

TOWN OF PLATTSBURGH, NEW YORK

Independent Auditors' Report
Financial Statements and Required Supplementary Information

December 31, 2012

TOWN OF PLATTSBURGH, NEW YORK

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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, 2012 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

The financial statements of the Town of Plattsburgh, New York include account balances of certain Major 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.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Major Special Revenue Water, Sewer and Water/Sewer Administration Funds for the Town of Plattsburgh, New York, as of December 31, 2012 and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Town of Plattsburgh, New York, as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and post-employment health care benefits on pages 3 through 9 and 45 through 47 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.

August 1, 2013





TOWN OF PLATTSBURGH

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Bernard C. Bassett
Supervisor

Martin D. Mannix Jr.
Deputy Supervisor
Councilman

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2012

As management of the Town of Plattsburgh, this narrative is an overview and analysis of the financial activities of the Town of Plattsburgh for the fiscal year ended December 31, 2012. 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 exceeded its liabilities at the close of the fiscal year 2012 by \$35,335,222; an increase of \$217,310 from the fiscal year 2011.
- As of the close of the fiscal year, the Town of Plattsburgh's funds reported a total ending fund balance of \$4,867,084, an increase of \$1,284,208 from the fiscal year 2011. Approximately 94% is available for spending at the government's discretion.
- At the end of the current fiscal year, the unassigned fund balance fund balance for the General Fund was \$0 for the fiscal year 2012. There was no change in unassigned fund balance from the fiscal year 2011.
- The Town of Plattsburgh's total debt decreased by \$706,920 during the current fiscal year.

An actuarial study determined that the Town's total actuarial accrued liability at December 31, 2012 at 4.0% discount rate, totaled \$4,539,049. As of December 31, 2012, the Town has recognized a liability for other post-employment liabilities based on the net Annual Required Contribution (ARC) in the amount of \$1,351,480. The gross ARC amounted to \$556,451 and the Town contributed \$81,101 through benefit payments in 2012.

Overview of the Financial Statements

The Town's financial statements are composed of this Management Discussion and Analysis (MD&A) and the basic financial statements. This discussion and analysis is intended to serve as an introduction into the basic financial statements. The MDA provides analysis and overview of the Town's financial activities. The Town of Plattsburgh'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 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.

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 some to 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'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 financial status as a whole. The two government-wide statements report the Town of Plattsburgh's net position and how they have changed from the previous year. Net position is the difference between the total assets and total liabilities. Measuring net position 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 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 17 to 36 of this report.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Town of Plattsburgh Statement of Net Position

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 9,615,801	\$ 8,424,093
Capital assets, net	\$ 38,706,001	\$ 39,769,413
Other Assets	\$ -	\$ 97,682
Total Assets	\$48,321,802	\$ 48,291,188

Long term liabilities o/s	\$ 7,760,848	\$ 7,715,050
Other Liabilities	<u>\$ 5,225,732</u>	<u>\$ 5,458,226</u>
Total Liabilities	\$12,986,580	\$13,173,276
Net Position		
Investment in capital assets	\$28,846,131	\$29,202,624
Unrestricted	<u>\$ 6,489,091</u>	<u>\$ 5,915,288</u>
TOTAL NET POSITION (EQUITY)	<u>\$35,335,222</u>	<u>\$35,117,912</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$35,335,222 as of December 31, 2012. The Town's net position increased by \$217,310 for the fiscal year ended December 31, 2012. However, the largest portion (82%) of net position reflects the Town of Plattsburgh'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 uses 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 position are:

- Sales tax revenues continue to remain steady due to economic growth in the Town.
- Continued low cost of debt due to the current interest rate structure.
- 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, 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 fund 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, 2012, the governmental funds of the Town of Plattsburgh reported a combined fund balance of \$4,867,084; a 32% increase over 2011. 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 2012 investment in capital assets for its governmental activities as of December 31, total \$38,706,001 (net of accumulated depreciation). These assets include buildings, roads, land, machinery, equipment, park facilities and vehicles. Major transactions during the year include improvements in the Water Districts and continuing road paving projects.

