

TOWN OF PLATTSBURGH, NEW YORK

Independent Auditors' Report
Financial Statements and Required Supplementary Information

December 31, 2011

TOWN OF PLATTSBURGH, NEW YORK

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Required Supplementary Information: Management's Discussion and Analysis (unaudited)	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	Exhibit A 11
Statement of Activities	Exhibit B 12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	Exhibit C 13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	Exhibit D 14
Other Financial Statements:	
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	Exhibit E 15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	Exhibit F 16
Statement of Fiduciary Net Assets - Fiduciary Funds	Exhibit G 17
Notes to Financial Statements	18-37
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	38-39
Schedule of Findings and Responses	40-46
Other Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund and Major Special Revenue Fund	Schedule 1 47-48
Schedule of Funding Progress for Post-employment Health Care Benefits	Schedule 2 49
Notes to Other Required Supplementary Information	50-51



INDEPENDENT AUDITORS' REPORT

To the Town Board and Supervisor
Town of Plattsburgh, New York:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Plattsburgh, New York, as of and for the year ended December 31, 2011, which collectively comprise the Town of Plattsburgh's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Plattsburgh's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above include account balances of certain Special Revenue Funds that are unaudited, as discussed in note 9 to these financial statements. We were unable to audit a significant portion of the Town's Special Revenue Water, Sewer and Water/Sewer Administration Funds due to lack of sufficient accounting reports supporting the financial activities and we were unable to satisfy ourselves by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the financial activities of the Town's Special Revenue Water, Sewer and Water/Sewer Administration Funds as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Plattsburgh, New York as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012 on our consideration of the Town of Plattsburgh's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and post-employment health care benefits on pages 3 through 10 and 47 through 51 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.

Abbott, Frenyea & Russell
CPA's, P.C.

October 5, 2012



Bernard C. Bassett
Supervisor

Martin D. Mannix Jr.
Deputy Supervisor
Councilman

TOWN OF PLATTSBURGH

ACCOUNTING OFFICE

151 BANKER ROAD
PLATTSBURGH, NEW YORK 12901-7307
(518) 562-6825
FAX # (518) 561-3136
Email: dianem@townofplattsburgh.org

Gerard A. Renadette
Councilman

Paul D. Lamoy
Councilman

Thomas E. Wood Jr.
Councilman

Rickey Collins
Town Clerk

James J. Coffey
Town Attorney

Management's Discussion and Analysis

As management of the Town of Plattsburgh, New York this narrative is an overview and analysis of the financial activities of the Town of Plattsburgh, New York for the fiscal year ended December 31, 2011. This material is presented here in conjunction with additional information that the Town has furnished in the financial statement that follows this narrative.

Financial Highlights

- The assets of the Town of Plattsburgh, New York exceeded its liabilities at the close of the fiscal year 2011 by \$35,117,912.; a decrease of \$155,171. from the fiscal year 2010
- As of the close of the fiscal year, the Town of Plattsburgh, New York's funds reported a total ending fund balance of \$3,582,876, an increase of \$172,884 from the fiscal year 2010. Approximately 94% is available for spending at the government's discretion.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$0 for the fiscal year 2011. This represents a \$52,846 decrease from the fiscal year 2010.
- The Town of Plattsburgh, New York's total debt increased by \$248,136 during the current fiscal year. The Town of Plattsburgh, New York maintained its current bond rating.

- The Town has recognized an unfunded liability for post-employment medical benefits as required by Statement No. 45 of the Governmental Accounting Standards Board, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (GASB45).

An actuarial study determined that the Town's total actuarial accrued liability at December 31, 2011 at 4.0% discount rate, totaled \$4,161,346. As of December 31, 2011, the Town has recognized a liability for other post-employment liabilities based on the net Annual Required Contribution (ARC) in the amount of \$876,130. The gross ARC amounted to \$525,965 and the Town contributed \$76,789 through benefit payments in 2011.

Overview of the Financial Statements

The Town of Plattsburgh, New York's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. The basic financial statements present two different views of the Town of Plattsburgh, New York fiscal positions through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of the Town of Plattsburgh, New York.

BASIC FINANCIAL STATEMENTS

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long term information about the Town's financial status. The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the Town's government. There are three parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statements; and 3) the proprietary statement, if applicable.

The next section of the basic financial statements is the notes. The notes to the financial statements help explain to some the data contained in those statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

GOVERNMENT WIDE-FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide a broad overview of the Town of Plattsburgh New York's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town of Plattsburgh, New York's financial status as a whole. The two government-wide statements report the Town of Plattsburgh, New York's net assets and how they have changed from the previous year. Net assets are the difference between the total assets and total liabilities. Measuring net assets is one way to gauge the financial condition of the Town.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business type activities; and 3) component units. The governmental type activities include all of the Town's basic services such as public safety, highway, parks and recreation, general administration and water and sewer services. Sales taxes, services to other governments, local sources and user charges finance most of these activities.

The government-wide financial statements are on Exhibits A and B of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Town uses fund accounting to ensure and reflect compliance with finance related legal requirements such as General Statutes or Laws. All funds of the Town can be divided into two categories: government funds or fiduciary funds.

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

Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Plattsburgh, New York adopts an annual budget for its General Fund as required by General Statutes. The budget is a legally adopted document that incorporates input from the citizens, the management of the Town and the decisions of the Town Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting in the same format and classifications as the legal budget document.

The statement shows five columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual revenues, charges to appropriations and the ending balances; 4) the encumbered charges; and 5) the difference between the final budget and the actual revenues or charges.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements are found on pages 18 to 37 of this report.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Town of Plattsburgh, New York Statement of Net Assets

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 8,424,093	\$ 7,356,179
Capital assets, net	\$ 39,769,413	\$40,065,004
Other Assets	\$ <u>97,682</u>	\$ <u>162,723</u>
Total Assets	\$48,291,188	\$47,583,906
Long term liabilities o/s	\$ 7,715,050	\$ 7,740,933
Other Liabilities	\$ <u>5,458,226</u>	\$ <u>4,569,890</u>
Total Liabilities	\$ 13,173,276	\$12,310,823

Net Assets		
Investment in capital assets	\$29,202,624	\$30,038,032
Unrestricted	<u>\$ 5,915,288</u>	<u>\$ 5,235,051</u>
TOTAL NET ASSETS (EQUITY)	<u>\$35,117,912</u>	<u>\$35,273,083</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$35,117,912 as of December 31, 2011. The Town's net assets decreased by \$155,171 for the fiscal year ended December 31, 2011. However, the largest portion (83%) of net assets reflects the Town of Plattsburgh, New York's investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt still outstanding that was issued to acquire those items. The Town of Plattsburgh, New York use these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities.

Several aspects of the Town of Plattsburgh financial operations that positively influenced the total unrestricted governmental net assets are:

- Sales tax revenues continue to remain steady due to economic growth in the Town.
- Continued low cost of debt due to the Town's good bond rating.
- Review by the Town Board of all expenditures to control unnecessary spending.

Financial Analysis of the Town of Plattsburgh Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned balance of the General Fund was \$0. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 0% of the total General Fund expenditures.

At December 31, 2011, the governmental funds of the Town of Plattsburgh, New York reported a combined fund balance of \$3,582,876; a 5% increase over 2010. The majority of change in fund balance is due to an excess of revenues over expenditures in all special revenue funds.

General Fund budgetary highlights: During the fiscal year, the Town of Plattsburgh revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts; and 3) increases in appropriations that become necessary to maintain services.

