

**CITY OF PLATTSBURGH**

**FINANCIAL REPORT**

**DECEMBER 31, 2012**

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**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Common Council  
City of Plattsburgh, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Plattsburgh, New York, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Plattsburgh Housing Authority whose statements reflect total assets constituting 8.0% and total revenues constituting 8.2% of the related totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Plattsburgh Housing Authority is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Plattsburgh, New York as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 17), budgetary comparison information (pages 28 through 30) and Schedule of Funding Progress Other Post Employment Benefits Plan (page 61) 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.

Our Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Plattsburgh, New York's basic financial statements as a whole. The schedules of expenditures of federal awards and state transportation assistance expended are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements of City of Plattsburgh, New York. The schedules of expenditures of federal awards and state transportation assistance expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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 taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, on our consideration of the City of Plattsburgh New York'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 City of Plattsburgh New York's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Conroy, Boulrice, Telling & Trombley, PC".

Conroy, Boulrice, Telling & Trombley, PC  
September 25, 2013

The City of Plattsburgh offers this discussion and analysis in conjunction with the audit of financial statements for the fiscal year ended December 31, 2012.

Unless otherwise stated, all amounts are expressed in thousands of dollars.

## **1. FINANCIAL HIGHLIGHTS**

Total assets of the City exceeded total liabilities by \$133,336, an increase of \$1,837 from the prior year. The net position of business-type activities was \$27,262 and net position of governmental activities was \$92,896.

For the year, total revenues for the City were \$55,180 while total expenses were \$52,913. The net of the revenues and expenses leaves the City with a net surplus of \$2,267.

At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$22,652, an increase of \$289 over the prior year.

At the end of the year, total unassigned fund balance for the general fund was \$1,852 down \$1,501 from the prior year.

Total outstanding long-term indebtedness for the City at the end of the year was \$31,990 down from 32,249 at the end of 2011.

## **2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as a commentary to the financial statements for the City of Plattsburgh. The financial statements are comprised of the following three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other information in addition to the financial statements, such as budgetary comparisons.

**Government-wide financial statements** – The government wide financial statements are intended to provide the reader with a broad overview of the financial condition of the City that closely matches the reporting format of most private-sector companies. The Statement of Net Position provides comparisons that will assist in answering the question of whether the City's financial condition has improved or deteriorated during the year.

The Statement of Net Position provides the reader with a snapshot in time of the assets, liabilities and resulting nets position (or equity as stated with private sector reporting) of the City. Over time, increases or decreases in the net position of the City may provide an indicator of the trend in the City's financial condition. Other forward-looking indicators will also assist the reader to assess the overall financial health of the City.

The statement of activities provides the reader of the sources of revenue for the City, the sources of expenses and the net balance between the two which directly impacts the resulting net position at year-end. Reporting of revenues and expenses is done using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This means that transactions are recorded when they are realizable and measurable and not when cash flows into or out of the City.

The governmental-wide financial statements, of the City, separate functions into three components. First, governmental activities of the City are primarily supported by taxes and intergovernmental revenues. Second, business-type activities are intended to support all or a large portion of their expenses through user fees and charges and receive no direct support from other funds. The governmental activities include: general government, public safety (mostly police & fire protection), street construction & maintenance, economic development, water & sewer utility, downtown parking lot & maintenance, refuse collection, and culture and recreation. The only business-type activity in the City is the Municipal Lighting Department. Third, the City includes a separate legal entity in its report—Lake City Local Development Corporation. While it represents a legally separate entity, its operational or financial relationship with the City makes the City financially accountable for this entity.

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 used to maintain control over resources that have been segregated for specific activities or objectives. The City of Plattsburgh, 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 of Plattsburgh can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- a. Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on near term inflows and outflows of expendable resources as well as on the balance of expendable resources *available* at the end of the year. Expendable resources are measured using the modified accrual method of accounting. Under this method, resources are considered available if they can be readily converted to cash, generally in 30 days or less. Reviewing governmental funds may be useful in assessing the City's near term financing requirements.

The main difference between governmental funds and the government-wide financial statements is, respectively, short-term view versus long-term view; it is useful to compare the information presented in both. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions.

The City of Plattsburgh maintains nine 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 fund, debt service fund, capital projects fund, and the special revenue fund, all of which are considered to be major funds. The special revenue fund aggregates data from the other six subsidiary funds into a single

major fund. Individual fund data for each of these subsidiary governmental funds is provided in the form of combining statements elsewhere in this report.

The financial statements for governmental funds can be found in the Basic Financial Statements, which is in the following section.

- b. Proprietary funds – The City of Plattsburgh maintains only one type of proprietary fund, the Municipal Lighting Department. Other funds such as water, sewer, parking lot, library and recreation are considered governmental funds. The City's enterprise fund is the same as business-type activities reported in the government-wide statements but provide more detail such as cash flows.
- c. Fiduciary Funds – 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 statements because the City cannot use any assets in these funds to finance the City's operations. It is the City's responsibility to ensure the assets in these funds are used for their intended purposes.

**Notes to financial statements** – The notes to the financial statements provide additional information that the reader of this report may require to fully understand all aspects of this report. The notes to the financial statements can be found following the Basic Financial Statements section of this report.

### **3. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position** – Net position may serve as a useful indicator of a government's financial position over time. For the year ending December 31, 2012, the City of Plattsburgh's assets exceeded liabilities by \$133,332.

The majority of the City's net position is capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services to citizens (e.g. public water, sewer, recreational facilities, electric power distribution, roads, etc.). Since these assets are not liquid and are not intended to be sold, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.



**City of Plattsburgh Net Position**  
(000's Omitted)

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total Primary Government</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Current Assets	\$ 25,608	\$ 30,161	\$ 7,490	\$ 7,713	\$ 33,098	\$ 37,874
Noncurrent Assets	98,587	95,580	34,636	34,092	133,223	129,672
<b>Total Assets</b>	<b>\$124,195</b>	<b>\$ 125,741</b>	<b>\$ 42,126</b>	<b>\$ 41,805</b>	<b>\$166,321</b>	<b>\$167,546</b>
Current Liabilities	\$ 4,943	\$ 9,645	\$ 2,365	\$ 2,023	\$ 7,308	\$ 11,668
Noncurrent Liabilities	26,356	25,475	12,499	13,340	38,855	38,815
<b>Total Liabilities</b>	<b>31,299</b>	<b>35,120</b>	<b>14,864</b>	<b>15,363</b>	<b>46,163</b>	<b>50,483</b>
Net Position:						
Invested in capital assets, net of related debt	78,993	71,887	22,240	20,914	101,233	92,801
Restricted	6,027	6,859	4,320	4,957	10,347	11,816
Unrestricted	7,876	11,875	702	571	8,578	12,446
<b>Total Net Position</b>	<b>92,896</b>	<b>90,621</b>	<b>27,262</b>	<b>26,442</b>	<b>120,158</b>	<b>117,063</b>
<b>Total Liabilities and Net Position</b>	<b>\$124,195</b>	<b>\$ 125,741</b>	<b>\$ 42,126</b>	<b>\$ 41,805</b>	<b>\$166,321</b>	<b>\$167,546</b>

An additional portion of the City's total assets, \$10,347, represents resources that are subject to external restrictions on how they may be used and are reported as *restricted* net position. The remaining category of total net position, *unrestricted* net position may be used to meet the government's ongoing obligations and services to creditors and citizens, especially in the future.

- **Governmental activities**

Total net position of the City's governmental activities for the year ended December 31, 2012 was \$92,896. The majority of the net position, \$78,993 or 85.0%, is tied up in capital assets (net of related debt).

Restricted assets for the end of the year were \$6,027. Restricted assets include, but are not limited to: debt reserves, water and sewer capital reserves, and asset forfeitures. The restricted assets were lower at the end of the year due to the amount of water reserves of \$105 and sewer reserves of \$3,676.

Unrestricted assets at year-end for governmental activities were \$7,876, a decrease of \$3,999 from the prior year.

- **Business-type activities**

The total net position of our business-type activities was \$27,262 at year-end. Like the governmental-type activities, capital assets net of related debt were \$22,240 and made up the majority of the net position.

Restricted assets at year-end were \$4,320 and were primarily made up of the capital projects reserve \$3,707 and debt reserve \$207. Unrestricted net position was \$702. In addition, net position of the business-type activities cannot be used to support any of the activities in the governmental-type activities. The City can only use this net position to finance the continuing operations of the Municipal Lighting Department.

The change in net position during the most recent fiscal year is reported in the Statement of Activities found on pages 20-21. Key elements of this change are illustrated in the following table.

City of Plattsburgh Change in Net Position (000's Omitted)						
	Governmental activities		Business-type activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 9,876	\$ 10,008	\$15,707	\$16,213	\$ 25,583	\$ 26,221
Operating Grants and contributions	3,546	2,004	-	-	3,546	2,004
General revenues:						
Property Taxes	9,700	9,781	-	-	9,700	9,781
Sales and Other Taxes	4,400	4,070	-	-	4,400	4,070
Government Aid	3,555	3,338	7	33	3,562	3,371
Other	3,151	3,635	698	613	3,849	4,248
<b>Total Revenues</b>	<b>34,228</b>	<b>32,836</b>	<b>16,412</b>	<b>16,859</b>	<b>50,640</b>	<b>49,695</b>
<b>Expenses</b>						
General Government	3,045	2,842	-	-	3,045	2,842
Public Safety	8,222	7,718	-	-	8,222	7,718
Transportation	1,549	1,810	-	-	1,549	1,810
Economic assistance & opportunity	113	115	-	-	113	115
Culture and recreation	1,877	1,941	-	-	1,877	1,941
Home and community	7,444	7,301	-	-	7,444	7,301
Employee Benefits	9,699	9,611	-	-	9,699	9,611
Debt Service	596	520	-	-	596	520
Municipal Lighting	-	-	14,980	15,009	14,980	15,009
<b>Total Expenses</b>	<b>32,545</b>	<b>31,858</b>	<b>14,980</b>	<b>15,009</b>	<b>47,525</b>	<b>46,867</b>
Excess of revenues over expenses	1,683	978	1,432	1,850	3,115	2,828
Transfers	600	600	(600)	(600)	-	-
Increase (decrease) in Net Position	2,283	1,578	832	1,250	3,115	2,828
<b>Net Position - beginning</b>	<b>90,621</b>	<b>89,043</b>	<b>26,442</b>	<b>25,192</b>	<b>117,063</b>	<b>114,235</b>
Prior period adjustment (note )	(9)	-	(12)	-	(21)	-
<b>Net Position - ending</b>	<b>\$92,895</b>	<b>\$ 90,621</b>	<b>\$27,262</b>	<b>\$26,442</b>	<b>\$120,157</b>	<b>\$ 117,063</b>

The City's total revenues for the 2012 year were \$50,640 versus total expenses of \$47,525. For the year, the City's net position increased by \$3,115 or 2.7%, to bring total net position of the primary government of the City to \$120,157. The following analysis separately considers the operations of governmental and business-type activities.

## **Governmental Activities**

Revenues for the City's governmental activities for the year were \$34,228 while total expenses were \$32,545 which yielded an increase in net position of \$2,283, or 2.5%. The drivers of revenues for the year were charges for services, which is mostly made up of water and sewer charges for services. Property taxes comprised 28.3% of the total revenues while sales taxes were 12.9% of revenues. Revenues were up from the prior year by \$1,392.

On the expense side, public safety, home and community and employee benefits made up the majority of the cost of the governmental activities. In public safety, the police department and fire department expenses for the year totaled \$4,877 (59.3%) and \$2,947 (35.8%), of the total for public safety of \$8,222, respectively.

Home and community total expenses for the year were \$7,444. Costs associated with operating the water fund were \$1,452 or 19.5% of the total while the sewer fund costs were \$3,276 or 44.0% of the total.

Finally, employee benefits for the year were \$9,699, or 29.8% of total governmental activity expenses. Of this total, health insurance cost was \$4,940, or 50.9% of the total.

## **Business-type Activities**

Revenues for the Municipal Lighting Department for the year were \$16,412, while total expenses for the operation were \$14,980. The resulting total net position for the business-type activities for the year increased by \$832, or 3.1%.

For the Municipal Lighting Department, revenues are heavily influenced by winter temperatures, business activity, local development and any changes in rates granted by the Public Service Commission. The charges for services part of total revenues were down by over \$506 or 3.1%.

On the expense side, demand for electric power drives demand to purchase power. Since MLD does not generate its own power but only distributes what it purchases, the cost of purchase power is a large cost factor in operating the business. In 2012, the total cost of purchased power decreased by \$107 or 1.3%.

## **THE CITY'S FUNDS:**

### **Governmental Funds**

- 1) General fund – The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$1,852 and the total fund equity was \$5,500. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to fund expenditures. For the current year ended December 31, 2012, unassigned fund balances represent 8.1% of total fund expenditures (including transfers out), while total fund balance was 24.2% of the same amount. The total fund balance of the City's General Fund decreased by \$1,303 during the current fiscal year.