<i>Capital assets net of depreciation:</i>	<u>2012</u>	<u>2011</u>
Land	\$ 727,424	\$ 727,424
Construction in Progress	\$ 333,942	\$ 200,087
Buildings and Infrastructure	\$36,144,436	\$ 37,443,566
Furniture and Equipment	<u>\$ 1,500,199</u>	<u>\$ 1,398,336</u>
Total Capital Assets	\$38,706,001	\$ 39,769,413

As of December 31, 2012 the Town had total bonded debt outstanding of \$9,859,871, a decrease in debt when compared to the end of 2011 of \$10,566,791. The State Constitution limits the amount of indebtedness, both long-term and short-term, which the Town may incur. It provides that the Town may not contract indebtedness in an amount greater than seven-percent of the average full value of taxable real property in the Town for the most recent five years. The legal debt limit for the Town of Plattsburgh in 2012 was \$70,149,936.

	<u>2012</u>	<u>2011</u>
Total Serial Bonds Outstanding	\$ 6,184,871	\$ 6,666,791
Total BAN Outstanding	\$ 3,675,000	\$ 3,900,000
Installment debt	<u>\$ -</u>	<u>\$ 51,298</u>
Total Debt Outstanding	\$ 9,859,871	\$10,618,089

Below is a comparative statement of the activities for the Town of Plattsburgh fiscal years 2012 and 2011.

STATEMENT OF ACTIVITIES

Functions and programs:	<u>2012</u>	<u>2011</u>
Revenues:		
Charges for services	\$ 2,649,939	\$ 2,446,045
Operating grant and contributions	612,357	978,817
Capital grants and contributions	<u>119,138</u>	<u>120,478</u>
	\$ 3,381,434	\$ 3,545,340
Total Expenses	<u>(\$ 11,358,785)</u>	<u>(\$ 11,823,189)</u>
Total functions and programs	(\$ 7,977,351)	(\$ 8,277,849)
General revenues:		
Real property taxes & related items	\$ 3,306,172	\$ 3,169,676
Non-property tax items	3,726,607	3,514,164
Use of money and property	17,735	19,404
Miscellaneous	1,081,651	1,095,308
State Sources	<u>311,543</u>	<u>342,947</u>
Total general revenue	<u>\$ 8,443,708</u>	<u>\$ 8,141,499</u>
Change in Net Position	\$ 466,357	\$ (136,350)
Total Net Position – beginning of year	\$35,117,912	\$ 35,273,083
Adjustment to nets assets	(249,047)	(18,821)
Total Net Position – end of year	<u>\$35,335,222</u>	<u>\$ 35,117,912</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Governmental Activities: Economic development in the Town will continue to have a major impact on the economic growth in the Town. As a result, sales tax revenues which make up a significant portion of general fund revenues are expected to improve. As the State continues to recover from the economic down turn State Aid is expected to remain constant. Property taxes in the special districts continue to be supplemented with PILOT payments from Saranac Power Partners. Highway Fund will continue to fund expenditures with a highway Town-wide real property tax and sales tax revenues. The Town will use these revenues to keep programs currently in place running.

Health Insurance rates, NYS Retirement System employer contributions, wages, capital improvements 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 Patrick Bowen, Finance Manager, and 151 Banker Road, Plattsburgh, New York 12901 or call 518-562-6825.