Capital Assets and Debt Administration

The Town of Plattsburgh's 2011 investment in capital assets for its governmental activities as of December 31, total \$39,769,413 (net of accumulated depreciation). These assets include buildings, roads, land, machinery, equipment, park facilities and vehicles. Major transactions during the year include the closure of the Champlain Park Sewer Plant, improvements and consolidations in the Water Districts, and continuing road paving projects.

<i>Capital assets net of depreciation:</i>	<u>2011</u>	<u>2010</u>
Land	\$ 727,424	\$ 727,424
Construction in Progress	\$ 200,087	\$ 3,102,818
Buildings and Infrastructure	\$ 37,443,566	\$ 34,986,034
Furniture and Equipment	<u>\$ 1,398,336</u>	<u>\$ 1,248,728</u>
Total Capital Assets	\$39,769,413	\$ 40,065,004

As of December 31, 2011 the Town had total bonded debt outstanding of \$10,515,493 an increase in debt when compared to the end of 2010 of \$10,318,655. The general statutes limit the amount of general obligation debt that the Town can issue up to seven percent of the total assessed value taxable property located within that government's boundaries. The legal debt limit for the Town of Plattsburgh in 2011 was \$67,923,247.

	<u>2011</u>	<u>2010</u>
Total Serial Bonds Outstanding	\$ 6,666,791	\$7,138,655
Total BAN Outstanding	\$ 3,900,000	\$3,180,000
Installment debt	<u>\$ 51,298</u>	<u>-0</u>
Total Debt Outstanding	\$ 10,566,791	\$10,318,655

Below is a comparative statement of the activities for the Town of Plattsburgh fiscal years 2011 and 2010.

STATEMENT OF ACTIVITIES

Functions and programs:	<u>2011</u>	<u>2010</u>
Revenues:		
Charges for services	\$ 2,446,045	\$ 2,135,036
Operating grant and contributions	978,817	174,807
Capital grants and contributions	<u>120,478</u>	<u>121,809</u>
	\$ 3,545,340	\$ 2,431,652
Total Expenses	<u>(\$ 11,823,189)</u>	<u>(\$ 10,426,481)</u>
Total functions and programs	(\$ 8,277,849)	(\$ 7,994,829)
General revenues:		
Real property taxes & related items	\$ 3,169,676	\$ 2,945,386
Non-property tax items	3,514,164	3,269,495
Use of money and property	19,404	23,772
Miscellaneous	1,095,308	606,676
State Sources	<u>342,947</u>	<u>308,876</u>
Total general revenue	<u>\$ 8,141,499</u>	<u>\$ 7,154,205</u>
Change in net assets	\$ (136,350)	\$ (840,624)
Total net assets - beginning of year	\$35,273,083	\$ 36,032,799
Adjustment to nets assets	(18,821)	80.908
Total net assets - end of year	<u>\$35,117,912</u>	<u>\$35,273,083</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Budget Highlights for the Fiscal Year Ending December 31, 2012:

Governmental Activities: Sales tax revenues are expected to remain constant or rise slightly while State Aid is expected to be reduced. Fees in lieu of taxes agreements have been drastically reduced in the General Fund. Property taxes in the special districts are down due to the new pilot agreement with Saranac Power Partners. In their new agreement; Saranac Power Partners will make payments to help offset the loss of real property revenues in the special districts for the next couple of years. Highway Fund will continue with the highway Town wide real property tax. The Town will use this revenue to keep programs currently in place running.

Health Insurance rates, NYS Retirement System employer contributions and the cost of fuel will be the major factors in any increases in the budget.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Town of Plattsburgh's finances for those with an interest in this area. Questions concerning any of the information should be direct to Diane Miller, Principal Account Clerk, 151 Banker Road, Plattsburgh, New York 12901 or call 518-562-6826

Town of Plattsburgh, New York
Statement of Net Assets
Governmental Activities
December 31, 2011

ASSETS

Current Assets:

Cash:

Unrestricted	\$ 6,327,313
--------------	--------------

Receivables:

Due from fiduciary fund (note 3)	1,887
----------------------------------	-------

State and Federal aid	326,931
-----------------------	---------

Due from other governments	1,288,673
----------------------------	-----------

Other	479,289
-------	---------

Total current assets	8,424,093
----------------------	-----------

Capital assets (note 4):

Land	727,424
------	---------

Buildings	6,037,647
-----------	-----------

Equipment and furniture	5,648,472
-------------------------	-----------

Infrastructure	64,755,442
----------------	------------

Work in progress	200,087
------------------	---------

	77,369,072
--	------------

Less accumulated depreciation	(37,599,659)
-------------------------------	--------------

Capital assets, net	39,769,413
---------------------	------------

Other Assets:

LDC notes receivable	97,682
----------------------	--------

Total assets	48,291,188
--------------	------------

LIABILITIES AND NET ASSETS

Current Liabilities:

Bonds payable-current portion (note 5)	421,919
--	---------

Bond anticipation notes (note 5)	3,900,000
----------------------------------	-----------

Installment note payable (note 5)	51,298
-----------------------------------	--------

Accounts payable	940,546
------------------	---------

Accrued liabilities	133,094
---------------------	---------

Deferred revenues	8,081
-------------------	-------

Retainage payable	3,288
-------------------	-------

Total current liabilities	5,458,226
---------------------------	-----------

Long-term Liabilities:

Bonds payable-long-term portion (note 5)	6,244,872
--	-----------

Compensated absences (note 5)	594,048
-------------------------------	---------

Other post-employment benefits (note 6)	876,130
---	---------

Total long-term liabilities	7,715,050
-----------------------------	-----------

Total liabilities	13,173,276
-------------------	------------

Commitments and contingencies (notes 1, 5, 6, and 7)

Net Assets:

Investment in capital assets, net of related debt	29,202,624
---	------------

Unrestricted	5,915,288
--------------	-----------

Total net assets	\$ 35,117,912
------------------	---------------

See accompanying notes and independent auditors' report.



Town of Plattsburgh, New York
Statement of Activities
Governmental Activities
For the Year Ended December 31, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
FUNCTIONS/PROGRAMS					
General support	\$ 2,572,689	112,649	860,390	-	(1,599,650)
Public safety	125,890	-	-	-	(125,890)
Health	986,038	-	-	-	(986,038)
Transportation	2,457,288	64,294	-	120,478	(2,272,516)
Economic opportunity and development	36,995	-	-	-	(36,995)
Culture and recreation	452,531	4,281	15,688	-	(432,562)
Home and community service	2,931,566	2,264,821	102,739	-	(564,006)
Employee benefits (note 6)	2,079,596	-	-	-	(2,079,596)
Interest on long-term debt (note 5)	180,596	-	-	-	(180,596)
Total functions and programs	<u>\$ 11,823,189</u>	<u>2,446,045</u>	<u>978,817</u>	<u>120,478</u>	<u>(8,277,849)</u>
GENERAL REVENUES					
Real property taxes and related tax items					3,169,676
Non-property tax items					3,514,164
Use of money and property					19,404
Miscellaneous					1,095,308
State sources					342,947
Total general revenues					<u>8,141,499</u>
Change in net assets					(136,350)
Total net assets - beginning of year, as restated (note 8)					<u>35,254,262</u>
Total net assets - end of year					<u>\$ 35,117,912</u>

See accompanying notes and independent auditors' report.



