	421,679	527,400
Total Liabilities and Deferred Inflows of Resources	2,133,462	2,044,963
Fund balance		
Nonspendable	232,789	246,942
Restricted	372,503	424,017
Assigned	175,767	343,434
Unassigned	778,852	1,166,410
Total Fund Balance	1,559,911	2,180,803
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 3,693,373	$ 4,225,766

City of Port Jervis, New York

General Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Years Ended December 31,

	2013			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Real property taxes	$ 4,388,314	$ 4,388,314	$ 4,367,298	$ (21,016)
Other tax items	182,000	159,342	186,116	26,774
Non-property taxes	4,038,000	3,888,000	3,869,106	(18,894)
Departmental income	332,450	368,506	352,959	(15,547)
Use of money and property	81,952	81,952	90,117	8,165
Licenses and permits	77,600	79,300	55,867	(23,433)
Fines and forfeitures	168,000	148,000	136,111	(11,889)
Sale of property and compensation for loss	5,000	5,000	318	(4,682)
State aid	1,577,606	1,590,006	1,609,490	19,484
Federal aid	149,678	256,678	248,887	(7,791)
Miscellaneous	13,440	38,440	95,683	57,243
Total Revenues	11,014,040	11,003,538	11,011,952	8,414
EXPENDITURES				
Current				
General government support	1,574,085	1,521,485	1,543,632	(22,147)
Public safety	3,739,886	3,836,885	4,001,659	(164,774)
Transportation	989,494	1,008,241	1,068,631	(60,390)
Economic opportunity and development	153,396	153,396	158,733	(5,337)
Culture and recreation	281,492	282,853	284,478	(1,625)
Home and community services	537,064	587,664	543,302	44,362
Employee benefits	3,312,322	3,212,322	3,357,584	(145,262)
Debt service				
Principal	670,640	670,640	608,118	62,522
Interest	129,095	126,095	123,944	2,151
Total Expenditures	11,387,474	11,399,581	11,690,081	(290,500)
Deficiency of Revenues Over Expenditures	(373,434)	(396,043)	(678,129)	(282,086)
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	30,000	39,113	57,237	18,124
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources	30,000	39,113	57,237	18,124
Net Change in Fund Balance	(343,434)	(356,930)	(620,892)	(263,962)
FUND BALANCE				
Beginning of Year	343,434	356,930	2,180,803	1,823,873
End of Year	$ -	$ -	$ 1,559,911	$ 1,559,911

2012			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ 4,251,893	$ 4,251,893	$ 4,353,507	$ 101,614
191,726	182,026	188,507	6,481
3,801,763	3,741,763	3,840,643	98,880
354,434	386,934	414,424	27,490
60,175	85,175	97,904	12,729
46,600	47,600	63,869	16,269
168,000	168,000	147,178	(20,822)
5,000	5,000	17	(4,983)
1,579,839	1,574,839	1,607,010	32,171
224,678	224,678	296,790	72,112
13,440	40,940	41,330	390
10,697,548	10,708,848	11,051,179	342,331
1,586,896	1,641,945	1,552,536	89,409
3,449,293	3,578,778	3,530,998	47,780
984,715	950,620	944,678	5,942
151,515	154,061	152,563	1,498
276,745	278,508	276,410	2,098
933,405	963,091	950,783	12,308
3,172,541	2,984,514	2,895,052	89,462
646,930	652,222	652,221	1
138,143	138,144	131,559	6,585
11,340,183	11,341,883	11,086,800	255,083
(642,635)	(633,035)	(35,621)	597,414
240,000	240,000	229,900	(10,100)
-	-	3,469	3,469
(61,792)	(71,792)	(71,792)	-
178,208	168,208	161,577	(6,631)
(464,427)	(464,827)	125,956	590,783
464,427	464,827	2,054,847	1,590,020
$ -	$ -	$ 2,180,803	$ 2,180,803