Town of Plattsburgh, New York
Statement of Net Position
Governmental Activities
December 31, 2012

ASSETS

Current Assets:

Cash:		
Unrestricted		\$ 7,304,734
Receivables:		
Due from fiduciary fund (note 3)	7,480	
State and Federal aid	304,202	
Due from other governments	1,361,797	
Other	515,154	
Prepaid expenses	122,434	
Total current assets		<u>9,615,801</u>

Capital assets (note 4):

Land	727,424	
Buildings	6,019,647	
Equipment and furniture	5,603,706	
Infrastructure	65,064,393	
Work in progress	333,942	
	<u>77,749,112</u>	
Less accumulated depreciation	(39,043,111)	
Capital assets, net		<u>38,706,001</u>
Total assets		<u>48,321,802</u>

LIABILITIES AND NET POSITION

Current Liabilities:

Bonds payable-current portion (note 5)	437,725	
Bond anticipation notes (note 5)	3,675,000	
Accounts payable	445,562	
Accrued liabilities	145,458	
Due to employees' retirement	412,220	
Deposits	100,290	
Unearned revenue	3,515	
Retainage payable	5,962	
Total current liabilities		<u>5,225,732</u>

Long-term Liabilities:

Bonds payable-long-term portion (note 5)	5,747,146	
Compensated absences (note 5)	662,222	
Other post-employment benefits (note 6)	1,351,480	
Total long-term liabilities	<u>7,760,848</u>	
Total liabilities		<u>12,986,580</u>

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

Net Position:

Investment in capital assets, net of related debt	28,846,131	
Unrestricted	6,489,091	
Total net position		<u>\$ 35,335,222</u>

See accompanying notes and independent auditors' report.



Town of Plattsburgh, New York
Statement of Activities
Governmental Activities
For the Year Ended December 31, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
FUNCTIONS/PROGRAMS					
General support	\$ 2,685,436	167,816	310,749	-	(2,206,871)
Public safety	113,405	-	-	-	(113,405)
Health	920,150	-	-	-	(920,150)
Transportation	2,370,398	66,868	-	119,138	(2,184,392)
Economic opportunity and development	37,717	-	-	-	(37,717)
Culture and recreation	437,848	7,573	13,464	-	(416,811)
Home and community service	2,479,968	2,407,682	288,144	-	215,858
Employee benefits (note 6)	2,144,704	-	-	-	(2,144,704)
Interest on long-term debt (note 5)	169,159	-	-	-	(169,159)
Total functions and programs	\$ 11,358,785	2,649,939	612,357	119,138	(7,977,351)
GENERAL REVENUES					
Real property taxes and related tax items					3,306,172
Non-property tax items					3,726,607
Use of money and property					17,735
Miscellaneous					1,081,651
State sources					311,543
Total general revenues					8,443,708
Change in net position					466,357
Total net position - beginning of year, as restated (note 8)					34,868,865
Total net position - end of year					\$ 35,335,222

See accompanying notes and independent auditors' report.



Town of Plattsburgh, New York
Balance Sheet - Governmental Funds
December 31, 2012

Exhibit C

	General	Special Revenue	Capital Projects	Non-Major Special Revenue	Total Governmental Funds
ASSETS					
Cash:					
Unrestricted	\$ 56,063	5,539,031	893,295	816,345	7,304,734
Receivables:					
Due from other funds (note 3)	-	100,000	60,000	-	160,000
Due from fiduciary fund (note 3)	7,480	-	-	-	7,480
State and Federal aid	18,296	51,636	234,270	-	304,202
Due from other governments	603,719	710,776	-	47,302	1,361,797
Other	95,729	419,425	-	-	515,154
Prepaid expenses	55,771	66,663	-	-	122,434
Total assets	\$ 837,058	6,887,531	1,187,565	863,647	9,775,801
LIABILITIES					
Payables:					
Accounts payable	\$ 173,689	171,026	35,587	65,260	445,562
Accrued liabilities	28,357	77,811	-	-	106,168
Due to employees' retirement	156,000	256,220	-	-	412,220
Deposits	250	100,040	-	-	100,290
Bond anticipation notes	-	-	3,675,000	-	3,675,000
Due to other funds (note 3)	-	60,000	100,000	-	160,000
Retainage payable	-	-	5,962	-	5,962
Deferred revenues	-	3,515	-	-	3,515
Total liabilities	358,296	668,612	3,816,549	65,260	4,908,717
Commitments and contingencies (notes 1, 5, 6, and 7)					
FUND BALANCES					
Fund Balances (note 8):					
Committed (note 7)	16,313	258,111	-	83	274,507
Assigned	462,449	5,960,808	-	798,304	7,221,561
Unassigned	-	-	(2,628,984)	-	(2,628,984)
Total fund balances	478,762	6,218,919	(2,628,984)	798,387	4,867,084
Total liabilities and fund balances	\$ 837,058	6,887,531	1,187,565	863,647	9,775,801