Town of Plattsburgh, New York
 Balance Sheet - Governmental Funds
 December 31, 2011

Exhibit C

	General	Special Revenue	Capital Projects	Non-Major Special Revenue	Total Governmental Funds
ASSETS					
Cash:					
Unrestricted	\$ 3,244	4,138,145	1,291,993	893,931	6,327,313
Receivables:					
Due from other funds (note 3)	8,354	67,967	108,327	35,000	219,648
Due from fiduciary fund (note 3)	1,887	-	-	-	1,887
State and Federal aid	5,666	141,187	180,078	-	326,931
Due from other governments	885,479	402,194	-	1,000	1,288,673
LDC loans receivable	-	-	-	97,682	97,682
Other	77,194	402,095	-	-	479,289
Total assets	\$ 981,824	5,151,588	1,580,398	1,027,613	8,741,423
LIABILITIES					
Payables:					
Accounts payable	\$ 408,177	432,565	82,999	16,805	940,546
Accrued liabilities	27,232	59,752	-	-	86,984
Bond anticipation notes	-	-	3,900,000	-	3,900,000
Due to other funds (note 3)	35,000	116,681	67,967	-	219,648
Retainage payable	-	-	3,288	-	3,288
Deferred revenues	-	8,081	-	-	8,081
Total liabilities	470,409	617,079	4,054,254	16,805	5,158,547
Commitments and contingencies (notes 1, 5, 6, and 7)					
FUND BALANCES					
Fund Balances (note 8):					
Committed (note 7)	11,920	212,206	-	-	224,126
Assigned	499,495	4,322,303	-	1,010,808	5,832,606
Unassigned	-	-	(2,473,856)	-	(2,473,856)
Total fund balances	511,415	4,534,509	(2,473,856)	1,010,808	3,582,876
Total liabilities and fund balances	\$ 981,824	5,151,588	1,580,398	1,027,613	8,741,423

See accompanying notes and independent auditors' report.



Town of Plattsburgh, New York
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2011

Exhibit D

	General	Special Revenue	Capital Projects	Non-Major Special Revenue	Total Governmental Funds
REVENUES					
Real property taxes	\$ 81,416	2,836,750	-	251,510	3,169,676
Non-property tax items	2,264,164	1,250,000	-	-	3,514,164
Departmental income	27,946	2,252,111	-	-	2,280,057
Charges for services	2,835	172,594	-	-	175,429
Use of money and property	8,581	7,489	1,428	1,906	19,404
Licenses and permits	77,422	94,195	-	-	171,617
Sale of property and compensation for loss	245,110	594,733	-	-	839,843
Miscellaneous	36,561	63,492	-	-	100,053
State aid	370,917	166,416	180,078	610,706	1,328,117
Federal aid	1,259	101,480	-	-	102,739
Total revenues	3,116,211	7,539,260	181,506	864,122	11,701,099
EXPENDITURES					
General support	1,410,276	927,825	-	52	2,338,153
Public safety	123,906	-	-	-	123,906
Health	2,150	983,888	-	-	986,038
Transportation	87,352	1,404,025	19,817	164,126	1,675,320
Economic opportunity and development	36,995	-	-	-	36,995
Culture and recreation	416,261	-	-	-	416,261
Home and community service	344,602	1,200,055	-	610,706	2,155,363
Employee benefits	683,709	946,711	-	-	1,630,420
Debt service:					
Principal	55,000	696,864	-	-	751,864
Interest	817	179,535	-	-	180,352
Capital outlay	29,479	569,365	895,880	-	1,494,724
Total expenditures	3,190,547	6,908,268	915,697	774,884	11,789,396
Excess (deficiency) of revenues over expenditures	(74,336)	630,992	(734,191)	89,238	(88,297)
OTHER FINANCING SOURCES AND USES					
BAN's redeemed from appropriations	-	-	280,000	-	280,000
Operating transfers in	1,003	-	18,162	-	19,165
Operating transfers out	-	(18,162)	(1,003)	-	(19,165)
Total other sources (uses)	1,003	(18,162)	297,159	-	280,000
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	(73,333)	612,830	(437,032)	89,238	191,703
Fund balances (deficit) - beginning of year, as restated (note 8)	584,748	3,921,679	(2,036,824)	921,570	3,391,173
Fund balances (deficit) - end of year	\$ 511,415	4,534,509	(2,473,856)	1,010,808	3,582,876

See accompanying notes and independent auditors' report.



TOWN OF PLATTSBURGH, NEW YORK
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 DECEMBER 31, 2011

Total Fund Balances in the Fund Financial Statements for the Governmental Funds	\$	3,582,876
Capital assets are included as assets in the government-wide financial statements, net of accumulated depreciation.		39,769,413
Current liabilities for installment notes payable are included in the government-wide financial statements as liabilities.		(51,298)
Long-term liabilities for bonded debt are included in the government-wide financial statements as liabilities.		(6,666,791)
Current liabilities for interest payable on long-term debt are included in the government-wide financial statements as liabilities.		(46,110)
Long-term liabilities for compensated absences are included in the government-wide financial statements as liabilities.		(594,048)
Long-term liabilities for other post-employment benefits are included in the government-wide financial statements as liabilities.		<u>(876,130)</u>
 Total Net Assets – End of Year	 \$	 <u>35,117,912</u>

See accompanying notes and independent auditors' report.

TOWN OF PLATTSBURGH, NEW YORK
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011

Total Net Change in Fund Balances – Governmental Funds	\$ 191,703
Current year capital outlays reported as expenditures in the governmental fund financial statements are shown as increases in capital assets in the government-wide financial statements.	1,443,426
Current year debt principal payments reported as expenditures in the governmental fund financial statements are shown as a reduction in debt in the government-wide financial statements.	751,864
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	(244)
Compensated absences are expensed on the government-wide financial statements when earned, whereas in the governmental fund financial statements, an expenditure is reported when compensated absences time is used.	(3,610)
Other post-employment benefits are expensed on the government-wide financial statements when earned, whereas in the governmental fund financial statements, an expenditure is reported when benefits are paid.	(449,176)
Current year gain on sale of capital assets is reported as an increase in revenue on the government-wide financial statements and is not recorded on the governmental fund financial statements and the related proceeds are reported as a revenue on the governmental fund financial statements and are not reported on the government-wide financial statements.	(14,260)
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net assets.	(1,776,053)
Bond anticipation notes redeemed from appropriations are shown as an other financing source on the governmental fund financial statements and are recorded as a liability on the government-wide financial statements.	<u>(280,000)</u>
Change in Net Assets of Governmental Activities	\$ <u>(136,350)</u>

See accompanying notes and independent auditors' report.

Town of Plattsburgh, New York
 Statement of Fiduciary Net Assets - Fiduciary Funds
 December 31, 2011

	<u>Agency</u>
ASSETS	
Cash	<u>\$ 459,208</u>
Total assets	<u>459,208</u>
LIABILITIES	
Due to governmental funds (note 3)	1,887
Other liabilities	<u>457,321</u>
Total liabilities	<u>459,208</u>
NET ASSETS	
Net assets	<u><u>\$ -</u></u>

See accompanying notes and independent auditors' report.



TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements

December 31, 2011

(1) Summary of Significant Accounting Policies:

The financial statements of the Town of Plattsburgh, New York have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the Town are described below:

- Financial Reporting Entity - The Town of Plattsburgh, New York, which was incorporated in 1785, is governed by the town law and other general laws of the State of New York and various local laws and ordinances. The Town Board, which is the legislative body responsible for the overall operation of the Town, consists of the supervisor and four councilmen. The supervisor serves as chief executive officer and the chief fiscal officer of the Town.