- 2) Debt service fund – The debt service fund is the fund from which all debt payments for the City are made. The fund balance at the end of the year of \$62 is reserved for the repayment of debt. The decrease in total fund balance from year-to-year was \$5.
- 3) Capital Projects Fund – The Capital Projects Fund accounts for the construction and reconstruction of general public improvements and major asset purchases, including projects related to business-type activities. At the end of the current fiscal year, the fund balance was \$3,692.
- 4) Special revenue fund – The special revenue fund for the City is made up of the following individual funds: Community Development Fund, Parking Lot Fund, Recreation Complex Fund, Water Fund, Sewer Fund, Library Fund and Self Insurance Fund. The Community Development Fund is a special revenue fund used to account for the programs and projects primarily funded by the U.S. Department of Housing and Urban Development as well as other federal and state grant programs. At the end of the current fiscal year, the total special revenue fund balance was \$13,397. Components of the December 31, 2012 fund balance are as follows:

	<u>2012</u>	<u>2011</u>
<b>Nonspendable</b>		
Prepays	\$ 185	\$ 172
Long-term loans & receivable	1,059	1,176
<b>Restricted</b>		
Capital reserve	3,781	4,429
Retirement reserve	-	1
Other restricted	1,392	1,252
<b>Assigned</b>		
Encumbrances:		
Home & community services	10	17
Appropriated	37	-
Unappropriated fund balance	6,956	6,164
<b>Unassigned</b>	<u>(23)</u>	<u>(10)</u>
<b>Total Fund Balances</b>	<u><u>\$ 13,397</u></u>	<u><u>\$ 13,201</u></u>

The other restricted Community Development amount represents funds that can be loaned under the City of Plattsburgh's Housing and Economic revolving loan programs.

- 5) Proprietary fund – the only proprietary fund for the City is the Municipal Lighting Department (MLD). This department purchases all of its power from the New York Power Authority and the New York Municipal Power Agency and distributes it on a system owned by the City of Plattsburgh. For the fiscal year ended December 31, 2012, fund balance was \$27,262, up \$820 from the same time in the previous year fund.

#### **4. BUDGETARY HIGHLIGHTS**

The City Charter requires the Mayor to submit a budget with an accompanying written budget report to the Common Council on or before October 1<sup>st</sup> for the next fiscal year which begins January 1st. The budget shall provide a complete financial plan of all City funds and activities for the ensuing fiscal year. The final 2013 budget included a 5.239% property tax levy increase, that includes a 3.43% increase to the property tax rate, 0% increases in water and sewer rates, a 0% increase in electric rates, an addition of \$1.00 per month to all refuse collection rates to pay for closed landfill monitoring costs and an addition to the existing flat rate infrastructure charge to water customers for the new water storage tanks installed in 2010 based on the size of their main water line service from the City. The additional charge is for required and necessary repairs for the City's three water reservoir dams.

A summary of the proposed budget, a notice of when and where the budget and budget report are available for public inspection, and the time and place of a public hearing on the proposed budget shall be published on or before October 8<sup>th</sup>. A public hearing shall be held on the proposed budget no sooner than October 15th nor later than October 22<sup>nd</sup>. The Council may then review the budget and make amendments as they see fit, but must adopt a final budget along with necessary implementing ordinances no later than 14 days after the start of the fiscal year.

If the Common Council fails to adopt a budget within 14 days of the start of the fiscal year, the budget submitted to the Council by the mayor and all necessary implementing ordinances shall take effect.

The City's annual budget includes estimated revenues and appropriations for the General Fund, the Proprietary Fund and the Debt Service Fund. The Parking Lot Fund, Recreation Complex Fund, Water Fund, Sewer Fund and Library Fund, which are special revenue funds, are also included in the budgetary process. Self- insurance and the Community Development Fund do not have an annual budget even though they are special revenue funds. A five-year capital plan is also included in the annual budget.

The actual change in fund balance of the general fund resulted in a decrease for the current year of \$1,303 compared to an adopted budget with a deficit of \$1,842.

The City's budget should contain reasonable revenue and expenditure estimates and be structurally balanced so that recurring costs are financed with recurring revenues. The budget formula for operating funds is: estimated revenues plus appropriated fund balance equals total amount available to finance operations.

The General Fund has become dependent on the Water, Sewer and Municipal Lighting Funds for financial assistance. Inter-fund revenues are comprised of the following:

1. Reimbursement for administrative costs.
2. Contributions and/or payments in lieu of tax.
3. Contribution of services from the Municipal Lighting Department.  
(For example, street lighting, traffic signals, and electricity of municipal buildings).

In 2012, the General fund inter-fund transfers were as follows:

Library Fund	\$ 871,000
Recreation Fund	375,700
Capital Projects	2,496
Debt Service	2,072,723
	<u>\$ 3,321,919</u>

The payments from the water and sewer funds have been reduced by \$56,289 and \$88,989, respectively, during 2012, thereby relieving some of the stress placed on these funds to provide support to the General Fund. The transfers from these funds will be reduced a cumulative \$800,000 over the succeeding five years of 2009 through 2013. These reductions will help eliminate the need for annual rate increases in order to maintain the level of support established for the General Fund.

This annual reduction of \$160,000 is pursuant to the results of an audit conducted by the NYS Office of the State Comptroller that required documented support of the amounts being transferred from the water and sewer funds to support General Fund services. Based on 2008 expense levels in the General Fund, the documented support to the water and sewer funds reached about \$377,000, leaving \$800,000 as the excess transfers to be reduced ratably over the next five years.

## 5. CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012 amounted to \$133,223 (net of accumulated depreciation). The amount as of December 31, 2011 was \$129,672 or an increase of \$3,551, or 2.7%. The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress (CIP).

Major capital asset events during the current fiscal year included:

- Total capital expenditures for governmental activities for the year were \$6,067.
- Depreciation expense for the year was \$3,060.

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 18,637	\$ 18,637	\$ 516	\$ 516	\$ 19,153	\$ 19,153
Infrastructure	73,269	73,269	853	853	74,122	74,122
Buildings & Improvements	45,923	45,923	55,999	53,870	101,922	99,793
Machinery & Equipment	9,369	8,319	9,930	9,709	19,299	18,028
Construction in Progress	11,871	6,854	253	227	12,124	7,081
<b>Total</b>	<b>159,069</b>	<b>153,002</b>	<b>67,551</b>	<b>65,175</b>	<b>226,620</b>	<b>218,177</b>
Less: Acc. Depreciation	(60,482)	(57,422)	(32,915)	(31,083)	(93,397)	(88,505)
<b>Net Capital Assets</b>	<b>\$ 98,587</b>	<b>\$ 95,580</b>	<b>\$ 34,636</b>	<b>\$ 34,092</b>	<b>\$ 133,223</b>	<b>\$ 129,672</b>

## Long-term Debt

For the year, total debt decreased by \$259 or .8% to \$31,990.

Moody's Investors Service has assigned an Aa3 rating to the City of Plattsburgh's (NY) \$8.74 million Public Improvement Serial Bonds, 2011. Concurrently, Moody's has upgraded the rating to Aa3 from A1 (previously rated as A3 prior to the bond market two step rating increase in 2011) on the city's \$25.7 million outstanding parity general obligation debt. The bonds are secured by the city's general obligation, unlimited tax pledge.

Moody's goes on to say the upgrade to Aa3 from A1 of the city's long-term general obligation rating reflects the city's diverse, moderately growing tax base, below average socioeconomic indicators, satisfactory financial flexibility marked by healthy reserve levels and a five-year track record of operating surpluses, as well as an above-average, but manageable debt burden.

Standard & Poor's during 2012 affirmed the A+ rating to the City of Plattsburgh's outstanding general obligation debt, however, the outlook was revised to negative from stable because of the city's structural imbalance stemming from rising labor costs that, if unaddressed, could deplete general fund reserves within the next three years.

More detailed information on the City's capital assets and long-term debt activity is provided in the Notes to the Financial Statements.

### City of Plattsburgh Outstanding Debt (000's Omitted)

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 19,594	\$ 19,071	\$ 12,396	\$ 13,178	\$ 31,990	\$ 32,249

## 6. ECONOMIC FACTORS

Major economic developments in the City itself as well as the outlying areas will have a major impact on the economic climate of the region as well as the City. Descriptions of the major developments are listed below:

### United Group - Redevelopment of the St. John's School Property

This project is complete and located adjacent to the Plattsburgh State University College property on Broad Street and involved the development of the St. John's parochial school property, previously tax exempt, as for profit college student housing fully assessed at \$12,000,000 in 2011. Sale of City property in the form of parking and green area was accomplished in 2008 for approximately \$12,000 to enhance the development parking for students and thereby reduce the City's obligation to maintain the property.

The annual increase to property tax revenue in 2011 was \$182,500 based on the 2009 and 2010 partially assessed value property tax collections. The owner of the property, Plattsburgh Suites LLC, has filed a petition for a tax assessment reduction of \$3,000,000 against the City of Plattsburgh, for which the outcome is uncertain as of December 31<sup>st</sup>, 2012.

### **Commercial development and redevelopment projects**

Meadowbrook Nursing Facility proposed a 2009 development on the PAFB Old Base property to be completed by tax roll date in 2010, but the Project did not advance during 2010 or in 2011.

### **Redevelopment of the Durkee Street Municipal Parking Lot and Adjoining Lands**

This project is located in the heart of downtown Plattsburgh and involves development of a 4.37 +/- acre parcel of land between Broad Street and Bridge street, a 0.70 +/- acre parcel of land south of Broad Street along the western edge of the Saranac River, a 0.20 +/- acre parcel of land between Margaret and Durkee streets which is the walkway between these two streets, and three contiguous parcels of land totaling 0.37 +/- acres along the southern edge of the walkway and a 0.28 +/- acre parcel of land located on the most northeast corner of the municipal parking lot along the western edge of the Saranac River.

Approximately 3 +/- acres of land in the project will be dedicated to public use. Current plans call for development in three phases. Phase I involves construction of a two-story parking garage on the southernmost end of the municipal parking lot that will accommodate 130 vehicles. Also part of phase I is construction of a 50,000-60,000 sq. ft. structure for retail and office use along with a second adjoining two-story parking structure for approximately 180 spaces. Phase II includes a multi-tiered public parking structure, ribbon retail space and development of improved public space that will occupy approximately 4 +/- acres of land. The third phase includes construction of a second 50,000-60,000 sq. ft. building for office and retail use.

Phase I was complete as of December 31, 2007, and the occupancy rate is at 100% at year-end 2012. As the rental commitments continue and the occupancy grows, the remaining phases of the construction will become more feasible for completion of the project, although no work on the remaining phases has begun by year-end 2012.

### **Development of waterfront hotel and conference center**

The City has entered into a lease agreement to move forward with Monahan Development of Syracuse, New York, to build a waterfront hotel and conference center where the former Canadian-Pacific Railway yard is located off Bridge Street and within walking distance from the municipal parking lot development described above.

The \$11 million development was to consist of a hotel and a 450-to-600 person conference center. The hotel will feature rooms and suites with window views of the lake. A restaurant and full-service spa will also be included. This development will tie in with a public boat launch and picnic area on the waterfront.



Construction of the hotel facility has been delayed due to default by the developer to perform on the construction contract although the site development for the water distribution, storm and sewer drainage, and parking lot with related lighting has been completed by the City at a cost of approximately \$1.8 Million. There has been no activity regarding the solution to this problem during 2012.

### **Air Force Base redevelopment projects**

The former ROTC property located on the "old base" was purchased by Larkin Realty out of Burlington, Vermont in 2005. They are the largest apartment and hotel owner in Vermont and have plans to renovate the existing building into 60 condo/apartments. The property also includes 5 acres of vacant land to the north of the existing building. Current plans for this site are for construction of 32 additional apartments. Larkin Realty also purchased an additional 5 acres of land adjoining the ROTC property for future development for \$340,000 in September 2006. Both of these properties are lakefront properties and are expected to command the highest rental rates of any apartments in the county, but the vacant land has not seen any development progress during 2011. However, the former ROTC building completed Phase 3 in 2010 which includes 45 apartments and an AV of \$2,068,400 up from \$1,442,800 in 2009. Larkin has completed Phase 4 in 2011, the final phase, which includes a total of 60 apartments and an AV of \$3,515,800 in 2012 up from \$3,515,800 in 2011.

Pyramid Realty Corporation of Syracuse, New York, had attempted to purchase the unoccupied base hospital located at the intersection of US Route 9 and New York Avenue, but never completed the purchase from PARC. The property consists of 90,000 square feet of building space and land totaling 25 acres. Full demolition of the hospital building was completed in 2007 by PARC, but no further development has occurred during 2012. PARC still owns this property and it became fully taxable in 2012 and as of 2012, there are no solid plans to develop this lot and it remains on the market for sale.

All the developments listed above are expected to increase the taxable base of the City significantly. All of these developments were expected to be completed by the end of 2007, but delays in development due to changes in the economy continue to make it more likely that these projects will continue on into 2012 and beyond.

In 2010, Harborview Condominiums completed construction of Phase 1 which included 18 lake view condominium units. This property added \$3,700,000 in assessed value to the 2010 tax roll. Phase 2 includes 15 condo units and was completed in 2011 and added \$3,212,000 in assessed value to the 2012 tax roll. Currently, Phase 3 is being constructed with a completion date sometime in 2013 and will be comparable to Phase 2.

Directly across the street from Harborview Condominiums is another project that is under construction. Gregory Heights is a 20-unit apartment building that will be completed sometime in early 2013 and is estimated to add over \$1,000,000 to the 2013 tax roll.

Four new apartment buildings, all side-by-side, were completed in 2012 in the residential west end neighborhood. Each apartment building has five units, for a total of 20 units in the project. The estimated 2013 assessed value of the project will be about \$1,000,000.

Recently, a 27-lot subdivision on the former Air force Base was transferred to a few local developers who plan to develop the lots with residential homes and multi-family properties over the next few years. This is currently the largest tract of subdivided vacant land in the city.

The former Lakeside Apartment complex located on North Margaret Street was deemed uninhabitable after the 2011 flood and it currently remains vacant. There are 120 apartment units in the project. The project owner is working to possibly demolish and redevelop the site, but the timeframe is unknown at this point.

Bombardier Transportation, an international railcar manufacturer located in the City of Plattsburgh, announced that it plans to build an 80,000 square foot addition to its existing 150,000 square foot plant in 2013. Bombardier has recently been awarded two large contracts that will keep many more employees working at the plant and the need for more space is evident.