City of Port Jervis, New York

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
REAL PROPERTY TAXES	$ 4,388,314	$ 4,388,314	$ 4,367,298	$ (21,016)	$ 4,353,507
OTHER TAX ITEMS					
Payments in lieu of taxes	52,000	53,842	56,841	2,999	63,776
Interest and penalties on real property taxes	100,000	100,000	124,990	24,990	124,731
Gain on sale of tax acquired property	30,000	5,500	4,285	(1,215)	-
	182,000	159,342	186,116	26,774	188,507
NON-PROPERTY TAXES					
Tax on consumer utility bills	500,000	250,000	216,422	(33,578)	321,027
Franchise fees	120,000	120,000	122,345	2,345	121,637
Utilities gross receipts taxes	150,000	150,000	124,682	(25,318)	136,988
Non-property tax distribution from County	3,268,000	3,368,000	3,405,657	37,657	3,260,991
	4,038,000	3,888,000	3,869,106	(18,894)	3,840,643
DEPARTMENTAL INCOME					
Treasurer - City Clerk fees	65,000	70,000	85,129	15,129	72,936
Tax and assessment charges	500	17,000	3,459	(13,541)	26,567
Police Department fees	8,200	8,200	7,450	(750)	33,210
Health insurance reimbursement	120,000	140,000	145,288	5,288	135,747
Public pound charges	300	300	655	355	340
Public works service fees	18,000	28,000	29,466	1,466	19,651
Safety inspection fees	20,000	20,000	23,381	3,381	22,773
Park and recreation charges	-	1,056	1,040	(16)	-
Civil service charges	17,500	1,000	-	(1,000)	2,290
Community development reimbursements	35,000	35,000	30,063	(4,937)	45,459
Refuse and garbage fees	14,000	14,000	7,600	(6,400)	12,575
Recreation building fees	2,000	2,000	-	(2,000)	1,500
Zoning Board fees	450	450	900	450	900
Planning Board fees	4,000	4,000	450	(3,550)	9,183
Sewer service charges	3,000	3,000	1,891	(1,109)	12,139
Demolition of unsafe buildings	500	500	242	(258)	2,111
Nutrition program	11,000	11,000	9,172	(1,828)	10,638
Bus program	13,000	13,000	6,773	(6,227)	6,405
	332,450	368,506	352,959	(15,547)	414,424

USE OF MONEY AND PROPERTY					
Earnings on investments	30,050	30,050	41,111	11,061	45,690
Real property rentals	51,902	51,902	49,006	(2,896)	52,214
	81,952	81,952	90,117	8,165	97,904
LICENSES AND PERMITS					
Business and occupational licenses	10,700	12,400	16,550	4,150	19,153
Bingo licenses	-	-	5	5	65
Dog licenses	5,000	5,000	4,482	(518)	4,950
Building permits	58,000	58,000	30,730	(27,270)	35,701
Plumbing permits	3,900	3,900	4,100	200	4,000
	77,600	79,300	55,867	(23,433)	63,869
FINES AND FORFEITURES					
Fines and forfeited bail	168,000	148,000	136,111	(11,889)	147,178
SALE OF PROPERTY AND COMPENSATION FOR LOSS					
Sale of scrap and excess materials	5,000	5,000	318	(4,682)	17
STATE AID					
Per capita	1,434,962	1,434,962	1,406,261	(28,701)	1,406,265
Mortgage tax	60,000	60,000	75,677	15,677	67,512
Emergency Management Assistance	-	-	12,500	12,500	51,536
Youth programs	12,621	12,621	17,276	4,655	9,747
Unified court security reimbursement	18,023	18,023	20,458	2,435	20,197
Bus program reimbursements	40,000	40,000	42,965	2,965	33,947
Fire and Police grants	3,000	7,400	18,859	11,459	5,877
STAR program	1,500	1,500	-	(1,500)	-
Stop DWI	7,500	15,500	15,494	(6)	8,129
Recreation grant	-	-	-	-	3,800
	1,577,606	1,590,006	1,609,490	19,484	1,607,010

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City of Port Jervis, New York

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
FEDERAL AID					
Nutrition Title III - C1	$ 93,000	$ 93,000	$ 93,000	$ -	$ 96,710
Summer lunch program	3,500	3,500	8,968	5,468	2,657
Emergency Management Assistance	-	107,000	93,741	(13,259)	149,245
Bus program reimbursements	53,178	53,178	53,178	-	48,178
	149,678	256,678	248,887	(7,791)	296,790
MISCELLANEOUS					
Economic development grant	-	25,000	-	(25,000)	31,738
Gifts and donations	3,340	3,340	2,417	(923)	2,407
Refund of prior year's expenditures	10,000	10,000	93,171	83,171	7,061
Other	100	100	95	(5)	124
	13,440	38,440	95,683	57,243	41,330
TOTAL REVENUES	11,014,040	11,003,538	11,011,952	8,414	11,051,179
OTHER FINANCING SOURCES					
Insurance recoveries	30,000	39,113	57,237	18,124	229,900
Transfers in					
Capital Project Fund	-	-	-	-	3,469
TOTAL OTHER FINANCING SOURCES	30,000	39,113	57,237	18,124	233,369
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 11,044,040	$ 11,042,651	$ 11,069,189	$ 26,538	$ 11,284,548