The following basic services are provided:

- Highways and streets
- Water and sewage
- Street lighting
- Culture and recreation
- Planning and zoning
- General administrative services

The reporting entity of the Town is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and 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.

The accompanying financial statements present the activities of the Town and its component unit, the Town of Plattsburgh, LDC, Inc. The Town is not a component unit of another reporting entity. The decision to include a potential component unit in the Town's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Financial Reporting Entity, Continued:

Local Development Corporation (LDC)

The Town of Plattsburgh LDC, Inc. was incorporated on March 1, 2005 under Section 402 of the Not-for-Profit Corporation Law. The purpose of the Organization is to promote and to provide for additional employment and economic development in the Town. Town elected officials appoints the board of the Organization. A Town of Plattsburgh employee serves as chief executive officer. Although legally separate, the Town of Plattsburgh LDC is reported as a part of the Special Revenue Fund of the primary government. Separate financial statements were issued.

Basis of Presentation -

1. Government-wide Statements:

The Statement of Net Assets and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other exchange and non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function, and, therefore are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

2. Fund Financial Statements

The fund statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund: This is the Town's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Highway Special Revenue: This fund is used to account for revenues and expenditures for highway purposes in accordance with Section 141 of the Highway Law.

Water/Sewer Administration Special Revenue Fund: This fund is used to account for revenues and expenditures for the administration of the Town's Water and Sewer Departments as well as the Town's ambulance district.

Sewer Special Revenue: This fund is used to account for taxes or other revenues, which are raised or received to provide sewage disposal services to the Town's residents and businesses.

Water Special Revenue: This fund is used to account for taxes or other revenues, which are raised or received to provide water distribution services to the Town's residents and businesses.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting:

1. Government-wide Financial Statements

The Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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 be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other governmental fund revenues.

The revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are accrued based on anticipated sales tax revenue due to the Town.

In applying the susceptible-to-accrual concept to state and federal aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenues at the time of receipt.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting, Continued:

2. Governmental Fund Financial Statements, Continued:

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Cash and Investments

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

Collateral is required for demand and time deposits and certificates of 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 New York State and its municipalities and school districts.

At December 31, 2011, the carrying amount of the Town's demand and savings deposits was \$6,785,021 and the bank balance was \$6,507,332. Of the bank balance, \$710,425 was covered by Federal depository insurance and \$5,796,907 was covered by collateral held by the pledging bank in the Town's name. There were no uninsured deposits.

At December 31, 2011, the Town did not hold any time deposits. All monies were deposited in demand and savings accounts.

Cash and cash equivalents include cash on hand, demand deposits and short-term investments. The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

4. Receivables

Receivables are shown gross, with uncollectible amounts written off under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting, Continued:

5. Inventories and Prepaid Items

Purchases of inventorial items are recorded as expenditures at the time of purchase and are considered immaterial in amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

6. Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable government or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$250 to \$1,000 (depending on the asset type) and an estimated useful life of two years or more. Such assets are recorded at historical cost if purchased or estimated historical cost if constructed. Donated assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Infrastructure	\$ 1,000	SL	25 - 50 Years
Buildings and improvements	1,000	SL	20 - 40 Years
Furniture and equipment	250 - 500	SL	5 - 25 Years

7. Compensated Absences

The Town employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts.

Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting, Continued:

7. Compensated Absences, Continued:

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated sick leave calculated using the vesting method is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Deferred Revenue

Deferred revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Town has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

10. Deferred Compensation

Employees of the Town may elect to participate in the New York State 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.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting, Continued:

11. Post-Employment Benefits

In addition to providing pension benefits, the Town provides health insurance coverage for retired employees and their dependents. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age and retire under the New York State Employees Retirement System while working for the Town. The cost of providing post-retirement benefits is shared between the Town and the retired employee. The Town recognizes the cost of providing health insurance by recording its share of insurance premiums for retirees and their dependents, as an expenditure in the year paid.

12. Property Taxes

Property taxes are collected solely through Special Districts (sewer, lighting, water and drainage). The tax rates are determined by dividing each district budgeted amount by its assessment value. Revenues are received from Town residents based on whether a particular service is available in their district. The taxes collected are used strictly to extinguish debt attributable to each district.

Real property taxes are levied annually by the Town no later than January 1. Taxes are collected during the period January 1 to March 31.

Uncollected real property taxes are subsequently enforced by the County in which the Town is located. The County pays an amount representing uncollected real property taxes, transmitted to the County for enforcement, to the Town no later than the following April 1.

13. Net Assets/Fund Balances:

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, fund balances, as required by Governmental Accounting Standards Board (GASB) Statement 54 and further discussed in note 8 to these financial statements, are classified as follows:

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting, Continued:

13. Net Assets/Fund Balances, Continued:

- **Nonspendable** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that can be spent only for specific purposes because of Town law, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** – Amounts that can be used only for specific purposes determined by formal action by Town ordinance or resolution.
- **Assigned** - Amounts that are designated by the Town for a particular purpose but do not meet the criteria to be classified as restricted or committed.
- **Unassigned** - All amounts not included in other spendable classifications.

14. Budgetary Procedures and Accounting

1. General Budget Policies – No later than September 30th, the budget officer submits a tentative budget to the Town Clerk for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for the general and special revenue funds. After public hearings are conducted to obtain taxpayer comments, but no later than November 20th, the Town Board adopts the Town budget. Any revisions that alter total appropriations of any department or fund must be approved by the Town Board. Budgetary controls are established for the capital projects fund through resolutions authorizing individual projects, which remain in effect for the life of the project.
2. 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.
3. Encumbrances – 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 resources are recorded 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 committed fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(2) Explanation of Certain Differences Between Governmental Fund Statements and Government-wide Statements:

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

1. Total fund balances of governmental funds vs. net assets of governmental activities:

Total fund balances of the Town's governmental funds differs from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheets.

2. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

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

a. Long-term revenue differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

b. Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

c. Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(3) Interfund Transactions:

The operations of the Town give rise to certain transactions between funds including expenditures and transfers of resources to provide services. These transactions are recorded as interfund revenues, interfund transfers and expenditures in the respective funds.

Individual fund interfund receivable and payable balances at December 31, 2011, arising from these transactions and interfund revenues and expenditures are as follows:

<u>Fund</u>		<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$	10,241	35,000	1,003	-
Major Special Revenue		67,967	116,681	-	18,162
Non-Major Special Revenue		35,000	-	-	-
Capital Projects		<u>108,327</u>	<u>67,967</u>	<u>18,162</u>	<u>1,003</u>
Total governmental activity		221,535	219,648	19,165	19,165
Trust and agency		-	<u>1,887</u>	-	-
Total	\$	<u>221,535</u>	<u>221,535</u>	<u>19,165</u>	<u>19,165</u>

(4) Capital Assets:

A summary of capital asset balances and activity for the year ended December 31, 2011 is as follows:

	<u>Balance Jan. 1, 2011</u>	<u>Adjustments/ Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance Dec. 31, 2011</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 727,424	-	-	727,424
Construction in progress	<u>3,102,818</u>	<u>895,881</u>	<u>(3,798,612)</u>	<u>200,087</u>
Total nondepreciable historical cost	<u>3,830,242</u>	<u>895,881</u>	<u>(3,798,612)</u>	<u>927,511</u>
Capital assets that are depreciated:				
Buildings, infrastructure & improvements	66,843,063	3,950,026	-	70,793,089
Furniture and equipment	<u>5,551,711</u>	<u>447,430</u>	<u>(350,669)</u>	<u>5,648,472</u>
Total depreciable historical cost	<u>72,394,774</u>	<u>4,397,456</u>	<u>(350,669)</u>	<u>76,441,561</u>