A group of local developers are exploring the idea of redeveloping the City Beach recreational area. The redevelopment would include a hotel, restaurants, retail, historical center, and hiking trails that all tie in with the beach on Lake Champlain. The developers are in the process of having a feasibility study completed.

On December 10, 2010 an announcement was made that Laurentian Aerospace Corporation had finally secured the lead-investor needed to move forward with the construction of the aircraft maintenance, repair and overhaul facility on the former Plattsburgh Air Force Base (PARC) within the Town of Plattsburgh, just outside the City limits. This 2-bay hangar facility will be constructed at a cost of about \$175 million and will contain approximately 262,000 square feet of production space. Employment estimates range from 900-1,200 jobs (900 to overhaul jets and 300 administrative staff) that will be created within five years. The facility would be in full operation about 18 months after construction begins, creating 200-300 new construction jobs. The financial closing is still in the process of being arranged, and Laurentian remains optimistic that funding should be secured in the near future. However, local optimism regarding the project has dwindled and it is uncertain whether the project will ever come to fruition.

If the Laurentian project ever becomes a reality, there will most likely be a large influx of jobs, with many out-of-town people moving to the area. This will result in a large amount of new residential construction needed to accommodate all the new people that will be living in the area. Most of this new residential development would probably take place outside the City due to the minimal amount of vacant residential land within the City. However, the effects of this project would be extremely positive for the local economy due to the job creation and development of support companies for Laurentian.

County sales tax, which makes up a significant portion of the general fund revenue, is also expected to be enhanced by virtue of the above developments.

## **7. REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Plattsburgh's finances to our citizens, taxpayers, customers, investors and creditors. If you need any additional copies of this report or have any additional questions, please contact our offices at the following address: City of Plattsburgh, City Chamberlain's Office, 6 Miller Street, Plattsburgh, NY 12901.

## CITY OF PLATTSBURGH

STATEMENT OF NET POSITION  
December 31, 2012

Exhibit A

## ASSETS

	Governmental Activities	Business-type Activities	Total Primary Government	Plattsburgh Housing Authority	Lake City LDC	Total Reporting Unit
Current assets						
Cash and equivalents	\$ 14,599,453	\$ 66,718	\$ 14,666,171	\$ 724,144	\$ 15,852	\$ 15,406,167
Restricted assets-cash and cash in time deposits	4,615,730	4,319,646	8,935,376	283,792	-	9,219,168
Investments	-	-	-	843,666	-	843,666
Taxes receivable, net of allowance for uncollectibles of \$279,588	1,314,485	-	1,314,485	-	-	1,314,485
Other receivable, net of allowance for uncollectibles of \$986,758	1,703,289	1,051,339	2,754,628	52,617	-	2,807,245
State and federal receivable	380,289	-	380,289	-	-	380,289
Economic development loans	1,096,475	-	1,096,475	-	-	1,096,475
Due from other government	1,394,960	-	1,394,960	-	-	1,394,960
Internal balances	(209,688)	210,141	453	-	-	453
Inventories	-	1,494,035	1,494,035	126,944	-	1,620,979
Prepaid expenses	713,783	348,483	1,062,266	149,211	-	1,211,477
Total current assets	25,608,776	7,490,362	33,099,138	2,180,374	15,852	35,295,364
Noncurrent assets						
Capital assets, net of accumulated depreciation	98,586,757	34,636,060	133,222,817	12,276,231	-	145,499,048
Other assets	-	-	-	6,689	-	6,689
Total noncurrent assets	98,586,757	34,636,060	133,222,817	12,282,920	-	145,505,737
Total assets	\$ 124,195,533	\$ 42,126,422	\$ 166,321,955	\$ 14,463,294	\$ 15,852	\$ 180,801,101

# LIABILITIES AND NET POSITION

Current liabilities										
Accounts payable	\$	984,499	\$	1,313,022	\$	2,297,521	\$	24,717	\$	2,322,238
Accrued liabilities		572,937		121,722		694,659		27,667		722,326
Compensated absences		-		-		-		77,884		
Due to other governments		10,748		-		10,748		161,569		172,317
Due to school districts		1,264,283		-		1,264,283		-		1,264,283
Deferred revenues		128,658		6,256		134,914		42,814		177,728
Other current liabilities		-		-		-		51,352		51,352
Customer deposits		-		96,281		96,281		157,402		253,683
Bonds outstanding -current portion		1,982,190		827,810		2,810,000		-		2,810,000
Total current liabilities		4,943,315		2,365,091		7,308,406		543,405		7,851,811
Noncurrent liabilities										
Bonds outstanding, less current portion		17,611,866		11,567,905		29,179,771		-		29,179,771
Compensated absences		3,951,372		688,856		4,640,228		39,667		4,679,895
Other post employment benefits		4,793,095		242,755		5,035,850		721,589		5,757,439
Total noncurrent liabilities		26,356,333		12,499,516		38,855,849		761,256		39,617,105
Total liabilities		31,299,648		14,864,607		46,164,255		1,304,661		47,468,916
Net Position										
Investment in Capital Assets, net of related debt		78,992,701		22,240,346		101,233,047		12,276,231		113,509,278
Restricted		6,027,418		4,319,646		10,347,064		124,280		10,471,344
Unrestricted		7,875,766		701,823		8,577,589		758,122		9,351,563
Total net position		92,895,885		27,261,815		120,157,700		13,158,633		133,332,185
Total liabilities and net position		\$ 124,195,533		\$ 42,126,422		\$ 166,321,955		\$ 14,463,294		\$ 180,801,101

**CITY OF PLATTSBURGH**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 3,044,823	\$ 334,561	\$ -	\$ -
Public Safety	8,221,814	620,814	-	-
Transportation	1,548,793	5,201	3,271,604	-
Economic assistance and opportunity	112,689	80,283	154,583	-
Culture and recreation	1,877,433	444,788	102,941	-
Home and community services	7,443,981	8,390,809	17,287	-
Employee benefits	9,698,961	-	-	-
Debt service	596,576	-	-	-
Total governmental activities	<u>32,545,070</u>	<u>9,876,456</u>	<u>3,546,415</u>	<u>-</u>
Business-type activities:				
Municipal Lighting	14,980,289	15,707,382	-	-
Total business-type activities	<u>14,980,289</u>	<u>15,707,382</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 47,525,359</u>	<u>\$ 25,583,838</u>	<u>\$ 3,546,415</u>	<u>\$ -</u>
<b>Component units:</b>				
Plattsburgh Housing Authority (PHA):				
Operations	\$ 5,386,991	\$ 2,265,071	\$ 1,905,462	\$ -
Administrative & Other	-	-	-	354,702
Total PHA	<u>5,386,991</u>	<u>2,265,071</u>	<u>1,905,462</u>	<u>354,702</u>
Lake City LDC	1,129	175	-	-
Total component units	<u>\$ 5,388,120</u>	<u>\$ 2,265,246</u>	<u>\$ 1,905,462</u>	<u>\$ 354,702</u>

General revenues:  
Property taxes  
Property tax items  
Non-property tax items  
Interest and earnings  
Fines and penalties  
Intergovernmental  
Sales of property and compensation for loss  
Miscellaneous  
Interfund revenues  
State sources  
Industrial payments  
Operating transfers  
Total general revenues and operating transfers  
Changes in net assets  
Net assets, beginning  
Prior period adjustment (note 16)  
Net assets, ending

See accompanying notes and independent auditor's report.

Exhibit B

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	Total Reporting Unit
Governmental Activities	Business-type Activities	Total		
\$ (2,710,262)	\$ -	\$ (2,710,262)	\$ -	\$ (2,710,262)
(7,601,000)	-	(7,601,000)	-	(7,601,000)
1,728,012	-	1,728,012	-	1,728,012
122,177	-	122,177	-	122,177
(1,329,704)	-	(1,329,704)	-	(1,329,704)
964,115	-	964,115	-	964,115
(9,698,961)	-	(9,698,961)	-	(9,698,961)
(596,576)	-	(596,576)	-	(596,576)
(19,122,199)	-	(19,122,199)	-	(19,122,199)
-	727,093	727,093	-	727,093
-	727,093	727,093	-	727,093
(19,122,199)	727,093	(18,395,106)	-	(18,395,106)
-	-	-	(1,216,458)	(1,216,458)
-	-	-	354,702	354,702
-	-	-	(861,756)	(861,756)
-	-	-	(954)	(954)
-	-	-	(862,710)	(862,710)
9,310,518	-	9,310,518	-	9,310,518
389,275	-	389,275	-	389,275
4,400,352	-	4,400,352	-	4,400,352
528,377	184,999	713,376	13,837	727,213
293,030	-	293,030	-	293,030
336,717	-	336,717	-	336,717
233,765	-	233,765	-	233,765
122,494	195,428	317,922	-	317,922
1,636,837	220,916	1,857,753	-	1,857,753
3,554,690	6,807	3,561,497	-	3,561,497
-	96,691	96,691	-	96,691
600,000	(600,000)	-	-	-
21,406,055	104,841	21,510,896	13,837	21,524,733
2,283,856	831,934	3,115,790	(848,873)	2,266,917
90,621,346	26,442,012	117,063,358	14,435,188	131,498,546
(9,317)	(12,131)	(21,448)	(411,830)	(433,278)
\$ 92,895,885	\$ 27,261,815	\$ 120,157,700	\$ 13,174,485	\$ 133,332,185

See accompanying notes and independent auditor's report.

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2012**

<b>ASSETS</b>	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total</b>
Cash and equivalents	\$ 2,377,324	\$ 8,025,914	\$ 4,196,215	\$ -	\$ 14,599,453
Taxes receivable, net of allowance for uncollectibles of \$279,588	1,314,485	-	-	-	1,314,485
Other receivable, net of allowance for uncollectible of \$869,816	437,210	1,263,755	2,324	-	1,703,289
State and federal receivable	77,462	167,794	135,033	-	380,289
Economic development loans	-	1,096,475	-	-	1,096,475
Due from other funds	827,025	344,157	448,497	8,183	1,627,862
Due from other government	1,394,255	705	-	-	1,394,960
Restricted assets-cash and cash in time deposits	785,638	3,776,203	-	53,889	4,615,730
Prepaid expenses	516,505	184,938	12,340	-	713,783
<b>Total assets</b>	<b>\$ 7,729,904</b>	<b>\$ 14,859,941</b>	<b>\$ 4,794,409</b>	<b>\$ 62,072</b>	<b>\$ 27,446,326</b>
<b>LIABILITIES and FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 564,272	\$ 253,971	\$ 166,256	\$ -	\$ 984,499
Accrued liabilities	143,249	340,894	84,830	-	568,973
Bonds Anticipation Note	-	-	-	-	-
Due to other funds	144,505	841,919	851,126	-	1,837,550
Due to other governments	4,023	6,725	-	-	10,748
Due to school districts	1,264,283	-	-	-	1,264,283
Deferred revenues	109,632	19,026	-	-	128,658
Note Payable - EFC Clean Water Facility	-	-	-	-	-
<b>Total liabilities</b>	<b>2,229,964</b>	<b>1,462,535</b>	<b>1,102,212</b>	<b>-</b>	<b>4,794,711</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepays	516,505	184,938	12,340	-	713,783
Long term loans & receivable	-	1,059,017	-	-	1,059,017
Restricted:					
Capital reserve	-	3,780,798	-	-	3,780,798
Retirement of LTD	-	-	-	62,072	62,072
Aerial fire equip reserve	200,279	-	-	-	200,279
Asset seizure reserve	72,235	-	-	-	72,235
Retirement reserve	519,535	-	-	-	519,535
Other restricted	-	1,392,499	-	-	1,392,499
Assigned:					
Capital Projects	-	-	3,679,857	-	3,679,857
Encumbrances:					
General governmental support	8,717	-	-	-	8,717
Public safety	25,480	-	-	-	25,480
Home & community services	-	10,120	-	-	10,120
Appropriated fund balance					
Designated for subsequent year's expenditures	2,305,368	36,662	-	-	2,342,030
Unappropriated fund balance	-	6,956,652	-	-	6,956,652
Unassigned	1,851,821	(23,280)	-	-	1,828,541
<b>Total fund balances</b>	<b>5,499,940</b>	<b>13,397,406</b>	<b>3,692,197</b>	<b>62,072</b>	<b>22,651,615</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,729,904</b>	<b>\$ 14,859,941</b>	<b>\$ 4,794,409</b>	<b>\$ 62,072</b>	<b>\$ 27,446,326</b>

See accompanying notes and independent auditor's report.