City of Port Jervis, New York

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
GENERAL GOVERNMENT SUPPORT					
Common Council	$ 157,400	$ 188,380	$ 221,037	$ (32,657)	$ 244,978
Mayor	61,674	61,674	59,344	2,330	59,612
Clerk - Treasurer and Collector	234,539	240,809	236,566	4,243	209,791
Assessor	126,298	125,798	123,226	2,572	121,985
Expenses of tax sale	-	-	7,953	(7,953)	26,069
Corporation Counsel	49,500	57,500	63,409	(5,909)	46,885
Civil Service	18,245	18,245	16,520	1,725	17,284
Buildings	360,741	353,741	354,959	(1,218)	326,288
Elections	27,500	27,500	11,451	16,049	31,236
Public Works Administration	225,912	225,912	222,835	3,077	218,074
Unallocated insurance	145,000	145,000	182,676	(37,676)	181,562
Judgments and claims	20,000	10,000	5,488	4,512	40,187
Municipal association dues	4,008	4,008	4,008	-	4,008
Tax refunds	50,500	15,500	15,427	73	4,802
Metropolitan Commuter Transportation Mobility tax	17,768	17,768	18,733	(965)	17,056
Contingency	75,000	29,650	-	29,650	2,719
	1,574,085	1,521,485	1,543,632	(22,147)	1,552,536
PUBLIC SAFETY					
Public safety programs	125,327	122,727	122,239	488	121,067
Police Department	3,075,729	3,175,329	3,380,888	(205,559)	2,965,337
Fire Department	321,853	321,852	289,272	32,580	242,794
Humane Society	32,016	32,016	31,087	929	29,617
Safety inspection	184,961	184,961	178,173	6,788	172,183
	3,739,886	3,836,885	4,001,659	(164,774)	3,530,998

TRANSPORTATION					
Street maintenance	688,927	688,927	725,410	(36,483)	658,385
Snow and ice control	55,999	56,000	43,432	12,568	16,117
Street lighting	133,600	143,233	172,055	(28,822)	160,380
Bus system operations	110,968	120,081	127,734	(7,653)	109,796
	989,494	1,008,241	1,068,631	(60,390)	944,678
ECONOMIC OPPORTUNITY AND DEVELOPMENT					
Nutrition Title III-C1	152,396	152,396	158,733	(6,337)	151,518
Tourism task force	1,000	1,000	-	1,000	1,045
	153,396	153,396	158,733	(5,337)	152,563
CULTURE AND RECREATION					
Recreation administration	100,805	100,805	101,574	(769)	99,947
Parks	102,305	101,005	106,892	(5,887)	102,266
Playgrounds	73,082	75,743	70,711	5,032	68,775
Historical society	2,800	2,800	2,801	(1)	2,953
Celebrations	2,500	2,500	2,500	-	2,469
	281,492	282,853	284,478	(1,625)	276,410
HOME AND COMMUNITY SERVICES					
Zoning Board of Appeals	9,650	9,650	6,073	3,577	7,052
Planning Board	9,600	13,200	6,636	6,564	6,266
Storm and sanitary sewers	32,000	62,000	56,963	5,037	19,718
Refuse and garbage	474,814	474,814	447,222	27,592	465,098
Emergency disaster work	-	17,000	20,118	(3,118)	449,725
Street cleaning	11,000	11,000	6,290	4,710	2,924
	537,064	587,664	543,302	44,362	950,783
EMPLOYEE BENEFITS					
State retirement	$ 292,360	$ 292,360	$ 390,479	$ (98,119)	$ 267,909
Police and fire retirement	593,500	593,500	658,202	(64,702)	558,174
Social security	397,462	397,462	411,840	(14,378)	376,403
Workers' compensation benefits	230,000	230,000	216,666	13,334	166,444
Dental insurance	36,000	36,000	38,358	(2,358)	36,121
Disability insurance	4,500	4,500	4,202	298	3,648
Hospitalization insurance	1,646,500	1,646,500	1,624,578	21,922	1,467,426
Unemployment benefits	12,000	12,000	13,259	(1,259)	18,927
Retirement payout	100,000	-	-	-	-
	3,312,322	3,212,322	3,357,584	(145,262)	2,895,052

(Continued)