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(4) Capital Assets, Continued:

	Balance Jan. 1, 2011	Adjustments/ <u>Additions</u>	Retirements/ Reclassifications	Balance Dec. 31, 2011
Less accumulated depreciation:				
Buildings, infrastructure & improvements	31,857,031	1,492,491	-	33,349,522
Furniture and equipment	<u>4,302,981</u>	<u>283,562</u>	<u>(336,407)</u>	<u>4,250,136</u>
Total accumulated depreciation	<u>36,160,012</u>	<u>1,776,053</u>	<u>(336,407)</u>	<u>37,599,658</u>
Net depreciable historical cost	<u>36,234,762</u>	<u>2,621,403</u>	<u>(14,262)</u>	<u>38,841,903</u>
Governmental activities capital assets, net	\$ <u>40,065,004</u>	<u>3,517,284</u>	<u>(3,812,874)</u>	<u>39,769,414</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 216,364
Transportation	731,694
Culture & Recreation	33,985
Home & Community Service	<u>794,010</u>
 Total	 \$ <u>1,776,053</u>

(5) Indebtedness:

Long-Term Debt:

The following is a summary of changes in long-term debt:

	Balance at <u>Dec. 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>Dec. 31, 2011</u>	Amounts due within <u>one year</u>
Serial bonds	\$ 7,138,655	-	(471,865)	6,666,790	421,919
Compensated absences	<u>590,438</u>	<u>3,610</u>	<u>-</u>	<u>594,048</u>	<u>-</u>
Total	\$ <u>7,729,093</u>	<u>3,610</u>	<u>(471,865)</u>	<u>7,260,838</u>	<u>421,919</u>

Additions and deletions to compensated absences are shown net since it is impracticable to determine these amounts separately.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(5) Indebtedness:

Long-Term Debt, Continued:

Bonds are comprised of the following:

Serial Bonds:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate %</u>	<u>Outstanding 12/31/11</u>
Champlain Park Water Improvements	3/1981	2/2020	5.000	\$ 72,000
Cadyville WD Construction	10/1986	10/2025	6.000	70,000
Treadwell Mills WD Improvements	9/1988	9/2027	6.375	117,000
Morrisonville WD Storage Tank	2/1992	5/2012	6.800	22,000
Cadyville WD #1 Ext.	2/1992	5/2012	6.800	9,000
Cumberland Corners WD	2/1992	5/2012	6.800	10,000
Champlain Park Water Improvements	2/1992	5/2012	6.800	9,000
Wallace Hill WD #1	1/1997	9/2021	5.500	108,700
Treadwell Mills WD	1/1997	9/2017	5.500	25,400
Route #3 SD	1/1997	9/2017	5.500	56,000
Bluff Point SD	1/1997	9/2017	5.500	41,000
Bluff Point WD	1/1997	9/2017	5.500	41,100
Morrisonville WD #1	1/1997	9/2021	5.500	132,800
Cadyville SD - NYSEFC	11/1998	11/2018	0.000	29,630
Wallace Hill WD #2 Phase II - NYSEFC	7/2001	5/2031	0.000	309,580
Wallace Hill SD #3 - NYSEFC	7/2003	7/2033	0.000	382,425
Cumberland Head WD - NYSEFC	7/2003	7/2022	0.000	3,191,155
Champlain Park Sewer Closure - NYSEFC	10/2010	10/2039	0.383	<u>2,040,000</u>
Total serial bonds				\$ <u>6,666,790</u>

Bond Anticipation Notes:

Liabilities for the bond anticipation notes (BANs) are accounted for in the capital projects fund. BANs must be renewed annually. Generally, BANs issued for assessable improvements may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. General capital purpose BANs must be converted to long-term obligations within five years after the original issue date.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(5) Indebtedness, Continued:

Long-Term Debt, Continued:

Bond Anticipation Notes, Continued:

The following is an analysis of BANs outstanding at December 31, 2011:

<u>Description of Issue</u>	<u>Interest Rate %</u>	<u>Balance at Dec. 31, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Dec. 31, 2011</u>
Pleasant Ridge WD/River Crossing	2.31	\$ 900,000	-	(100,000)	800,000
Equipment/Roof/Truck	1.49	55,000	-	(55,000)	-
Archie Bordeau WD	2.15	275,000	-	(25,000)	250,000
Cadyville/M'ville WD	1.85	725,000	-	(25,000)	700,000
Morrisonville Chlorination	1.99	250,000	-	(50,000)	200,000
Moffitt Road Water	1.33	975,000	-	(25,000)	950,000
Highway Improvements		-	1,000,000		1,000,000
		<u>\$ 3,180,000</u>	<u>1,000,000</u>	<u>(280,000)</u>	<u>3,900,000</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 or the appropriate special revenue fund.

Interest expense incurred on serial bonds and bond anticipation notes for the year ended December 31, 2011 is as follows:

Interest paid	\$ 180,352
Less interest accrued in the prior year	(45,866)
Plus interest accrued in the current year	<u>46,110</u>
Total expense	\$ <u>180,596</u>

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(5) Indebtedness, Continued:

Long-Term Debt, Continued:

The following is a summary of maturing debt service requirements for serial bonds and bond anticipation notes:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2012	\$ 144,937	4,381,919	4,526,856
2013	75,278	437,725	513,003
2014	70,800	440,631	511,431
2015	66,363	447,238	513,601
2016	61,595	455,144	516,739
2017 - 2021	242,253	2,217,119	2,459,372
2022 - 2026	169,932	883,013	1,052,945
2027 - 2031	117,686	559,694	677,380
2032 - 2036	68,511	464,311	532,822
2037 - 2039	<u>14,413</u>	<u>280,000</u>	<u>294,413</u>
	<u>\$ 1,031,768</u>	<u>10,566,794</u>	<u>11,598,562</u>

(6) Retirement Benefits:

The Town of Plattsburgh participates in the New York State and Local Employees' Retirement System (the System). This is a cost-sharing multiple-employer retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits vest after ten years of credited service. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of the fund. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy - The System is 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 until they accrue ten years of service or have been a member of the retirement system for ten years after their date of membership. 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.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(6) Retirement Benefits, Continued:

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

2011	\$	418,919
2010		315,388
2009		186,002

The Town's contributions made to the System were equal to 100 percent of the contributions required for each year.

Deferred Compensation Plan - Employees of the Town 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.

Postemployment Healthcare Plan - The Town follows GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the Town has established the net Other Postemployment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description - The Town of Plattsburgh administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance for eligible retirees through the Town's group health insurance plan, which covers both active and retired members. Benefit provisions are negotiated between the Town and the unions representing Town employees and are negotiated each bargaining period.