**CITY OF PLATTSBURGH**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
December 31, 2012**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$	22,651,615
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		98,586,757
Long-term liabilities, including bonds payable, compensated absences, claims and judgements, and other post employment benefits are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable		(19,594,056)
Compensated absences		(3,951,372)
Other post employment benefits		(4,793,095)
Accrued bond interest is reflected in the statement of net position but not in the governmental funds.		<u>(3,964)</u>
Net position of governmental activities	\$	<u>92,895,885</u>

See accompanying notes and independent auditor's report.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2012**

**Exhibit D**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Real property taxes	\$9,225,508	\$ 85,010	\$ -	\$ -	\$ 9,310,518
Real property tax items	389,275	-	-	-	389,275
Non-property tax items	4,400,352	-	-	-	4,400,352
Departmental income	1,429,998	8,171,100	-	-	9,601,098
Intergovernmental charges	-	1,085,753	-	-	1,085,753
Use of money and property	143,906	351,662	1,429	38,689	535,686
Licenses and permits	160,193	-	-	-	160,193
Fines and forfeitures	293,030	-	-	-	293,030
Sales of property & compensation for loss	184,347	49,418	-	-	233,765
Miscellaneous local sources	148,752	90,415	13,933	-	253,100
Interfund	795,887	91,914	-	-	887,801
State aid	3,093,974	463,910	669,110	-	4,226,994
Federal aid	12,372	236,495	2,602,494	-	2,851,361
<b>Total revenues</b>	<b>20,277,594</b>	<b>10,625,677</b>	<b>3,286,966</b>	<b>38,689</b>	<b>34,228,926</b>
<b>Expenditures</b>					
General governmental support	2,009,267	493,900	-	-	2,503,167
Public Safety	8,150,249	-	212,112	-	8,362,361
Transportation	1,116,452	40,635	2,671,732	-	3,828,819
Economic assistance and opportunity	109,628	-	-	-	109,628
Culture and recreation	329,098	1,380,024	108,051	-	1,817,173
Home and community services	485,896	5,283,371	2,866,077	-	8,635,344
Employee benefits	7,220,840	1,983,736	-	-	9,204,576
Debt service	-	-	-	2,570,412	2,570,412
<b>Total expenditures</b>	<b>19,421,430</b>	<b>9,181,666</b>	<b>5,857,972</b>	<b>2,570,412</b>	<b>37,031,480</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>856,164</b>	<b>1,444,011</b>	<b>(2,571,006)</b>	<b>(2,531,723)</b>	<b>(2,802,554)</b>
<b>Other financing sources (uses)</b>					
Operating transfers in	1,162,372	1,246,700	1,471,329	2,526,604	6,407,005
Serial bonds	-	-	2,369,771	-	2,369,771
BAN's redeemed from appropriations	-	-	131,000	-	131,000
Operating transfers out	(3,321,919)	(2,485,086)	-	-	(5,807,005)
<b>Total other financing sources (uses)</b>	<b>(2,159,547)</b>	<b>(1,238,386)</b>	<b>3,972,100</b>	<b>2,526,604</b>	<b>3,100,771</b>
<b>Net change in fund balances</b>	<b>(1,303,383)</b>	<b>205,625</b>	<b>1,401,094</b>	<b>(5,119)</b>	<b>298,217</b>
<b>Fund Balances, Beginning of Year</b>	<b>6,803,323</b>	<b>13,201,098</b>	<b>2,291,103</b>	<b>67,191</b>	<b>22,362,715</b>
<b>Prior Period Adjustment (Note 16)</b>	<b>-</b>	<b>(9,317)</b>	<b>-</b>	<b>-</b>	<b>(9,317)</b>
<b>Fund Balance, End of Year</b>	<b>\$5,499,940</b>	<b>\$ 13,397,406</b>	<b>\$ 3,692,197</b>	<b>\$ 62,072</b>	<b>\$ 22,651,615</b>

See accompanying notes and independent auditor's report.

# CITY OF PLATTSBURGH

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES Year Ended December 31, 2012

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 298,217
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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 detail of the two components:

Capital outlay	6,067,164
Depreciation expense	(3,060,205)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.

Repayment of principal long-term debt	1,846,800
Issuance of principal long-term debt	(2,369,771)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Compensated absences used exceeded the amount earned during the year	212,464
Other post employment benefits earned exceeded the amount used during the year	(706,849)
Accrued bond interest	(3,964)

Payments of BAN principal are an expenditure in the Debt Service Fund and other income in the capital projects fund. A reclassifying entry to offset these amounts reduces both expenditures and other sources of income on the Statement of Activities.

Principal reduction - BAN	131,000
BAN's redeemed from appropriations	(131,000)

Change in net position of governmental activities	<u>\$ 2,283,856</u>
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See accompanying notes and independent auditor's report.

## CITY OF PLATTSBURGH

Exhibit E

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS  
December 31, 2012

	Special Grants	Parking Authority	Recreation	Water	Sewer	Library	Total Special Revenue
<b>ASSETS</b>							
Cash	\$ 1,567,406	\$ 3	\$ 25,319	\$ 1,778,372	\$ 4,615,449	\$ 39,365	\$ 8,025,914
Other receivables	91,052	-	2,172	310,664	854,841	5,026	1,263,755
Prepaid expenses	-	1,406	16,031	52,517	93,545	21,439	184,938
Economic development loans	1,096,475	-	-	-	-	-	1,096,475
Due from other funds	-	334,562	-	625	8,970	-	344,157
Due from other governments	-	-	-	-	-	705	705
Restricted assets - cash	-	-	-	104,559	3,671,644	-	3,776,203
State & Federal receivables	62,921	-	2,636	2,539	3,988	95,710	167,794
<b>Total assets</b>	<b>\$ 2,817,854</b>	<b>\$ 335,971</b>	<b>\$ 46,158</b>	<b>\$ 2,249,276</b>	<b>\$ 9,248,437</b>	<b>\$ 162,245</b>	<b>\$ 14,859,941</b>
<b>LIABILITIES and FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 400	\$ 23,022	\$ 76,439	\$ 135,968	\$ 18,142	\$ 253,971
Accrued liabilities	-	967	7,465	29,708	288,578	14,176	340,894
Due to other funds	21,480	53,740	22,920	585,619	158,144	16	841,919
Due to other governments	6,725	-	-	-	-	-	6,725
Deferred revenues	19,026	-	-	-	-	-	19,026
<b>Total liabilities</b>	<b>47,231</b>	<b>55,107</b>	<b>53,407</b>	<b>691,766</b>	<b>582,690</b>	<b>32,334</b>	<b>1,462,535</b>
<b>FUND BALANCES</b>							
Nonspendable:							
Prepays	-	1,406	16,031	52,517	93,545	21,439	184,938
Long term loans & receivable	1,059,017	-	-	-	-	-	1,059,017
Restricted:							
Capital reserve	-	-	-	105,184	3,675,614	-	3,780,798
Other restricted	1,392,499	-	-	-	-	-	1,392,499
Assigned:							
Encumbrances:							
Home & community services	-	-	-	9,683	437	-	10,120
Appropriated fund balance	-	-	-	36,662	-	-	36,662
Unappropriated fund balance	319,107	279,458	-	1,353,464	4,896,151	108,472	6,956,652
Unassigned	-	-	(23,280)	-	-	-	(23,280)
<b>Total fund balances</b>	<b>2,770,623</b>	<b>280,864</b>	<b>(7,249)</b>	<b>1,557,510</b>	<b>8,665,747</b>	<b>129,911</b>	<b>13,397,406</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,817,854</b>	<b>\$ 335,971</b>	<b>\$ 46,158</b>	<b>\$ 2,249,276</b>	<b>\$ 9,248,437</b>	<b>\$ 162,245</b>	<b>\$ 14,859,941</b>

See accompanying notes and independent auditor's report.

## CITY OF PLATTSBURGH

Exhibit F

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - SPECIAL REVENUE FUNDS

Year Ended December 31, 2012

	Special Grants	Parking Authority	Recreation	Water	Sewer	Library	Total Special Revenue
<b>Revenues</b>							
Real property taxes	\$ -	\$ 85,010	\$ -	\$ -	\$ -	\$ -	\$ 85,010
Departmental income	80,283	-	423,714	2,869,878	4,776,851	20,374	8,171,100
Intergovernmental charges	-	-	-	302,694	783,059	-	1,085,753
Use of money and property	57,215	7,627	1,681	53,239	230,636	1,264	351,662
Sales of property and compensation for loss	-	1,905	1,415	31,720	5,944	8,434	49,418
Miscellaneous local sources	-	-	26,946	10,230	16,575	36,664	90,415
Interfund Revenues	-	-	-	57,891	34,023	-	91,914
State aid	361,820	-	2,514	1,163	680	97,733	463,910
Federal aid	133,083	-	-	3,490	745	99,177	236,495
Total revenues	632,401	94,542	456,270	3,330,305	5,848,513	263,646	10,625,677
<b>Expenditures</b>							
General governmental support	-	-	13,714	319,132	158,399	2,655	493,900
Transportation	-	40,635	-	-	-	-	40,635
Home and community services	555,161	-	-	1,451,901	3,276,309	-	5,283,371
Employee benefits	-	7,973	85,958	644,089	993,905	251,811	1,983,736
Culture and recreation	-	-	636,311	-	-	743,713	1,380,024
Total expenditures	555,161	48,608	735,983	2,415,122	4,428,613	998,179	9,181,666
<b>Excess (deficit) of revenues over (under) expenditures</b>	77,240	45,934	(279,713)	915,183	1,419,900	(734,533)	1,444,011
<b>Other financing sources (uses)</b>							
Operating transfers in	-	-	375,700	-	-	871,000	1,246,700
Other debt proceeds	-	-	-	-	-	-	-
Operating transfers out	-	(1,819)	(107,534)	(1,230,457)	(1,100,825)	(44,451)	(2,485,086)
<b>Total other financing sources (uses)</b>	-	(1,819)	268,166	(1,230,457)	(1,100,825)	826,549	(1,238,386)
<b>Net change in fund balances</b>	\$ 77,240	\$ 44,115	\$ (11,547)	\$ (315,274)	\$ 319,075	\$ 92,016	\$ 205,625

See accompanying notes and independent auditor's report.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE- BUDGET AND ACTUAL - GENERAL FUND  
Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Real property taxes	\$ 9,198,606	\$ 9,182,995	\$ 9,225,508	\$ 42,513
Real property tax items	389,333	389,333	389,275	(58)
Non-property tax items	3,952,454	3,952,454	4,400,352	447,898
Departmental income	1,398,200	1,414,906	1,429,998	15,092
Use of money and property	107,500	107,500	143,906	36,406
Licenses and permits	94,210	94,210	160,193	65,983
Fines and forfeitures	562,050	743,900	293,030	(450,870)
Sales of property and compensation for loss	44,850	60,578	184,347	123,769
Miscellaneous local sources	69,980	91,480	148,752	57,272
Interfund	812,895	812,895	795,887	(17,008)
State aid	2,881,650	2,881,650	3,093,974	212,324
Federal aid	12,000	12,000	12,372	372
<b>Total revenues</b>	<b>19,523,728</b>	<b>19,743,901</b>	<b>20,277,594</b>	<b>533,693</b>
<b>Expenditures</b>				
General governmental support	2,515,378	2,499,681	2,017,984	481,697
Public Safety	7,398,541	8,180,610	8,175,729	4,881
Transportation	1,295,363	1,297,115	1,116,452	180,663
Economic assistance and opportunity	166,126	166,126	109,628	56,498
Culture and recreation	356,357	356,915	329,098	27,817
Home and community services	630,384	630,384	485,896	144,488
Employee benefits	7,355,392	7,515,392	7,220,840	294,552
<b>Total expenditures</b>	<b>19,717,541</b>	<b>20,646,223</b>	<b>19,455,627</b>	<b>1,190,596</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(193,813)</b>	<b>(902,322)</b>	<b>821,967</b>	<b>1,724,289</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	1,662,372	1,662,372	1,162,372	(500,000)
Operating transfers out	(3,310,916)	(3,341,929)	(3,321,919)	20,010
<b>Total other financing sources (uses)</b>	<b>(1,648,544)</b>	<b>(1,679,557)</b>	<b>(2,159,547)</b>	<b>(479,990)</b>
<b>Net change in fund balances</b>	<b>\$ (1,842,357)</b>	<b>\$ (2,581,879)</b>	<b>\$ (1,337,580)</b>	<b>\$ 1,244,299</b>

See accompanying notes and independent auditor's report.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE- BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS  
Year Ended December 31, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Real property taxes	\$ 85,010	\$ 85,010	\$ 85,010	\$ -
Departmental income	8,195,656	8,253,656	8,090,817	(162,839)
Intergovernmental charges	1,071,897	1,071,897	1,085,753	13,856
Use of money and property	265,700	265,700	294,447	28,747
Sales of property and compensation for loss	79,700	79,700	49,418	(30,282)
Miscellaneous local sources	20,742	26,242	90,415	64,173
Interfund revenues	90,347	90,347	91,914	1,567
State aid	99,984	99,984	102,090	2,106
Federal aid	101,882	101,882	103,412	1,530
<b>Total revenues</b>	<b>10,010,918</b>	<b>10,074,418</b>	<b>9,993,276</b>	<b>(81,142)</b>
<b>Expenditures</b>				
General governmental support	492,909	492,909	493,900	(991)
Transportation	70,920	70,920	40,635	30,285
Culture and recreation	1,386,969	1,425,136	1,380,024	45,112
Home and community services	5,624,036	5,640,633	4,738,330	902,303
Employee benefits	2,229,275	2,229,275	1,983,736	245,539
<b>Total expenditures</b>	<b>9,804,109</b>	<b>9,858,873</b>	<b>8,636,625</b>	<b>1,222,248</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>206,809</b>	<b>215,545</b>	<b>1,356,651</b>	<b>1,141,106</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	1,246,700	1,246,700	1,246,700	-
Operating transfers out	(1,300,215)	(2,769,048)	(2,485,086)	283,962
<b>Total other financing sources (uses)</b>	<b>(53,515)</b>	<b>(1,522,348)</b>	<b>(1,238,386)</b>	<b>283,962</b>
<b>Net change in fund balances</b>	<b>\$ 153,294</b>	<b>\$ (1,306,803)</b>	<b>\$ 118,265</b>	<b>\$ 1,425,068</b>

See accompanying notes and independent auditor's report.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND  
Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Use of money and property	\$ -	\$ -	\$ 38,689	\$ 38,689
Total revenues	-	-	38,689	38,689
<b>Expenditures</b>				
Debt service (principal and interest)	2,429,905	2,570,417	2,570,412	5
Total expenditures	2,429,905	2,570,417	2,570,412	5
Excess (deficit) of revenues over (under) expenditures	(2,429,905)	(2,570,417)	(2,531,723)	38,694
<b>Other financing sources (uses)</b>				
Operating transfers in	2,429,905	2,570,417	2,526,604	(43,813)
Total other financing sources (uses)	2,429,905	2,570,417	2,526,604	(43,813)
Net change in fund balances	\$ -	\$ -	\$ (5,119)	\$ (5,119)

See accompanying notes and independent auditor's report.