City of Port Jervis, New York

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	2012 Actual
DEBT SERVICE					
Principal					
Serial bonds	271,950	271,950	271,950	-	353,599
Capital notes	220,866	220,866	164,799	56,067	220,866
Capital leases	177,824	177,824	171,369	6,455	77,756
	670,640	670,640	608,118	62,522	652,221
Interest					
Serial bonds	69,704	69,704	69,703	1	85,188
Capital notes	4,994	4,994	2,992	2,002	4,994
Capital leases	50,997	50,997	50,996	1	41,036
Revenue anticipation notes	3,000	-	-	-	-
Tax anticipation note	400	400	253	147	341
	129,095	126,095	123,944	2,151	131,559
	799,735	796,735	732,062	64,673	783,780
TOTAL EXPENDITURES	11,387,474	11,399,581	11,690,081	(290,500)	11,086,800
OTHER FINANCING USES					
Transfers out					
Capital Projects Fund	-	-	-	-	71,792
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 11,387,474	$ 11,399,581	$ 11,690,081	$ (290,500)	$ 11,158,592

City of Port Jervis, New York

Section 8 Housing Assistance Payment Program Fund
Comparative Balance Sheet
December 31,

	2013	2012
ASSETS		
Cash and equivalents	$ 117,953	$ 152,552
Due from other governments	77,594	68,749
Prepaid expenditures	2,346	-
Total Assets	$ 197,893	$ 221,301
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 105,179	$ 98,860
Compensated absences	8,151	11,528
Total Liabilities	113,330	110,388
Fund balance		
Nonspendable	2,346	-
Assigned	82,217	110,913
Total Fund Balance	84,563	110,913
Total Liabilities and Fund Balance	$ 197,893	$ 221,301

City of Port Jervis, New York

Section 8 Housing Assistance Payment Program Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended December 31,

	2013	2012
REVENUES		
Use of money and property	$ -	$ 466
Federal aid	1,580,536	1,556,675
Miscellaneous	6,029	1,132
Total Revenues	1,586,565	1,558,273
EXPENDITURES		
Current		
Home and community services	1,612,915	1,712,219
Deficiency of Revenues Over Expenditures	(26,350)	(153,946)
FUND BALANCE		
Beginning of Year	110,913	264,859
End of Year	$ 84,563	$ 110,913

City of Port Jervis, New York

Community Development Fund
Comparative Balance Sheet
December 31,

	2013	2012
ASSETS		
Cash and equivalents	$ 507,456	$ 500,126
Receivables		
Accounts	29,325	-
Due from other governments	13,855	13,855
Loans	2,838,472	2,783,706
	2,881,652	2,797,561
Total Assets	$ 3,389,108	$ 3,297,687
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 47,660	$ 63,330
Due to other governments	11,001	11,001
Unearned revenues	2,838,472	2,782,395
Compensated absences	6,777	4,976
Total Liabilities	2,903,910	2,861,702
Fund balance		
Assigned	485,198	435,985
Total Liabilities and Fund Balance	$ 3,389,108	$ 3,297,687

City of Port Jervis, New York

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

	2013	2012
REVENUES		
Departmental income	$ 224,796	$ 217,332
Use of money and property	364	134
Federal aid	17,728	27,864
Total Revenues	242,888	245,330
EXPENDITURES		
Current		
Home and community services	193,675	136,041
Excess of Revenues Over Expenditures	49,213	109,289
FUND BALANCE		
Beginning of Year	435,985	326,696
End of Year	$ 485,198	$ 435,985

City of Port Jervis, New York

Water Fund
Comparative Balance Sheet
December 31,

	2013	2012
ASSETS		
Cash and equivalents	$ 734,273	$ 586,133
Water rents receivable	736,854	714,559
Due from other funds	386	-
Prepaid expenditures	69,294	73,510
Total Assets	$ 1,540,807	$ 1,374,202
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 53	$ 32
Accrued liabilities	137,827	85,556
Due to other funds	-	1,899
Unearned revenues	105,041	180,894
Total Liabilities	242,921	268,381
Fund balance		
Nonspendable	69,294	73,510
Restricted	111,271	77,260
Assigned	1,117,321	955,051
Total Fund Balance	1,297,886	1,105,821
Total Liabilities and Fund Balance	$ 1,540,807	$ 1,374,202

City of Port Jervis, New York

Water Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Years Ended December 31,