Funding Policy - The Town pays 50% of the cost of the current active employee rate for health care benefits paid to qualified retirees while the retiree pays the remaining 50%. The Town has chosen to fund the healthcare benefits as costs are incurred. For the current year, the Town contributed \$63,037 toward healthcare benefits.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(6) Retirement Benefits, Continued:

Postemployment Healthcare Plan, Continued:

Annual OPEB Cost and Net OPEB Obligation – The Town’s OPEB 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 (or funding excess) over twenty years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town’s net OPEB obligation:

Annual required contribution	\$ 533,059
Interest on net OPEB obligation	17,078
Adjustment to annual required contribution	<u>(24,172)</u>
Annual OPEB cost	525,965
Contributions made (expected)	<u>(76,789)</u>
Increase in OPEB obligation	449,176
Net OPEB obligation – beginning of year	<u>426,954</u>
Net OPEB obligation – end of year	<u>\$ 876,130</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and the two preceding years were:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2011	\$ 525,965	14.6%	\$ 876,130
2010	496,842	14.1%	426,954
2009	-	-	-

Funded Status and Funding Process – As of December 31, 2011, the most recent interim actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$4,161,346, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,161,346.

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 supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(6) Retirement Benefits, Continued:

Postemployment Healthcare Plan, Continued:

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.

In the December 31, 2010, full actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included an annual medical/prescription blended trend rate of 8.5% initially and a rate of inflation of 2.9%. These assumptions did not change for the December 31, 2011 interim actuarial valuation.

(7) Commitments and Contingencies:

Risk Financing and Related Insurance - The Town of Plattsburgh is exposed to the risk of various types of loss which includes torts; theft of, damage to, and destruction of assets; and injuries to employees. These risks are covered by commercial insurance purchased from independent third parties. All claims are routinely turned over to the insurance carriers.

Litigation - The Town has received a few Notices of Claims arising principally in the normal course of operations. These claims are being handled by the Town's attorneys and insurance companies. In the opinion of the attorneys, the outcome of these claims are either indeterminable, or will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

The Town also has several open Article 7 proceedings with a potential liability not to exceed approximately \$27,260. The outcome of these proceedings is undeterminable and no provision for loss has been recorded.

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

Environmental Concerns - In the normal course of operations, the Town is engaged in activities (i.e. gasoline storage) that are potentially hazardous to the environment. As of December 31, 2011, the Town has not experienced any instances of significant environmental problems.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(7) Commitments and Contingencies, Continued:

Encumbrances – The Town has outstanding commitments related to unperformed contracts for goods and services at December 31, 2011 as follows:

General fund	\$	11,920
Highway fund		5,778
Water/Sewer Administration fund		69,675
Sewer fund		85,215
Water fund		<u>51,538</u>
	\$	<u>224,126</u>

(8) Net Assets and Fund Balances:

The Town implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. The purpose of GASB 54 is to improve the usefulness, including the understandability, of governmental fund balance information by establishing criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

The following discloses the restatement of net assets as of the beginning of the fiscal year:

Net assets, beginning of the year, as previously stated	\$	35,273,083
Net adjustment to prior year expenditures		(18,821)
Net adjustment to prior year revenues		<u>-</u>
Net assets, beginning of year, as restated	\$	<u>35,254,262</u>

The following discloses the restatement of fund balances as of the beginning of the fiscal year:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Non-Major Special Revenue Funds</u>
Fund balance, beginning of year, as previously stated	\$ 607,946	3,886,019	(2,019,601)	935,628
Net adjustment to prior year expenditures	(23,198)	35,660	(17,223)	(14,058)
Net adjustment to prior year revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year, as restated	\$ <u>548,748</u>	<u>3,921,679</u>	<u>(2,036,824)</u>	<u>921,570</u>

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(8) Net Assets and Fund Balances, Continued:

The following is a summary of fund balances at December 31, 2011:

	General Fund	Special Revenue Funds	Capital Projects Fund	Non-Major Special Revenue Funds	Total
Committed for outstanding purchase orders	\$ 11,920	212,206	-	-	224,126
Assigned for excess 2012 budget appropriations	499,495	495,182	-	-	994,677
Assigned for other purposes	-	3,827,121	-	1,010,808	4,837,929
Unassigned	-	-	(2,473,856)	-	(2,473,956)
	<u>\$ 511,415</u>	<u>4,534,509</u>	<u>(2,473,856)</u>	<u>1,010,808</u>	<u>3,582,876</u>

(9) Unaudited Special Revenue Funds:

We were unable to audit a significant portion of the Town's Special Revenue Water, Sewer and Water/Sewer Administration funds due to the lack of sufficient accounting reports supporting its financial activities. This may have been caused by a computer software update from the utility billing software vendor that created irreconcilable errors in the utility departments' billing records. Approximately 7.8% of Special Revenue fund assets and 29.9% of Special Revenue fund revenues represent the Special Revenue Water, Sewer and Water/Sewer Administration funds respective balances that are unaudited.

(10) Use of Estimates:

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

(11) Subsequent Events:

The date to which events occurring after December 31, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is October 5, 2012, which is the date on which the financial statements were available to be issued. Management feels that no further disclosures to these financial statements are necessary.



**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 Town Board and the Supervisor
Town of Plattsburgh, New York:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Plattsburgh, New York as of and for the year ended December 31, 2011, which collectively comprise the Town of Plattsburgh, New York's basic financial statements and have issued our report thereon dated October 5, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town of Plattsburgh, New York is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Plattsburgh, New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Plattsburgh, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Plattsburgh, New York's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. We consider items 11-01 to 11-14 to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. We consider items 11-01 to 11-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 11-03, 11-06, 11-07, 11-10, 11-12, 11-13 and 11-14.

The Town of Plattsburgh, New York's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Town of Plattsburgh, New York's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.

Abbott, Frenyea & Russell
CPA's, P.C.

October 5, 2012

TOWN OF PLATTSBURGH

Schedule of Findings and Responses

For the Year Ended December 31, 2011

04-02: (See item 11-01)

A significant amount of auditing time was spent doing general bookkeeping tasks in order to reconcile accounts and correct errors. There were 54 adjusting journal entries made during the 2010 audit.

All journal entries will be posted as of December 31, 2011.

04-07: (See Item 11-03)

In one instance in the December 31, 2010 audit, the Town purchasing policy was not followed in regards to bid requirements.

The Town has several departments purchasing small priced items from the same vendor throughout the fiscal year which has caused aggregate purchases with a single vendor to exceed the \$20,000 per vendor limit for bidding requirements. All departments were notified to review and follow the Town's purchasing policy.

06-01: (See item 11-04)

Interfund "Due to" and "Due from" amounts are not being repaid/received in a timely manner. Some balances have been outstanding for several years.

The Budget Officer has been reviewing the interfund accounts and this should be cleared up by December 31, 2011.

06-02: (See item 11-05)

Numerous capital projects remain open at December 31, 2010, after completion of the original project purpose.

Administration is currently working with the Water and Sewer departments to consolidate, terminate or reallocate balances remaining from old open capital projects.

09-01: (See item 11-06)

The Miscellaneous Fund had two budget line items that were over expended due to improper budget monitoring.

This was in the Water and Sewer Administration fund capital outlay budget. How and why this was overlooked is unknown but will pay more attention throughout the year. The Town's new department head for the Water and Sewer Administration fund will make sure the budget is properly monitored.

TOWN OF PLATTSBURGH

Schedule of Findings and Responses, Continued

For the Year Ended December 31, 2011

09-02: (Item cleared in 2011)

The Town continues to not collect as much for ambulance services as it is paying out for other municipalities. In one instance there was no provision to recover the shortages and the Town was forced to absorb those costs.

At the end of 2010, the Town discontinued the shared ambulance services with other municipalities. In 2011, the Town has agreements in place with the ambulance service providers to provide services for the Town only.

09-03: (Item cleared in 2011)

Telecommunication project costs, receivables and amounts due from other funds are not being properly monitored or accounted for.