**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**December 31, 2012**

	<b>2012</b>
<b><u>ASSETS</u></b>	
Cash and equivalents	\$ 66,718
Accounts receivable, net of allowance for receivables of \$116,942	1,051,339
Inventories	1,494,035
Prepaid expenses	348,483
Restricted assets-cash and cash in time deposits	4,319,646
Due from other funds	233,003
Fixed assets, net of accumulated depreciation	34,636,060
<b>Total assets</b>	<b>\$ 42,149,284</b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	\$ 1,313,022
Accrued liabilities	121,722
Due to other funds	22,862
Customer deposits	96,281
Deferred revenues	6,256
Bonds payable, current portion	827,810
<b>Total current liabilities</b>	<b>2,387,953</b>
Non-current liabilities:	
Compensated absences	688,856
Other post employment benefits	242,755
Bonds payable	11,567,905
<b>Total non-current liabilities</b>	<b>12,499,516</b>
<b>Total liabilities</b>	<b>14,887,469</b>
<b><u>NET POSITION</u></b>	
Invested in capital assets, net of related debt	22,240,346
Restricted for capital projects	3,707,479
Restricted for debt service	206,565
Restricted for other purposes	405,602
Unrestricted	701,823
<b>Total net position</b>	<b>27,261,815</b>
<b>Total liabilities and net position</b>	<b>\$ 42,149,284</b>

See accompanying notes and independent auditor's report.

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - PROPRIETARY FUND  
Year ended December 31, 2012**

	<b>2012</b>
Charges for services:	
Municipal charges	\$ 15,707,382
Interfund charges	220,916
Miscellaneous income	195,428
Total charges for services	<u>16,123,726</u>
Operating expenses:	
Salaries and wages	1,545,075
Fringe benefits	1,183,016
Electric and power	9,752,039
Real property taxes	74,323
Depreciation	1,931,723
Total operating expenses	<u>14,486,176</u>
Net Operating income	<u>1,637,550</u>
Nonoperating Income (Expenses)	
Use of money and property	184,999
Interest expense	(494,113)
Industrial payments	96,691
State aid	6,807
Total Nonoperating Income (Expense)	<u>(205,616)</u>
Change in net position before transfers	1,431,934
Transfers	
Payments in lieu of taxes	(379,084)
Contributions to municipality	(220,916)
Total transfers	<u>(600,000)</u>
Change in net position	<u>831,934</u>
Net position and required reserves, January 1 as previously reported	26,442,012
Prior period adjustment (note 16)	(12,131)
Net position and required reserves, January 1, as restated	<u>26,429,881</u>
Net position and required reserves, December 31	<u><u>\$ 27,261,815</u></u>

See accompanying notes and independent auditor's report.

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**Year Ended December 31, 2012**

	<b>2012</b>
Net cash provided (used) by operating activities	
Cash received from customers	\$ 15,541,443
Cash paid to suppliers and other vendors	(10,238,047)
Cash paid for salaries and employee benefits	(2,740,813)
Other revenue	273,166
Net cash provided by operating activities	<u>2,835,749</u>
Net cash used by non-capital and financing activities	
Real property taxes	(74,323)
Net cash used by non-capital and financing activities	<u>(74,323)</u>
Net cash provided (used) by investing activities	
Sale of investments	721,634
Interest income	125,848
Net cash provided by investing activities	<u>847,482</u>
Net cash provided (used) by capital and related financing activities	
Industrial payments	96,691
State aid	39,463
Principal payments on debt	(781,825)
Interest expense on debt	(494,113)
Payments to contractors	(2,475,859)
Net cash used by capital and related financing activities	<u>(3,615,643)</u>
Net decrease in cash and cash equivalents	(6,735)
Cash and cash equivalents, beginning of year	<u>73,453</u>
Cash and cash equivalents, end of year	<u><u>\$ 66,718</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 1,637,550
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Contributions to municipality	(600,000)
Real property taxes	74,323
Rental of real property	59,151
Depreciation	1,931,723
(Increase) decrease in assets:	
Account receivable	(386,855)
Due from other funds	(80,059)
Inventories	(90,713)
Prepaid expenses	5,007
Increase (decrease) in liabilities:	
Accounts payable	271,085
Accrued liabilities	6,501
Due to other funds	2,171
Customer deposits	12,331
Deferred revenues	6,256
Compensated absences	25,909
Other post employment benefits	(38,631)
Net cash provided by operating activities	<u><u>\$ 2,835,749</u></u>

See accompanying notes and independent auditor's report.

## CITY OF PLATTSBURGH

Exhibit M

**STATEMENT OF CASH FLOWS - PLATTSBURGH HOUSING AUTHORITY**  
**Year Ended December 31, 2012**

	<u>6/30/12</u>
Cash flows from operating activities:	
Cash received from providing services	\$ 2,271,140
Cash operating grants received from other governments	2,110,507
Cash received for tenant security deposits	8,768
Cash payments for goods and services	(2,232,167)
Cash payments to employees and benefits	(2,184,382)
Cash payments in lieu of property taxes	(154,043)
Net cash used by operating activities	<u>(180,177)</u>
Cash flows from capital and related financing activities:	
Capital grants received from other governments	354,702
Payments for capital acquisitions	(412,886)
Cash received from sale of fixed assets	3,016
Net cash used by capital and related financing activities	<u>(55,168)</u>
Cash flows from investing activities:	
Cash received from investments	319,896
Receipts of interest	10,821
Net cash provided by investing activities	<u>330,717</u>
Net increase in cash and cash equivalents	95,372
Cash and cash equivalents, beginning of year	<u>912,564</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,007,936</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (1,216,458)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation expense	628,590
Decrease in receivables	232,342
Increase in prepaid expenses	(68,908)
Increase in inventories	(6,271)
Decrease in other assets	6,027
Decrease in accounts payable	(8,962)
Increase in accrued wages / taxes payable	3,379
Increase in accrued compensated absences	5,713
Increase in PILOT payable	7,526
Increase in security deposits payable	8,768
Decrease in deferred revenues	(6,181)
Increase in other current liabilities	45,716
Decrease in accrued liabilities	(1,203)
Decrease in other non-current liabilities	(42,146)
Increase in pension & OPEB liabilities	231,891
Total adjustments	<u>1,036,281</u>
Net cash used by operating activities	<u><u>\$ (180,177)</u></u>

See accompanying notes and independent auditor's report.

**CITY OF PLATTSBURGH, NEW YORK****Exhibit N****STATEMENT OF FIDUCIARY NET POSITION  
December 31, 2012****ASSETS**

	<u>12/31/12</u>
Cash and equivalents	\$ 10,334
Restricted cash	<u>2,454,748</u>
<b>Total assets</b>	<b><u>\$ 2,465,082</u></b>

**LIABILITIES**

Due to other funds	\$ 453
Due to other governments	23
Other liabilities	<u>2,454,272</u>
<b>Total liabilities</b>	<b><u>2,454,748</u></b>

**NET POSITION**

Trust	<u>10,334</u>
<b>Total net position</b>	<b><u>10,334</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 2,465,082</u></b>

See accompanying notes and independent auditor's report.

## CITY OF PLATTSBURGH

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2012

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### INTRODUCTION

The City of Plattsburgh, New York, was established and is governed pursuant to Section 163 and 164 of Chapter 269 of the New York State Laws of 1902, as amended. The Common Council, which is the Legislative Body responsible for the overall operation of the City, consists of the Mayor and six councilors. The Mayor serves as Chief Executive Officer, and the Chamberlain, a non-elected official, serves as Chief Fiscal Officer of the City.

The City provides the following basic services as provided by its Charter and other state laws: public safety (Police and Fire), highways and streets, refuse collection, public improvements, planning and zoning, general administrative services, water, sewer and utility services (all primarily supported by user charges) and recreation (including a multi-purpose recreation center, beach and library).

##### FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

##### COMPONENT UNITS

The financial reporting entity consists of (a) the primary government which is the City of Plattsburgh, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 14.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board including legal standing, fiscal dependency, financial accountability and overall materiality to the primary government. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the City of Plattsburgh reporting entity.

1. The Plattsburgh Housing Authority (the "Authority") was created in 1951 by the New York State Legislature. Five members of the board are appointed by the Mayor and two members are elected by the tenants. The Authority is considered a major component unit of the City. The Plattsburgh Housing Authority's fiscal year end is June 30, 2012.

Basis of Accounting – The Authority prepares its financial statements in accordance with generally accepted accounting principles using the full accrual method of accounting. The Authority has adopted the Enterprise Method of accounting. The Authority applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting and Research bulletins (ARBs) of the Committee on Accounting Procedure.

The Authority is a non-profit corporation which is subsidized by the federal government.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (continued)**

COMPONENT UNITS (continued)

Complete audited financial statements can be obtained from its administrative offices:

Plattsburgh Housing Authority  
39 Oak Street  
Plattsburgh, NY 12901

2. The Lake City Local Development Corporation (LCLDC) is related to the City of Plattsburgh and is a component unit under the criteria set forth in GASB Statement 14. The blended component unit column in the Statement of Net Position and the Statement of Activities includes the financial data of the LDC. It is discretely presented in a separate column to emphasize that it is legally separate from the City. The Corporation provides administrative and technical support to potential employers of city residents.

The principal office of the Corporation is located at:

Community Development Office  
Second Floor  
City Hall  
41 City Hall Place  
Plattsburgh, NY 12901

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

*Government-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

## CITY OF PLATTSBURGH

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2012

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#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (continued)**

##### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

###### *Fund Financial Statements*

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

##### MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). All applicable GASB Statements have been implemented including GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which the City was required to implement effective fiscal year ended December 31, 2003. The government-wide, proprietary fund, and component unit financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Proprietary and fiduciary fund financial statements and financial statements of component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "Available" means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers property taxes to be available if they are collected within sixty (60) days of the end of the fiscal year. A one-year availability period is used for recognition of all other governmental fund revenues. Expenditures are recorded when related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes, special assessments, licenses, charges for service, interest income and intergovernmental revenues. In general, other revenues are recognized when cash is received. Sales taxes collected and held by the State of New York at year end on behalf of the government are accrued based on anticipated sales tax revenue due to the City.



CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (continued)**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)**

Operating income reported in proprietary fund financial statements includes revenues and expense related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charged to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**FUND TYPES AND MAJOR FUNDS**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances/retained earnings, revenues, and expenditures/expenses. The various funds are summarized by type in the financial statements.

*Governmental Funds*

The City reports the following major governmental funds:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources which are required by law or regulation to be accounted for in separate funds. The City maintains the following special revenue funds:

Special Grant Fund - to account for the use of Federal and State monies received under the Community Development Act and other Housing and Economic Development Projects.

Sewer Fund - to account for the operations, including debt service, of the sewer district. The City has elected not to account for this activity as an enterprise fund type.

Municipal Parking Fund - to account for the operations and maintenance of City parking within the downtown business district in accordance with New York State laws. The City has elected not to account for this activity as an enterprise fund type.

Water Fund - to account for the operations, including debt service, of the water district. The City has elected not to account for this activity as an enterprise fund type.

Recreation Complex Fund - to account for the operations and maintenance of recreation facilities of the City in accordance with New York State laws.

Public Library Fund - to account for the operation of the City's Library.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (continued)**

**FUND TYPES AND MAJOR FUNDS (continued)**

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital expenditures (other than those reported in the fund type).

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Notes and the debts of the proprietary fund are not accounted for in this fund.

*Proprietary Fund*

The City reports the following major proprietary fund:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains one enterprise fund to account for the operations of the City's municipal lighting department.

*Fiduciary Fund*

The Trust and Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units, and/or other funds.

**PERVASIVENESS OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liability and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BUDGETARY DATA**

BUDGET POLICY AND PRACTICE

On or before October 1 of each year, the Mayor submits to the Common Council a proposed tentative operating budget for the fiscal year commencing the following January 1. The operating budget includes expenditures and the sources of financing. Public hearings are conducted to obtain taxpayers' comments on or before October 22. Prior to January 15, the budget is adopted by the Common Council. The Budget Committee is authorized to approve certain budget transfer requests within departments, within a fund; however, the Common Council must approve any revisions that alter total expenditures of any department or fund. For year-end financial reporting, adjustments are made to actual results to conform to modified budget classifications and reflect year-end encumbrances.

The City does not prepare an operating budget for the Community Development Fund. Therefore, this fund's activities have been eliminated in the Statement of Revenues and Expenditures - Budget and Actual - Special Revenue Fund for year end financial reporting.

For purposes of comparing current period amounts expended and encumbered with current period budgeted amounts, encumbrances are included with expenditures on Exhibits G, H, and I - Statement of Revenues and Expenditures - Budget and Actual - General Fund, Special Revenue Fund and Debt Service Fund.