	2013			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Departmental income	$ 2,139,500	$ 2,049,500	$ 2,149,218	$ 99,718
State aid	-	-	2,199	2,199
Total Revenues	2,139,500	2,049,500	2,151,417	101,917
EXPENDITURES				
Current				
General government support	203,262	155,582	168,878	(13,296)
Home and community services	942,483	927,483	885,206	42,277
Employee benefits	469,430	469,430	479,382	(9,952)
Debt service				
Principal	309,328	310,255	309,327	928
Interest	116,562	116,777	116,559	218
Total Expenditures	2,041,065	1,979,527	1,959,352	20,175
Excess of Revenues Over Expenditures	98,435	69,973	192,065	122,092
FUND BALANCE (DEFICIT)				
Beginning of Year	(98,435)	(69,973)	1,105,821	1,175,794
Fund Balance - End of Year	$ -	$ -	$ 1,297,886	$ 1,297,886

2012			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ 2,140,232	$ 2,143,232	$ 2,090,646	$ (52,586)
-	-	-	-
2,140,232	2,143,232	2,090,646	(52,586)
178,252	178,777	154,891	23,886
973,276	975,751	852,458	123,293
461,114	461,114	409,324	51,790
296,690	297,278	297,278	-
126,113	125,525	124,498	1,027
2,035,445	2,038,445	1,838,449	199,996
104,787	104,787	252,197	147,410
(104,787)	(104,787)	853,624	958,411
$ -	$ -	$ 1,105,821	$ 1,105,821

City of Port Jervis, New York

Capital Projects Fund
Comparative Balance Sheet
December 31,

	2013	2012
ASSETS		
Cash and equivalents	$ 3,400,264	$ 710,074
Receivables		
Accounts	-	22,683
Due from other governments	25,000	-
State and Federal aid	327,799	201,667
	352,799	224,350
Total Assets	$ 3,753,063	$ 934,424
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$ 64,562	$ 32,286
Due to other funds	77,323	24,988
Unearned revenues	-	54,949
Total Liabilities	141,885	112,223
Fund balance		
Restricted	3,611,178	822,201
Total Liabilities and Fund Balance	$ 3,753,063	$ 934,424

City of Port Jervis, New York

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

	2013	2012
REVENUES		
State aid	$ 193,933	$ 362,969
Federal aid	287,627	154,651
Miscellaneous	25,000	14,063
Total Revenues	506,560	531,683
EXPENDITURES		
Capital outlay	1,063,016	1,514,461
Deficiency of Revenues Over Expenditures	(556,456)	(982,778)
OTHER FINANCING SOURCES (USES)		
Capital notes issued	160,000	100,969
Capital leases issued	-	328,202
Bonds issued	3,185,433	-
Transfers in	-	71,792
Transfers out	-	(3,469)
Total Other Financing Sources	3,345,433	497,494
Net Change in Fund Balance	2,788,977	(485,284)
FUND BALANCE		
Beginning of Year	822,201	1,307,485
End of Year	$ 3,611,178	$ 822,201

City of Port Jervis, New York

Capital Projects Fund
Project-Length Schedule
Inception of Project Through December 31, 2013

PROJECT	Project Budget	Expenditures and Transfers	Unexpended Balance
Tri State Traffic/Road/East Street Project	$ 2,154,927	$ 1,507,515	$ 647,412
Decant Tank Enclosure	26,000	82,738	(56,738)
Water Plant Feasibility Study	68,500	49,500	19,000
Beach Road Engineering	339,727	316,195	23,532
Replace 3 Ozone Generators	269,820	266,147	3,673
Engineering - Replace Water Mains	100,000	85,255	14,745
Engineering - Replacement or Retiring of Sewers	275,000	81,989	193,011
Dump Truck with Plow	210,000	187,320	22,680
Garbage Packer Truck	106,450	105,174	1,276
Firehouse Heating and Fire Alarm Upgrade	74,000	15,357	58,643
NYS DOT Downtown Promenade Project	150,283	162,303	(12,020)
Various Equipment - 2010	522,105	493,628	28,477
Restore 9 Sussex	431	431	-
Various Equipment - 2012	105,280	101,609	3,671
Fire Truck	71,792	-	71,792
Water System Improvements	190,000	244,179	(54,179)
Berme Road Permanent Supply Lines	543,561	1,570	541,991
Beach Road Pump Station	100,000	72,031	27,969
Rebuild Water Treatment Raw Water Pumps	90,000	283	89,717
Decant Enclosure Construction	60,000	188	59,812
5-7 Yard Dump Trucks with Plows	280,000	879	279,121
Elgin Pelican Sweeper	214,000	712	213,288
20 Yard Garbage Truck	145,000	455	144,545
Backhoe Loader	85,000	267	84,733
Towable Air Compressors	46,000	144	45,856
Salt and Sand Shed	105,000	617	104,383
Police Radio System	160,000	1,987	158,013
In-car Patrol Cameras	56,400	177	56,223
Fire Truck	804,033	8,924	795,109
Various Equipment - 2013	160,000	114,086	45,914
Totals	$ 7,513,309	$ 3,901,660	$ 3,611,649