These projects are now being reviewed by the Town accounting office, the Town attorney and the Town's consultant to resolve all outstanding issues and should be resolved in the near future. An agreement has been reached with one project participant in regards to their outstanding amount owed to the Town.

09-05: (See item 11-08)

The Town's fixed asset accounting software is over depreciating asset costs in the final depreciable year.

The Town is in the process of trying to contact the software company, RCI in Houston, Texas, to have this problem corrected. Unfortunately, RCI has not responded to our request.

10-01: (Item cleared in 2011)

Fifty-one items valued at \$385,980, including a number of large pieces of equipment and vehicles, were removed from the Town's fixed asset inventory listing because it was determined by management that those items no longer exist.

The fixed assets inventory has been previously done by a number of departments. As it was handed around, the keeper of the fixed assets did not always receive the necessary information when assets were traded, sold or destroyed. Therefore, there are a number of items that need to be removed as they are no longer in the Town's possession. The items removed in 2010 were verified and signed off by the appropriate department heads. A total audit of all the Town's fixed assets will begin in 2012 to make the inventory reflect what is actually in the Town's possession.

TOWN OF PLATTSBURGH

Schedule of Findings and Responses, Continued

For the Year Ended December 31, 2010

10-02: (Item cleared in 2011)

Expenditures for 2008 and 2009 bus mileage were paid in 2010 and charged against the 2010 budget.

This was an oversight that the school district found during a state audit. The Town also did not realize the expenditure was not paid for those years so no provision was made to encumber funds from the previous year's budget.

10-03: (Item cleared in 2011)

A contractual expenditure for attorney fees was posted to an equipment and capital outlay account in order to avoid the process of a budget modification.

The expenditure, which was charged to the proper fund, did not have a budget line item for contractual expenditures. In the future, the Town will record necessary budget modifications in order to properly classify expenditures.

10-04: (See 11-12)

The Town budgeted a deficit for 2010 in the General Fund with surplus net assets being used to fund the deficit. While this method of budgeting can be used during certain times when there are unusual expenditures, when revenues cannot be made up from other sources and there are sufficient available net assets to fund the deficit, we recommend that the Town not use this budgeting method in excess, since it will reduce the Town's overall surplus and could create a budget shortfall in future periods.

The Budget Officer and Supervisor will work to develop a budget process that more accurately identifies expenses and anticipated revenue for the coming year. This will be accomplished with a goal to control expenses during the year and build a cash reserve in the General Fund. This process should reduce deficit budgeting while creating a General Fund surplus to meet future unanticipated expenses. Attention will also be given to reduce the amount of sales tax funds that are used to fund the Highway Department.

TOWN OF PLATTSBURGH

Schedule of Findings and Responses, Continued

For the Year Ended December 31, 2011

11-01:

A significant amount of auditing time was spent doing general bookkeeping tasks in order to reconcile accounts and correct errors. There were 57 adjusting journal entries made during the 2011 audit.

The journal entries noted above have been posted. The Town is in the process of implementing new accounting procedures in order to reduce the amount of audit time spent on general bookkeeping tasks and thus reducing the number of adjusting journal entries.

11-02:

The monthly utility billing interface reports originating in the Water and Sewer department, and provided to the budget office, did not agree, and could not be reconciled, to the annual billing reports. Also, the monthly and annual utility billings are not being reconciled to the general accounting records. In addition, yearend billings for water and sewer were not properly recorded

The Town is currently reviewing this issue and will attempt to implement new procedures starting in 2013 to correct.

11-03:

In two instances in the December 31, 2011 audit, the Town purchasing policy was not followed in regards to bid requirements.

The Town has several departments purchasing small priced items from the same vendors throughout the fiscal year which has caused aggregate purchase with two vendors to exceed the \$20,000 per vendor limit for bidding requirements. All departments were notified to review and follow the Town's purchasing policy.

11-04:

Interfund "Due to" and "Due from" amounts are not being repaid/received in a timely manner. Some balances have been outstanding for several years.

The Town has been reviewing the interfund accounts and the necessary payments will be made by December 31, 2012.

TOWN OF PLATTSBURGH

Schedule of Findings and Responses, Continued

For the Year Ended December 31, 2011

11-05:

Numerous capital projects remain open at December 31, 2011, after completion of the original project purpose.

The Budget Officer has closed out a significant number of open completed capital projects. Administration is continuing to work with the Water and Sewer Departments to consolidate, terminate or reallocate balances remaining from old open capital projects. The Town anticipates that all open completed capital projects will be closed out by December 31, 2012.

11-06:

The Water Fund and Sewer Fund each had one budget line item that was over expended due to improper budget monitoring.

The Town will be implementing new procedures to ensure that budgets are properly monitored and line items are not over-expended.

11-07:

All budgeted interfund transfers from the Water Fund to the Water/Sewer Administrative fund were not done during the year. Also, an interfund transfer from the Water Fund to Capital Projects was not properly posted and after correcting entry was done the Water Fund interfund expenditure account was over budget.

The Town will review the budgeted transfers and will complete the budgeted interfund transfers in a timely manner.

11-08:

The Town's fixed asset accounting software is still over depreciating asset costs in the final depreciable year.

The Town is in the process of trying to contact the software company RCI in Houston, Texas, to have this problem corrected. Unfortunately, RCI has not responded to our request.

TOWN OF PLATTSBURGH

Schedule of Findings and Responses, Continued

For the Year Ended December 31, 2011

11-09:

Fixed asset additions and deletion are not being properly accounted for. The fixed asset records did not account for the purchase of a Highway Fund truck and plow and a Water/Sewer Administration Fund truck, the sale of a Highway truck and the transfer of a truck from the Water/Sewer Administration Fund to the General Fund.

The Town is in the process of implementing new procedures to ensure that the Town's fixed assets are complete and up-to-date.

11-10:

The Town maintains spread sheets to summarize each fund's cash balances in shared bank accounts. The Town's bank reconciliations for a Capital Projects account and a Trust & Agency account did not agree to the general ledger. In addition the Town is carrying old (dating back to 2006) outstanding payroll checks in the payroll cash account.

The Town will review and make the necessary corrections to the Capital Projects and the Trust and Agency reconciliation so the accounts are in agreement with the general ledger. The Town will take the necessary action to remove the stale checks by December 31, 2012.

11-11:

The Town has an outstanding 2008 receivable of \$29,478.91 from the Town of Plattsburgh Fire District #3 resulting from an Article 7 settlement paid by the Town. No recent efforts by the Town have been made to collect this receivable.

The Town has sent out a notice advising the fire district of the unpaid balance. The Town is waiting on the fire district's response.

11-12:

The Town budgeted a deficit for 2011, in all budgeted funds except one, with surplus net assets expected to be used to fund the deficits. However, the available fund balance at 12/31/10 in the General Fund and Highway Fund was not sufficient to cover the appropriated fund balances for the 2011 budget.

TOWN OF PLATTSBURGH

Schedule of Findings and Responses, Continued

For the Year Ended December 31, 2011

11-12, Continued:

In addition, The Town budgeted a deficit for 2012, in all budgeted funds except two and the available fund balance at 12/31/11 in the General Fund and Highway Fund was not sufficient to cover the appropriated fund balances for the 2012 budget.

As we previously noted, this method of budgeting can be used during certain times when there are unusual expenditures or when revenues cannot be made up from other sources and there are sufficient available net assets to fund the deficit, and we recommended that the Town not use this budgeting method in excess, since it will reduce the Town's overall surplus and create a budget shortfall in future periods as noted in the 2011 and 2012 budget years.