A reconciliation of revenues and expenditures for the General Fund, Special Revenue Fund, and Debt Service Fund on Exhibits G, H, and I - Statement of Revenues and Expenditures - Budget and Actual - General Fund, Special Revenue Fund, and Debt Service Fund to revenues and expenditures for the respective funds on Exhibit D - Combined Statement of Revenues and Expenditures and Changes In Fund Balances - Governmental Funds:

Revenues	General Fund	Special Revenue Fund	Debt Service Fund
Revenues included in budget comparison - Exhibits G, H and I	\$ 20,277,594	\$ 9,993,276	\$ 38,689
Plus revenues from Special Revenue funds excluded in budget comparison	-	632,401	-
Revenues per Exhibit D	<u>\$ 20,277,594</u>	<u>\$ 10,625,677</u>	<u>\$ 38,689</u>
Expenditures			
Expenditures included in budget comparison - Exhibits G, H, and I	\$ 19,455,627	\$ 8,636,625	\$ 2,570,412
Plus Expenditures from Special Revenue Funds excluded in budget comparison	-	555,161	-
Less Encumbrances included in budget comparison	(34,197)	(10,120)	-
Expenditures per Exhibit D	<u>\$ 19,421,430</u>	<u>\$ 9,181,666</u>	<u>\$ 2,570,412</u>

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**BUDGETARY DATA (continued)**

BUDGETARY CONTROL

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, equipment and capital outlay, contractual expense, employee benefits, transfers and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to the approval of the City Council. Revisions to the budget were made throughout the year.

BUDGET BASIS OF ACCOUNTING

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. For budgetary purposes, appropriations lapse at fiscal year end except for that portion related to encumbered amounts. Open encumbrances at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

CASH

For purposes of the statement of cash flows, the City includes all cash accounts, which are not subject to withdrawal restrictions, as cash on the accompanying balance sheet.

RECEIVABLES

Receivables are presented net of allowances for doubtful accounts. The amounts of these allowances by fund follow:

<u>Fund</u>	<u>Taxes Receivable</u>	<u>Other Receivables</u>
General	\$ 279,588	\$ 869,816
Enterprise	-	116,942
	<u>\$ 279,588</u>	<u>\$ 986,758</u>

# CITY OF PLATTSBURGH

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2012

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### INVENTORIES AND PREPAIDS

Inventories, which are comprised of materials and supplies (enterprise fund), are valued at the lower of average cost or market.

#### CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

##### *Governmental funds*

The City's land, buildings, improvements, and machinery and equipment with useful lives of 5-75 years are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary and component unit capital assets are also reported in their respective fund and combining component units' financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 - 75 years
Machinery and Equipment	5-10 years

##### *Proprietary fund*

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Construction in progress represents numerous projects that will be transferred to the appropriate fixed asset category and depreciated upon their completion. Depreciation is computed on the group method over the estimated useful lives of the assets as follows:

Buildings	50 - 75 years
Transmissions and distribution equipment	30 - 36 years
Machinery	10 years
Office Equipment	25 years

#### Equity Classifications

##### City-wide Statements:

In the city-wide statements there are three classes of net position:

Invested in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Restricted net position - reports net position when constraints placed on those assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund statements:

In the fund basis statements there are five classifications of fund balance:

**Non-spendable** fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes prepaids for \$713,783 and long-term loans & receivables for \$1,059,017

**Restricted** – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balance.

General Fund

Asset Forfeiture Reserve – An amount reserved to purchase equipment for police department. Reserve balance at December 31, 2012 was \$72,235.

Aerial Fire Equipment Reserve - An amount reserved for the future purchase of an Aerial Fire Truck. Reserve balance at December 31, 2012 was \$200,279.

Retirement Reserve - An amount reserved for future retirement costs. Reserve balance at December 31, 2012 was \$519,535.

Special Revenue Fund

Sewer

Capital Reserve - Established June 28, 1979, pursuant to Section 6(c) of the General Municipal Law for the acquisition, construction and reconstruction of the City's Sewer System. Reserve balance at December 31, 2012 was \$3,675,614.

Water

Capital Reserve - Established June 28, 1979, pursuant to Section 6(c) of the General Municipal Law for the acquisition, construction and reconstruction of the City's Water System. Reserve balance at December 31, 2012 was \$105,184.

## CITY OF PLATTSBURGH

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2012

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#### Debt Service Fund

Mandatory Reserve for Indebtedness - Pursuant to Section 165.00 of the Local Finance Law of the State of New York, the proceeds, inclusive of premium of generally all indebtedness incurred by the City, which will not be used for the specific purposes of the borrowing, plus any interest earned or capital gain realized on these proceeds or gain must be used only for payment of the principal and/or interest of the indebtedness from which these proceeds were derived. Such funds were set aside for Water Pollution Plant Bonds of 1976, Various Purpose Bonds of 1986, and Various Purpose Bonds of 1988. Reserve balance at December 31, 2012 was \$62,072.

#### Enterprise Fund

Electric Distribution System Bond Reserve Fund - Established July 27, 1978, pursuant to Section 6(h) of the General Municipal Law for the payment of bonded indebtedness. Maximum allowed accumulation is up to two years of debt service. Reserve balance at December 31, 2012 was \$206,565.

Reserve for Capital Projects (Municipal Lighting) - Required to be maintained by Section 6(k) of the General Municipal Law. These monies can only be used for improvements, extension, or replacement of electric services or for payment of indebtedness incurred for such purposes. Reserve balance at December 31, 2012 was \$3,707,479.

Retirement Reserve – Established to provide resources for future required retirement payments.

**Committed** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Mayor and common council. The City has no committed fund balances as of December 31, 2012.

**Assigned** – Includes amounts that are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$34,197 and Special Revenue Fund amounted to \$10,120.

**Unassigned** – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the city.

#### Order of Use of Fund Balance:

The City's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

## CITY OF PLATTSBURGH

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### COMPENSATED ABSENCES

City employees are granted vacation and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and may be entitled to payment for sick leave at various rates subject to certain maximum limitations.

Estimated vacation and sick leave accumulated by governmental fund type employees have been recorded in the general long-term debt account group except for the portion to be paid with current financial resources which has been recorded in the general fund and the portion related to proprietary fund which has been recorded as an expense when earned in the proprietary fund type.

Payment of vacation and sick leave recorded in the general long-term debt account group is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave when such payments become due.

##### POST-EMPLOYMENT BENEFITS

The City of Plattsburgh, New York, provides certain health care benefits for retired employees. Health care costs include a prescription plan with co-payment of \$3 - \$40 per participant, 80% of major medical costs, and reimbursement to retiree and spouse for Medicare Part B insurance of \$93.50 per month. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. As of April 1, 1991, all present full time and equivalent City employees must serve for 20 years for the City to pay health care coverage unless otherwise prohibited by bargaining contract. All new hires will not be accorded any retirement health care coverage unless otherwise given in contract. The City accrues these costs when incurred. Segregation of these costs from ordinary employee benefits is not feasible at this time. Additionally, under General Municipal Law, the City is responsible for post-employment benefits to City firefighters who become disabled as a result of an injury or illness incurred in the line of duty. This post-employment benefit is the difference between the amount received from the pension system and regular salary. The City accounts for this post-employment benefit on a pay-as-you-go basis and the cost recognized in 2012 amounted to \$403,416 for 14 individuals.

##### EVENTS OCCURRING AFTER THE REPORTING DATE

The City has evaluated events and transactions that occurred between December 31, 2012 and September 25, 2013, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

##### NEW ACCOUNTING STANDARDS:

The City has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2012, the City implemented the following new standard issued by GASB:

*GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*



CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net asset reporting provisions of GASB 34 by incorporating deferred inflows and outflows into the definitions of the residual measure and by renaming that measure net position, rather than net assets.

**NOTE 2. CASH AND INVESTMENTS**

The City's investment policies are governed by State statutes. City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The City Chamberlain is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Government and its agencies and obligations of the State of New York.

The carrying amount of cash and cash in time deposits at December 31, 2012, is comprised as follows:

	Non-restricted Cash	Restricted Cash
Petty cash funds	\$ 7,240	\$ -
Non-interest bearing accounts	9,622	-
Interest bearing accounts	14,659,644	11,390,124
	<u>\$ 14,676,506</u>	<u>\$ 11,390,124</u>

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

Deposits and investments at year-end were entirely covered by either the FDIC or by collateral held by the City's designated third-party custodial banks in the City's name. The City's bank balances totaled \$27,149,398 of which, \$586,141 was covered by Federal depository insurance and \$26,563,257 was covered by collateral.

Pooled Bank Accounts - Separate bank accounts are not maintained for all of the City's funds. Instead, most of the cash is deposited in pooled checking and savings accounts with accounting records maintained to show the portion of the balance attributable to each fund. At December 31, 2012 the City's funds had the book balances shown in the following schedule in the pooled bank accounts:

Fund	Cash
General	\$ 3,156,322
Water	1,778,322
Sewer	4,615,398
Library	39,165
Parking	3
Rec. Complex	25,119
Debt Service	53,889
	<u>\$ 9,668,218</u>

## CITY OF PLATTSBURGH

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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#### **NOTE 3. PROPERTY TAXES**

Real property tax levies are fully accrued at the beginning of the fiscal year and are received and accounted for in the general fund. Accruals for "due to other funds" are recorded in the general fund for the portion of the tax revenue allocated to other funds. Taxes for City purposes are based on City budget requirements. The City also bills and collects taxes levied by Clinton County. The City guarantees the collection of the county levies. Any properties with unpaid taxes for more than two years are seized through the foreclosure process in accordance with article 11 of the New York State Real Property Tax Law. Additionally, the City enforces collection of unpaid City school taxes transmitted by the school district to the City in December of each year.

Uncollected property taxes assumed by the City as a result of the settlement proceedings are reported as receivable in the general fund to maintain central control and provide for tax settlement and enforcement proceedings. An allowance for uncollectible accounts has been established. The City may not levy taxes in excess of 2% of the average full valuation for the previous five years.

The following calendar pertains to City real property taxes as provided for by Title XIV of the City Charter:

Taxable Status Date - March 1

Levy Date - On or before January 30

Lien Date - January 1

Date taxes due - March 15, April 15, May 15 and June 15 or the next business day after these dates

Date penalty period begins - Taxes remaining unpaid at the end of 30 days after each respective due date

#### **NOTE 4. ECONOMIC DEVELOPMENT LOANS**

The City has established an economic development revolving loan program to create new employment opportunities for low or moderate income residents of the City through the expansion of existing or creation of new business in the City. Community Development Block Grant funds were used to issue the loans and as repayments are received, the City will provide additional economic development assistance to residents of the City. The balance of these loans at December 31, 2012 was \$268,490 maturing at various dates, bearing interest from 2.44% to 6.38%, collateralized by various property liens.

During 1998, the City established the Facade III Program which provided loans to business owners in the Central Business District for building facade rehabilitation. Dollars for this program are part of the Economic Development Loan Fund. Loans are \$10,000 per store front or \$24 per square foot whichever is greater to qualifying property owners. The loans are over seven years at 3% interest. The balance of these loans at December 31, 2012 was \$91,052.

## CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012**NOTE 5. INTERFUND BALANCES AND ACTIVITY**

Interfund balances at December 31, 2012 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Transfers In	Interfund Transfers Out
General	\$ 827,025	\$ 144,505	\$ 1,162,372	\$ 3,321,919
Special Revenue	344,157	841,919	1,246,700	2,485,086
Capital Projects	448,497	851,126	1,471,329	-
Debt Service	8,183	-	2,526,604	-
Trust & Agency	-	453	-	-
Enterprise Fund	233,003	22,862	-	600,000
Total	<u>\$ 1,860,865</u>	<u>\$ 1,860,865</u>	<u>\$ 6,407,005</u>	<u>\$ 6,407,005</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

The City typically transfers money from the General and Special Revenue Funds to the Debt Service Fund, where it makes principal and interest payments on the City's bonds.

The City typically transfers money from the General Fund to the Special Revenue Fund to supplement certain programs and activities.

**NOTE 6. RESTRICTED CASH**

Restricted cash consists of the following:

Fund	Restricted Cash Balance	Restriction
General	\$ 182,092	Fire equipment purchases
	84,011	Police equipment purchases
	519,535	Retirement reserve
Total General	<u>\$ 785,638</u>	
Special Revenue	<u>\$ 3,776,203</u>	Water and Sewer fund capital reserves
Debt Service	<u>\$ 53,889</u>	Bond Debt Reserve - Time Deposit
Enterprise	\$ 206,565	Bond Debt Reserve - Time Deposit
	3,707,479	Depreciation Reserve
	309,321	Retirement Reserve
	96,281	Other Deposits
Total Enterprise	<u>\$ 4,319,646</u>	
Trust & Agency	\$ 2,233,818	Escrow compost
	61,233	Clyde Lewis Park
	159,697	Other
Total Trust & Agency	<u>\$ 2,454,748</u>	

## CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012**NOTE 7. CAPITAL ASSETS**

A summary of changes in the City's capital assets for governmental activities is as follows:

	Balance December 31, 2011	Additions	Deletions	Balance December 31, 2012
Land	\$ 18,636,924	\$ -	\$ -	\$ 18,636,924
Infrastructure	73,268,659	-	-	73,268,659
Buildings & improvements	45,923,028	-	-	45,923,028
Machinery and equipment	8,319,516	1,049,597	-	9,369,113
Construction in progress	6,853,655	5,857,971	840,404	11,871,222
Total	153,001,782	\$ 6,907,568	\$ 840,404	159,068,946
Less accumulated depreciation	57,421,984			60,482,189
	<u>\$ 95,579,798</u>			<u>\$ 98,586,757</u>

Depreciation was charged to governmental functions as follows:

	12/31/12
General governmental support	\$ 541,656
Public Safety	260,117
Transportation	391,706
Economic assistance and opportunity	3,061
Culture and recreation	168,311
Home and community services	1,695,354
	<u>\$ 3,060,205</u>

A detail of the City's capital assets for business type activities is as follows:

FIXED ASSETS				
DESCRIPTION	12/31/11	ADDITIONS	DELETIONS	12/31/12
Land	\$ 516,477	\$ -	\$ -	\$ 516,477
Buildings	852,583	-	-	852,583
Improvements	53,870,243	2,218,895	90,119	55,999,019
Machinery and equipment	9,708,735	436,142	214,676	9,930,201
Construction in progress	227,375	2,422,016	2,396,906	252,485
Total	65,175,413	\$ 5,077,053	\$ 2,701,701	67,550,765
Less accumulated depreciation	31,083,489			32,914,705
	<u>\$ 34,091,924</u>			<u>\$ 34,636,060</u>