Total Revenues	Fund Balance (Deficit) at December 31, 2013
$ 2,154,927	$ 647,412
26,000	(56,738)
68,500	19,000
339,727	23,532
269,820	3,673
100,000	14,745
275,000	193,011
210,000	22,680
106,450	1,276
74,000	58,643
150,283	(12,020)
522,105	28,477
-	(431)
105,240	3,631
71,792	71,792
190,000	(54,179)
543,561	541,991
100,000	27,969
90,000	89,717
60,000	59,812
280,000	279,121
214,000	213,288
145,000	144,545
85,000	84,733
46,000	45,856
105,000	104,383
160,000	158,013
56,400	56,223
804,033	795,109
160,000	45,914
$ 7,512,838	$ 3,611,178

City of Port Jervis, New York

Non-Major Governmental Fund
Special Purpose Fund
Comparative Balance Sheet
December 31,

	2013	2012
ASSETS		
Cash and equivalents	$ 101,128	$ 93,175
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	$ 2,486	$ 4,684
Fund balance		
Restricted	98,642	88,491
Total Liabilities and Fund Balance	$ 101,128	$ 93,175

City of Port Jervis, New York

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

	2013	2012
REVENUES		
Use of money and property	$ 17	$ 17
Miscellaneous	57,338	42,187
Total Revenues	57,355	42,204
EXPENDITURES		
Current		
Public safety	19,642	12,089
Culture and recreation	27,562	19,172
Total Expenditures	47,204	31,261
Excess of Revenues Over Expenditures	10,151	10,943
FUND BALANCE		
Beginning of Year	88,491	77,548
End of Year	$ 98,642	$ 88,491

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O'CONNOR DAVIES

PKF

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

Independent Auditors' Report

The Honorable Mayor and Common Council
of the City of Port Jervis, 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, each major fund and the aggregate remaining fund information of the City of Port Jervis, New York ("City") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 5, 2014.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

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

Purpose of this Report

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

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
August 5, 2014

O'CONNOR DAVIES

PKF

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

Independent Auditor's Report

The Honorable Mayor and the City Council
of the City of Port Jervis, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Port Jervis, New York's ("City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

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

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

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

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

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
August 5, 2014

City of Port Jervis, New York

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

Federal Grantor Program Title	Federal CFDA Number (1)	Federal Program Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs		
Section 8 Housing Voucher Program	14.871	$ 1,612,915
Indirect Program - passed through New York State Homes and Community Renewal Office		
Community Development Block Grants/State's program NYS CDBG Project # 938PR141-11	14.228	194,551
Total U.S. Department of Housing and Urban Development		1,807,466
U.S. Department of Highway and Construction		
Indirect Programs - Passed through New York State Department of Transportation		
Highway Planning and Construction	20.205	106,635
Public Transportation for Non Urban Areas	20.509	53,178
Total U.S. Department of Highway and Construction		159,813
U.S. Department of Health and Human Services		
Indirect Program - Passed through County of Orange		
Special Programs for the Aging - Title III - Part C	93.045	93,000
U.S. Department of Justice		
Direct Program		
Bulletproof Vest Partnership Program	16.607	1,941
U.S. Department of Environmental Protection		
Direct Program		
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	2,228
U.S. Department of Agriculture		
Direct Program		
Summer Food Service Program for Children	10.559	8,968
U.S. Department of Homeland Security		
Indirect Program		
Passed through New York State Emergency Management Office		
Disaster Grants- Public Assistance	97.036	93,741
Total		$ 2,167,157

(1) Catalog of Federal Domestic Assistance number.

The accompanying notes are an integral part of this schedule.

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

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

City of Port Jervis, New York

Prior Year Audit Findings
Year Ended December 31, 2013

None

City of Port Jervis, New York

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____Yes __X__No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____Yes __X__ None reported

Noncompliance material to financial statements noted? ____Yes __X__No

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ____Yes __X__No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ____Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Section 8 Housing Voucher Program
14.228	Community Development Block Grants/State's program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000
Auditee qualified as low-risk auditee? __X__Yes _____No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None