The Budget Officer and Supervisor have reduced the amount of fund balance to appropriate for the 2013 budget. The Budget Officer estimated the fund balance for the year ending December 31, 2012. The Budget Officer and the Supervisor took into consideration the estimated fund balance when determining the amount to appropriate. As a result, the General and Highway Funds should have sufficient fund balance to cover the amount appropriated toward the next year's budget.

11-13:

The Town received a Local Government Efficiency Grant from New York State in 2010. Expenses related to this grant were incurred in 2010 and 2011. This grant was not properly accounted for as activity was not recorded in the proper year, on the proper fund or in the proper work in progress project.

The Town has made the necessary corrections to the accounting records to accurately reflect the financial transactions related to the Local Government Efficiency Grant.

11-14:

In 2011 the Town applied for and received Federal and New York State emergency aid for 2010 and 2011 weather related issues. Emergency aid receivables totaling \$113,280.23 were not properly recorded at year end for the General, Highway and Miscellaneous funds.

The Town has made the necessary journal entries to record the emergency aid receivable in the General, Highway and Water/Sewer Administration Funds.

Town of Plattsburgh, New York
Other Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance With Budgetary Actual Over (Under)
REVENUES				
Local Sources				
Real property taxes	\$ 60,000	60,000	81,416	21,416
Non-property tax items	1,975,000	1,975,000	2,264,164	289,164
Departmental income	22,500	22,500	27,946	5,446
Charges for services	4,000	4,000	2,835	(1,165)
Use of money and property	10,250	10,250	8,581	(1,669)
Licenses and permits	63,950	63,950	77,422	13,472
Sale of property and compensation for loss	283,700	283,700	245,110	(38,590)
Miscellaneous	2,000	2,000	36,561	34,561
Total Local Sources	2,421,400	2,421,400	2,744,035	322,635
State aid	344,200	344,200	370,917	26,717
Federal aid	-	-	1,259	1,259
Total Revenues	2,765,600	2,765,600	3,116,211	350,611
OTHER FINANCING SOURCES				
Transfers from other funds	10,000	10,000	1,003	(8,997)
Appropriated reserves	727,685	754,370	73,333	-
Total Revenues and Other Financing Sources	\$ 3,503,285	3,529,970	3,190,547	341,614
EXPENDITURES				
General support	\$ 1,549,065	1,552,601	1,427,525	2,586
Public safety	147,760	150,260	125,278	24,982
Health	2,150	2,150	2,150	-
Transportation	95,377	95,377	87,352	8,025
Economic opportunity and development	37,543	37,543	36,995	548
Culture and recreation	559,122	509,226	427,119	82,107
Home and community service	356,073	387,723	344,602	9,334
Employee benefits	729,695	739,240	683,709	55,531
Debt service:				
Principal	25,000	55,000	55,000	-
Interest	1,500	850	817	33
Total Expenditures	3,503,285	3,529,970	3,190,547	11,920
OTHER FINANCING USES				
Transfers to other funds	-	-	-	-
Total Expenditures and Other Uses	\$ 3,503,285	3,529,970	3,190,547	327,503
				\$ 669,117

See accompanying notes to required supplementary information and independent auditors' report.

Town of Plattsburgh, New York
Other Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
Major Special Revenue Funds
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual And Encumbrances (Over) Under
REVENUES					
Local Sources					
Real property taxes	\$ 2,399,394	2,824,394	2,836,750		12,356
Non-property tax items	1,250,000	1,250,000	1,250,000		-
Departmental income	1,876,078	1,876,078	2,252,111		376,033
Charges for services	172,300	172,300	172,594		294
Use of money and property	6,825	6,825	7,489		664
Licenses and permits	70,400	70,400	94,195		23,795
Sale of property and compensation for loss	2,000	455,846	594,733		138,887
Miscellaneous	289	11,139	63,492		52,353
Total Local Sources	5,777,286	6,666,982	7,271,364		604,382
State aid	100,000	100,000	166,416		66,416
Federal aid	-	-	101,480		101,480
Total Revenues	5,877,286	6,766,982	7,539,260		772,278
OTHER FINANCING SOURCES					
Transfers from other funds	-	-	-		-
Appropriated reserves	649,146	1,062,015	(612,830)		-
Total Revenues and Other Financing Sources	\$ 6,526,432	7,828,997	6,926,430		772,278
EXPENDITURES					
General support	\$ 1,294,365	1,395,588	1,061,391	69,675	264,522
Public safety	-	-	-	-	-
Health	-	984,488	983,888	-	600
Transportation	1,738,125	1,848,724	1,839,824	5,778	3,122
Economic opportunity and development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Home and community service	1,570,100	1,678,104	1,200,055	136,753	341,296
Employee benefits	1,014,024	1,015,875	946,711	-	69,164
Debt service (note 2):					
Principal	718,368	725,618	696,864	-	28,754
Interest	191,450	180,600	179,535	-	1,065
Total Expenditures	6,526,432	7,828,997	6,908,268	212,206	708,523
OTHER FINANCING USES					
Transfers to other funds (note 2)	-	-	18,162	-	(18,162)
Total Expenditures and Other Uses	\$ 6,526,432	7,828,997	6,926,430	212,206	690,361
					\$ 1,462,639

See accompanying notes to required supplementary information and independent auditors' report.

Town of Plattsburgh, New York
 Other Required Supplementary Information
 Schedule of Funding Progress for Post-employment Health Care Benefits
 For the Year Ended December 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B - A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B - A)/C)
12/31/10	0	3,802,186	3,802,186	0%	N/A	N/A
12/31/11	0	4,161,346	4,161,346	0%	N/A	N/A

See accompanying notes to required supplementary information and independent auditors' report.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Other Required Supplementary Information

December 31, 2011

(1) Budgetary Information:

For purposes of comparing current period amounts expended and encumbered with current period budgeted amounts, encumbrances are included with expenditures on Schedule 1 – Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Major Special Revenue Fund Types.

A reconciliation of expenditures for the general fund and major special revenue funds on Schedule 1 – Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Major Special Revenue Fund Types to revenues and expenditures for the respective funds on Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds follows:

<u>Expenditures</u>	<u>General Fund</u>	<u>Major Special Revenue Fund</u>
Expenditures included in budget comparison - Schedule 1	\$ 3,202,467	7,120,474
Less encumbrances recorded in budget comparison - Schedule 1	<u>(11,920)</u>	<u>(212,206)</u>
Expenditures per Exhibit D	\$ <u>3,190,547</u>	<u>6,908,268</u>

(2) Excess of Expenditures over Appropriations:

For the year ended December 31, 2011, expenditures in the Water and Sewer Funds, which are reported as major special revenue funds, exceeded appropriations for inter-fund transfers and debt service payments. Available fund balance and additional current year revenues were sufficient to provide for the excess expenditures.

(3) Post-employment Benefits Other Than Pensions:

The Town administers a single employer defined benefit healthcare plan (the Plan). The Plan provides lifetime healthcare for eligible retirees and their spouses through the Town's health insurance plan which covers both active and retired members.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Other Required Supplementary Information

December 31, 2011

(3) Post-employment Benefits Other Than Pensions, Continued:

The Schedule of Funding Progress for Post-employment Health Care Benefits Schedule 2 presents information which compares the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets. The Town currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio of actuarial assets to actuarial accrued liabilities is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which is the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the Plan.