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

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**NOTE 8. BONDS**

Changes in bonds for the year ended December 31, 2012 follow:

	Business-type Activities	Governmental Activities	Totals
Amount payable at January 1, 2012	\$ 13,177,540	\$ 19,071,085	\$ 32,248,625
Bonds Issued	-	2,369,771	2,369,771
Bonds Retired	(781,825)	(1,846,800)	(2,628,625)
Amount payable at December 31, 2012	<u>\$ 12,395,715</u>	<u>\$ 19,594,056</u>	<u>\$ 31,989,771</u>

Total interest expenditures for the year ended December 31, 2012, were \$1,090,451. The following details the interest expense by function:

	Business-type Activities	Governmental Activities	Totals
General governmental support	\$ -	\$ 592,618	\$ 592,618
Home and community services	497,833	-	497,833
	<u>\$ 497,833</u>	<u>\$ 592,618</u>	<u>\$ 1,090,451</u>

## CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012**NOTE 8. BONDS (continued)**

The annual debt service requirements relating to bonds are as follows:

Year	Principal		Total Principal
	Governmental Activities	Business-type Activities	
2013	\$ 1,982,190	\$ 827,810	\$ 2,810,000
2014	1,997,101	817,670	2,814,771
2015	1,881,900	848,100	2,730,000
2016	1,296,065	868,935	2,165,000
2017	1,322,980	877,020	2,200,000
2018-2022	5,894,810	4,105,190	10,000,000
2023-2027	3,914,010	3,000,990	6,915,000
2028-2032	1,305,000	1,050,000	2,355,000
	<u>\$ 19,594,056</u>	<u>\$ 12,395,715</u>	<u>\$ 31,989,771</u>

Year	Interest		Total Interest
	Governmental Activities	Business-type Activities	
2013	\$ 553,676	\$ 468,979	\$ 1,022,655
2014	493,908	438,466	932,374
2015	445,453	410,841	856,294
2016	381,434	377,849	759,283
2017	345,409	344,579	689,988
2018-2022	1,195,536	1,207,898	2,403,434
2023-2027	467,262	488,679	955,941
2028-2032	261,362	42,000	303,362
	<u>\$ 4,144,040</u>	<u>\$ 3,779,291</u>	<u>\$ 7,923,331</u>

Debt service expenditures are recorded in the fund that benefited from the capital project financed by the bonds or notes, i.e. the general fund, the appropriate special revenue fund or the enterprise fund.

At December 31, 2012, there were no capital leases.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

**NOTE 8. BONDS (continued)**

General obligation bonds consist of the following:

**Governmental funds**

\$2,761,000, Public Improvement Serial Bonds, variable principal payments through 2024, interest variable at 3.25%-4.15%.	\$ 1,332,400
\$5,190,905 Refunding Serial Bonds of 2009 due in annual installments of \$81,900 to \$827,675 through 2020, interest rate at 2.375% to 4.750%	2,470,885
\$2,865,000 Public Improvements Serial Bonds of 2006 due in annual installments of \$75,000 to \$175,000 through 2026, interest rate at 4.0%	1,950,000
\$3,629,000 Public Improvements Serial Bonds of 2009 due in annual installments of \$25,000 to \$282,000 through 2029, interest rate at 3.625% to 4.0%	3,071,000
\$8,735,000 Public Improvements Serial Bonds of 2011 due in annual installments of \$315,000 to \$550,000 through 2030, interest rate at 1.250% to 3.250%	8,400,000
\$2,369,771 NYS Environmental Facilities Bond of 2012, due in annual installments of \$130,000 to \$155,000 through 2029 with an interest rate at .27% to 3.468%	2,369,771
<b>Total Governmental Activities</b>	<u>19,594,056</u>

**Business-type Activities**

\$3,560,000 Public improvement Serial Bonds, variable principal payments through 2024, interest variable at 3.2%-4.15%.	2,287,600
\$2,444,095 Refunding Serial Bonds of 2009, due in annual installments of \$171,880 to \$221,735 through 2020, interest at 2.375% to 4.750%	1,704,115
\$9,600,000 Public Improvement Serial Bonds of 2009, due in annual installments of \$354,000 to \$525,000 through 2029, interest at 3.625% to 4.0%	8,404,000
<b>Total Business-type Activities</b>	<u>12,395,715</u>
<b>Total General Obligation Bonds</b>	<u>\$ 31,989,771</u>

## CITY OF PLATTSBURGH

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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#### **NOTE 9. DEFERRED REVENUES**

Special Revenue Fund - In the Community Development Fund, deferred revenues consist of loans currently outstanding to business and individuals which when repaid will be recognized as income. At December 31, 2012, this amount was \$19,026.

General Fund - Uncollected property taxes assumed by the City, as a result of settlement proceedings related to the sale of tax liens to the State of New York MMBA, are reported as receivable in the general fund to maintain central control and provide for tax settlement and enforcement proceedings.

The City settled a lawsuit during 2002 arising from a dispute relating to obligations under a certain employment contract. This settlement is a result of inaccurate language placed in an employment contract with the City. As a result of this inaccurate language, the City has incurred a liability for approximately \$750,000 in wages to supplement the disability payments of two former employees. A lawsuit against the City's former labor relations attorney was settled in favor of the City in the amount of \$750,000, which is reflected as deferred revenue. The expense for these additional wages and the related deferred revenue will be recognized as paid. At December 31, 2012 the balance in deferred revenues is \$109,633.

#### **NOTE 10. POSTCLOSURE CARE COST**

State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the Altona Sludge lagoon for thirty years after closure plan acceptance in 1991. The City reports post closure care costs as an operating expense for each year in the Sewer Fund. At December 31, 2012, this amount was \$2,676.

#### **NOTE 11. RETIREMENT BENEFITS**

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

Funding Policy - The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.



CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

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**NOTE 11. RETIREMENT BENEFITS (Continued)**

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

	ERS	PFRS
2012	\$ 1,367,269	\$ 1,455,711
2011	\$ 1,021,920	\$ 1,103,100
2010	\$ 757,325	\$ 902,045

Deferred Compensation Plan - Employees of the City of Plattsburgh may elect to participate in the NYS Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.

**NOTE 12. POST-EMPLOYMENT BENEFITS**

The City provides post employment (health insurance, etc) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the City's contractual agreements.

The City implemented GASB Statement #45, Accounting and Financial Reporting by employers for Post-employment Benefits Other than Pensions, in the year ended December 31, 2008. This required the City to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The City has obtained an actuarial valuation report as of December 31, 2012 which indicates that the total liability for other post employment benefits is \$5,035,850 which is reflected in the Statement of Net Position.

**Annual OPEB Cost and Net OPEB Obligation:** The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

# CITY OF PLATTSBURGH

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2012

### NOTE 12. POST-EMPLOYMENT BENEFITS (continued)

	12/31/12			12/31/11			12/31/10		
	City	MLD	Total	City	MLD	Total	City	MLD	Total
Annual required contribution	\$ 3,547,754	\$ 440,580	\$ 3,988,334	\$ 4,141,042	\$ 467,483	\$ 4,608,525	\$ 4,513,063	\$ 521,288	\$ 5,034,351
Interest on net OPEB obligation	183,881	12,662	196,543	146,243	15,127	161,370	93,369	16,016	109,385
Adjustment to annual required contribution	(181,229)	(12,480)	(193,709)	(134,485)	(13,911)	(148,396)	(85,862)	(14,728)	(100,590)
Annual OPEB cost (expense)	3,550,406	440,762	3,991,168	4,152,800	468,699	4,621,499	4,520,570	522,576	5,043,146
Contributions made (estimated)	(2,843,557)	(479,393)	(3,322,950)	(3,316,408)	(523,468)	(3,839,876)	(3,345,573)	(542,337)	(3,887,910)
Increase (decrease) in net OPEB obligation	706,849	(38,631)	668,218	836,392	(54,769)	781,623	1,174,997	(19,761)	1,155,236
Net OPEB obligation - beginning of year	4,086,246	281,386	4,367,632	3,249,854	336,155	3,586,009	2,074,857	355,916	2,430,773
Net OPEB obligation - end of year	\$ 4,793,095	\$ 242,755	\$ 5,035,850	\$ 4,086,246	\$ 281,386	\$ 4,367,632	\$ 3,249,854	\$ 336,155	\$ 3,586,009
Annual OPEB Cost	\$ 3,550,406	\$ 440,762	\$ 3,991,168	\$ 4,152,800	\$ 468,699	\$ 4,621,499	\$ 4,520,570	\$ 522,576	\$ 5,043,146
Percentage of Annual OPEB Cost Contributed	80.1%	108.8%	83.3%	79.9%	111.7%	83.1%	74.0%	103.8%	77.1%
Net OPEB Obligation at end of year	\$ 4,793,095	\$ 242,755	\$ 5,035,850	\$ 4,086,246	\$ 281,386	\$ 4,367,632	\$ 3,249,854	\$ 336,155	\$ 3,586,009

Funding Status and Funding Progress: As of December 31, 2012, the actuarial accrued liability for benefits was \$75,697,431, all of which was unfunded. The covered payroll for all active employees was \$14,024,783 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 539.74%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financials statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

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

The following simplifying assumptions were made:

Retirement age for active employees – Retirement age was based on historical trends.

Marital status – It is assumed that 70% of retirees will be married at the time of their retirement.

Mortality – Life expectancies were based on The RP-2000 Mortality Table for males and females.

## CITY OF PLATTSBURGH

### NOTES TO THE FINANCIAL STATEMENTS December 31, 2012

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#### **NOTE 12. POST-EMPLOYMENT BENEFITS (continued)**

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was initially set at 4.2%.

Discount rate – A 4.5% discount was used.

The unfunded actuarial accrued liability is being amortized over a level period of 30 years. The remaining amortization period at December 31, 2012 was 25 years.

#### **NOTE 13. BOND ANTICIPATION NOTE – EFC CLEAN WATER FACILITY**

Bond anticipation note payable to New York State Environmental Facilities Corporation dated August 27, 2009, maximum borrowing of \$4,691,000, scheduled maturity date of August 27, 2012 with interest rate of 0%. Proceeds of the BAN were used to fund the Capital Project "2007 Akey Road Landfill Site Closure Plan Design and Construction Prep Project". The balance at December 31, 2011 was \$4,622,000.

The City is eligible for Principal Forgiveness up to an amount equal to 50% of the principal amount of all Advances of ARRA Project Costs made hereunder provided that New York State Environmental Facilities Corporation has determined that the City has complied with all of the terms of this agreement. The amount of such Principal Forgiveness shall be applied at the time specified by New York State Environmental Facilities Corporation. On May 24, 2012, after a \$131,000 principal payment, \$2,336,492 of principal was forgiven with the remaining \$2,154,508 paid off with proceeds from a bond.

#### **NOTE 14. FRANCHISE FEE REVENUE**

The City has a cable contract with Charter Communications and the City receives 5% of total gross revenue. Included in non-property tax items in the General Fund on Exhibit D franchise fee revenue was \$237,443 based on gross revenue of \$4,748,860

#### **NOTE 15. COMMITMENTS AND CONTINGENCIES**

##### Purchase of Electricity

The Plattsburgh Municipal Lighting Department (PMLD) is now a partial requirements service customer of the Power Authority of the State of New York (NYPA), receiving electric service under St. Lawrence Contract S-3 which originally expired in the year 2013 but has been extended to 2025. Effective May, 1998, PMLD is billed under Service Tariffs 39A and 39B. PMLD will receive incremental power from the New York Municipal Power Agency (NYMPA) pursuant to NYPA Service Tariff No. 39B.

##### Durkee Street Lease

A 99 year commercial lease was signed in May 2006 between the City of Plattsburgh and ICV-New York, LLC for the use of land. Rent is \$1,000 per year for the first five years with a CPI increase measured for the previous year or 3% increase, whichever is less, beginning in the second year and continuing through year five. The rent increases to \$5,000 for years six through ten, to \$15,000 for years eleven through fifteen and to \$20,000 for years sixteen through ninety-nine. Each incremental rent increase will have a similar CPI increase or a 3% increase applied, whichever is less, during the second year of that incremental rent change and continuing each year of that incremental period until the next incremental rent increase is reached or until the last year of the agreement.

## CITY OF PLATTSBURGH

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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#### **NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)**

##### Clyde Lewis Park Trust

In June 2008, the City entered into an agreement with Plattsburgh Airbase Redevelopment Corp. (PARC) to be the caretaker of two aircraft (an FB-111A and B-47) on display at Clyde Lewis Park. The City is responsible for the maintenance and upkeep of the Aircraft. As part of the agreement, PARC made a grant to the City amounting to \$50,000 which the City shall invest and apply the earned interest toward the annual maintenance and upkeep. The principal amount of the Grant proceeds may be applied toward the cost of returning the aircraft to the United States Air Force Museum (USAFM) or the cost to repair the Aircraft should catastrophic damage occur as a result of a natural disaster or other unforeseen event. In the event the City is in default under this agreement, the City shall be obligated to repay to PARC, the full amount of the Grant.

##### Law Suits

The City has been named, in the normal course of operations, as a defendant in numerous claims according to its insurance carrier. In the opinion of the City, after considering all relevant facts, except as stated below, the ultimate losses not covered by insurance resulting from such litigation would be immaterial in relation to the financial statements taken as a whole. However, one claim exists that the City recently offered to settle without acceptance of negligence where the City's ultimate financial exposure is the liability insurance deductible of \$100,000 per claim plus the first \$2,500 for legal defense.

The City is subject to the following types of risk: general liability and property damage; theft, dishonesty and forgery; special hauling; disability; ambulance errors and omissions; accidental death; and legal enforcement liability. For these kinds of risks, the City has purchased commercial insurance which is significant in amount to risk exposure. All claims are routinely turned over to the insurance carriers.

The City has several employment related claims. It is not possible to evaluate the likelihood of the claimants prevailing on their claims at this time. If the claimants prevail the range of possible additional liability is estimated to be from \$25,000 to \$75,000.

There are several real property tax cases pending against the City. Historically many cases are abandoned, settled by modest reductions in assessed value in future years or negotiated settlements are agreed upon. In the opinion of the City, the potential liability that may arise would be \$409,000.

##### Sewage Treatment Facilities

The City of Plattsburgh has a long-term contract covering the period of indebtedness for its Water Pollution Plant with Georgia Pacific and Tenneco Packaging, which guarantee a significant portion of the capital indebtedness outstanding for this project. Other significant users who pay or have paid a significant part of the capital investment in these facilities are the Plattsburgh State University of New York and the Town of Plattsburgh. Operations and maintenance costs are billed on a monthly usage basis.

##### Grant Programs

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The City believes, based upon its review of current activity and prior experience, the amount of disallowance resulting from these audits, if any, will not be significant to the City's financial position or results of operation.

## CITY OF PLATTSBURGH

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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#### NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)

##### Environmental Concerns

In the normal course of operations, the City is engaged in many activities (i.e. utility service, refuse disposal, and gasoline storage) that are potentially hazardous to the environment. As of December 31, 2012 the City has not disclosed any significant environmental problems in the financial statements.

In 1997, leach ate from a closed municipal landfill was discovered and found to contain hazardous substances. The City has acted on a request from the DEC to determine the nature of the substances and the measures necessary to resolve the problem.

The enforcement proceeding has been settled by a consent order. The City has agreed to re-close the landfill at an estimated cost of \$4,691,000. The City has been awarded a grant to pay approximately 50% of the cost, or \$2,336,492. The cost to the City is \$2,369,771 and has been paid with proceeds from a loan from the Environmental Facilities Corporation.

On May 1, 2003, the New York State Department of Environmental Conservation notified the City that it was issuing a modified State Pollutant Discharge Elimination System (SPDES) permit that contained a number of permit changes including, but not limited to, increased limitations on the discharge of four pollutants. The City is currently taking an administrative action to challenge the modified SPDES permit. The outcome of the administrative action is indeterminable at present.

##### City Court Lease

On July 1, 2003 the City entered into a 99 year lease agreement with Oval Development, LLC to lease the City Court at 22 US Oval. The lease expires July 1, 2102. All rent was paid in advance upon signing of lease.

##### Dock Street Landing Property Lease

On December 2, 2010, the City entered into a 10 year lease agreement with the Lake City Local Development Corporation (LDC) to provide the LDC with a source of funds to continue its community development activities through sub-leasing of the Dock Street Landing Property for use as a restaurant, a retail outlet or a recreation center. The lease was surrendered to the City for cancellation on June 23, 2011, along with the transfer of the value of the leasehold improvements made to the restaurant building by the LDC subsequent to the building becoming unusable after suffering extensive damage during the flooding of Lake Champlain in April and May of 2011. The City is considering plans to restore the flood damaged building to a usable status for an approximate cost of between \$35,000 and \$65,000 as part of 2013 capital expenditures, dependent upon the eventual intended use of the structure in conjunction with a plan for the development of the City's waterfront.

##### Contract Negotiations

The City's contract with Local 788 and New York Council 66 of the American Federation of State, County and Municipal Employees, AFL-CIO, expired on June 30<sup>th</sup>, 2009, and has gone through impasse and completed the fact-finding stage of mediation in an attempt to reach an agreement. The Fact-finder has issued a report dated August 27<sup>th</sup>, 2012, that details his suggestions for wage and benefit changes for the affected employee group, but the report has not been adopted by either party to date of these statements, and the City's Common Council has voted against providing a pay increase to this employee group outside of the negotiating process, thereby eliminating the possibility of a pay increase for the period July 1<sup>st</sup>, 2009, through June 30<sup>th</sup>, 2010. Negotiations have resumed for the period beginning July 1<sup>st</sup>, 2010, and forward but the financial outcome of these negotiations cannot be determined at this time.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

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**NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)**

The City's contract with Local 2421 of The International Association of Firefighters expired on December 31<sup>st</sup>, 2007, and has gone through impasse and reached interest arbitration of the mediation process to establish an agreement. The interest arbitrator issued a report in October of 2012 detailing the wage and benefit changes being ordered for the affected employee group as follows: effective January 1<sup>st</sup>, 2008, a 2.9% pay increase with a \$150.00 addition to the employee uniform allowance and effective January 1<sup>st</sup>,

2009, a 3% pay increase with another \$150.00 addition to the employee uniform allowance. The financial effect of these changes from the retroactive payroll accumulations allowed under NYS Labor Law from payments made in 2012 is \$491,295. The financial outcome for the negotiations that have continued for periods forward from January 1<sup>st</sup>, 2010, cannot be determined at this time.

The City's contract with Local 812 of the Plattsburgh Police Officers Union and New York Council 82 of the American Federation of State, County and Municipal Employees, AFL-CIO, expired on December 31<sup>st</sup>, 2012, and the financial outcome of continuing negotiations cannot be determined at this time.

**NOTE 16. PRIOR PERIOD ADJUSTMENTS**

Errors were made in the prior period financial statements in the following funds/component units:

	<b>Plattsburgh Housing Authority</b>		
	<b>Sewer</b>	<b>Proprietary</b>	
Reduction in net position	\$ (9,317)	\$ (12,131)	\$ (411,830)

## **Other Supplemental Information**

CITY OF PLATTSBURGH

**SCHEDULE OF FUNDING PROGRESS OTHER POST EMPLOYMENT BENEFITS PLAN**  
**Year Ended December 31, 2012**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UALL as a Percentage of Covered Payroll</b>
12/31/12	\$ -	\$ 75,697,431	\$ 75,697,431	0%	\$ 14,024,783	539.74%
12/31/11	\$ -	\$ 95,154,104	\$ 95,154,104	0%	\$ 13,984,552	680.42%
12/31/10	\$ -	\$ 102,948,784	\$ 102,948,784	0%	\$ 13,446,685	765.61%
12/31/09	\$ -	\$ 91,417,377	\$ 91,417,377	0%	\$ 12,929,505	707.04%
12/31/08	\$ -	\$ 91,512,247	\$ 91,512,247	0%	\$ 12,939,761	707.22%



**CITY OF PLATTSBURGH**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	
Department of Housing and Urban Development			
NYS Homes and Community Renewal			
Home Investment Partnership	14.239	20093198	133,083
Department of Environmental Protection Agency			
NYS Environmental Facilities Corporation			
ARRA - Clean Water State Revolving Funds	66.458	C5-5502-02-00 & C5-5502-02-70	75,958
Federal Highway Administration			
New York State Department of Transportation -			
Highway Planning and Construction			
2010 Street Construction	20.205	DO32301	164,256
CV Transportation Museum	20.205	DO30445	29,796
U.S. Department of Homeland Security			
NYS Division of Homeland Security and Emergency Services	97.036	1993 DR NY	128,906
Department of Commerce			
NYS Education Department			
ARRA - Broadband Technology Opportunities Grant	11.557	5603101026	99,177
Department of Justice			
Equitable Sharing Funds	16.922	N/A	454,906
Environmental Protection Agency			
New England Interstate Water Pollution Control Commission			
Lake Champlain Basin Program	66.481	LS-2011-092	<u>6,205</u>
Total expenditures of federal awards			<u><u>\$ 1,092,287</u></u>

See note to Schedule of Expenditures of Federal Awards.

**CITY OF PLATTSBURGH**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**December 31, 2012**

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**BASIS OF PRESENTATION**

The accompanying schedule of federal financial assistance includes the federal grant activity of the City of Plattsburgh, New York and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF PLATTSBURGH**

**SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**Year Ended December 31, 2012**

<u>Program Title</u>	<u>NYSDOT Contract/ Ref. Number</u>	
Consolidated Local Streets and Highway Improvement Program (CHIPS)		
2010 St. Construction	712044	\$ 12,400
2012 St. Construction	712044	136,500
2007 Multi-Use Path	712044	160,000
Marchiselli		
2010 St. Construction (So.Catherine)	D032301	31,066
New York State DOT Multi-modal #4		
2007 Multi-Use Path	DO27467	<u>21,225</u>
Total expenditures of state transportation assistance awards		<u><u>\$ 361,191</u></u>

**CITY OF PLATTSBURGH**

**NOTE TO SCHEDULE OF STATE TRANSPORTATION ASSISTANCE EXPENDED**  
**December 31, 2012**

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**BASIS OF PRESENTATION**

The accompanying schedule of State Transportation Assistance Expended of City of Plattsburgh presents the activity of all financial assistance programs provided by the New York State Department of Transportation and is presented on the accrual basis of accounting.

## **Compliance Section**

CBTT

*Conroy, Boulrice, Telling & Trombley, PC*

*Certified Public Accountants*

JACK L. CONROY, CPA

MICHAEL L. BOULRICE, CPA

THOMAS R. TELLING, CPA

LEO P. TROMBLEY, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Mayor and Common Council  
City of Plattsburgh, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Plattsburgh, New York as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Plattsburgh's basic financial statements and have issued our report thereon dated September 25, 2013.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Plattsburgh, New York'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 the 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.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Conroy, Boulrice, Telling & Trombley, PC*

Conroy, Boulrice, Telling & Trombley, PC  
September 25, 2013

CBTT

*Conroy, Boulrice, Telling & Trombley, PC*

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*Certified Public Accountants*

*JACK L. CONROY, CPA*

*MICHAEL L. BOULRICE, CPA*

*THOMAS R. TELLING, CPA*

*LEO P. TROMBLEY, CPA*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Mayor and Common Council  
City of Plattsburgh, New York

**Report on Compliance for Each Major Federal Program**

We have audited City of Plattsburgh, New York's compliance with the types of compliance requirements described in OMB Circular A-133 Compliance Supplement that could have a direct and material effect on City of Plattsburgh, New York's major federal programs for the year ended December 31, 2012. City of Plattsburgh's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Plattsburgh, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 City of Plattsburgh, New York's compliance with those requirements and performing such other procedures as we consider 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 City of Plattsburgh, New York's compliance.



## Opinion on Each Major Federal Program

In our opinion, City of Plattsburgh, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## Report on Internal Control Over Compliance

Management of City of Plattsburgh, New York is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Plattsburgh, New York's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 City of Plattsburgh, New York's internal control over compliance.

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

Our consideration of the 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.

*Conroy, Boulrice, Telling & Trombley, P.C.*

Conroy, Boulrice, Telling & Trombley, PC  
September 25, 2013

CBTT

*Conroy, Boulrice, Telling & Trombley, PC*

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JACK L. CONROY, CPA

MICHAEL L. BOULRICE, CPA

*Certified Public Accountants*

THOMAS R. TELLING, CPA

LEO P. TROMBLEY, CPA

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

Compliance

We have audited the compliance of City of Plattsburgh, New York with the types of compliance requirements described in the preliminary Draft Part 43 of the New York State Codification of Rules and Regulations (NYCRR) that are applicable to each state transportation assistance program tested for the year ended December 31, 2012. The programs tested are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each program tested is the responsibility of City of Plattsburgh, New York's management. Our responsibility is to express an opinion on City of Plattsburgh, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States; and Draft Part 43 of NYCRR. Those standards and Draft Part 43 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above, that could have a direct and material effect on the state transportation assistance programs tested, has occurred. An audit includes examining, on a test basis, evidence about the City of Plattsburgh, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Plattsburgh, New York's compliance with those requirements.

In our opinion, City of Plattsburgh, New York complied in all material respects with the requirements referred to above that are applicable to each of its state transportation assistance programs tested for the year ended December 31, 2012.

Internal Control Over Compliance

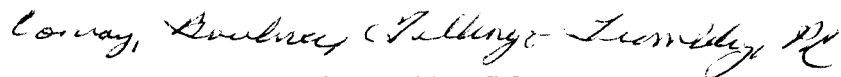
The management of City of Plattsburgh, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state transportation assistance programs tested. In planning and performing our audit, we considered City of Plattsburgh, New York's internal control over compliance with requirements that could have a direct and material effect on state transportation assistance programs tested in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with Draft Part 43 of NYCRR.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants, that would be material in relation to state transportation assistance programs tested, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of State Transportation Assistance Expended

We have audited the financial statements of City of Plattsburgh, New York as of December 31, 2012 and for the year then ended and have issued our report thereon dated September 25, 2013. Our audit was performed for the purpose of forming an opinion on City of Plattsburgh, New York's financial statements taken as a whole. The accompanying schedule of state transportation assistance expended is presented for purposes of additional analysis as required by Draft Part 43 of NCRR, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of City of Plattsburgh, New York's management and the New York State Department of Transportation. However, this report is a matter of public record and its distribution is not limited.



Conroy, Boulrice, Telling & Trombley, PC  
September 25, 2013

**CITY OF PLATTSBURGH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2012**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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Financial Statements

Type of auditor's report issued: Unqualified

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 a material weakness(es)? \_\_\_\_\_ yes      X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes      X   no

Identification of Major Programs

CFDA Number(s)

16.922

Name of Federal Program or Cluster

Department of Justice  
Equitable Sharing Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk Auditee?

  X   yes    \_\_\_\_\_ no



**CITY OF PLATTSBURGH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**  
**(Continued)**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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None

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None

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**SECTION IV - STATE TRANSPORTATION ASSISTANCE EXPENDED FINDINGS AND  
QUESTIONED COSTS**

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None