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, 2012

Exhibit D

	General	Special Revenue	Capital Projects	Non-Major Special Revenue	Total Governmental Funds
REVENUES					
Real property taxes	\$ 81,400	2,980,972	-	243,800	3,306,172
Non-property tax items	2,351,607	1,375,000	-	-	3,726,607
Departmental income	37,659	2,384,615	-	-	2,422,274
Charges for services	6,878	229,166	-	-	236,044
Use of money and property	9,024	7,015	809	887	17,735
Licenses and permits	61,147	97,562	-	-	158,709
Sale of property and compensation for loss	295,075	524,488	-	-	819,563
Miscellaneous	35,836	45,324	-	-	81,160
State aid	321,495	163,706	125,002	136,312	746,515
Federal aid	17,441	229,191	41,512	-	288,144
Total revenues	3,217,562	8,037,039	167,323	380,999	11,802,923
EXPENDITURES					
General support	1,495,151	941,394	-	-	2,436,545
Public safety	111,181	-	-	-	111,181
Health	2,150	918,000	-	-	920,150
Transportation	87,747	1,344,965	55,453	160,500	1,648,665
Economic opportunity and development	37,717	-	-	-	37,717
Culture and recreation	385,643	-	-	-	385,643
Home and community service	339,521	1,103,353	133,203	136,312	1,712,389
Employee benefits	694,675	974,679	-	-	1,669,354
Debt service:					
Principal	-	706,919	-	-	706,919
Interest	-	175,979	-	-	175,979
Capital outlay	103,952	527,377	58,795	-	690,124
Total expenditures	3,257,737	6,692,666	247,451	296,812	10,494,666
Excess (deficiency) of revenues over expenditures	(40,175)	1,344,373	(80,128)	84,187	1,308,257
OTHER FINANCING SOURCES AND USES					
BAN's redeemed from appropriations	-	-	225,000	-	225,000
Operating transfers in	3,386	304,991	-	-	308,377
Operating transfers out	-	-	(303,292)	(5,085)	(308,377)
Total other sources (uses)	3,386	304,991	(78,292)	(5,085)	225,000
Excess (deficiency) of revenues and other sources over expenditures and other (uses)	(36,789)	1,649,364	(158,420)	79,102	1,533,257
Fund balances (deficit) - beginning of year, as restated (note 8)	515,551	4,569,555	(2,470,564)	719,285	3,333,827
Fund balances (deficit) - end of year	<u>\$ 478,762</u>	<u>6,218,919</u>	<u>(2,628,984)</u>	<u>798,387</u>	<u>4,867,084</u>

See accompanying notes and independent auditors' report.



TOWN OF PLATTSBURGH, NEW YORK
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2012

Total Fund Balances in the Fund Financial Statements for the Governmental Funds	\$	4,867,084
Capital assets are included as assets in the government-wide financial statements, net of accumulated depreciation.		38,706,001
Long-term liabilities for bonded debt are included in the government-wide financial statements as liabilities.		(6,184,871)
Current liabilities for interest payable on long-term debt are included in the government-wide financial statements as liabilities.		(39,290)
Long-term liabilities for compensated absences are included in the government-wide financial statements as liabilities.		(662,222)
Long-term liabilities for other post-employment benefits are included in the government-wide financial statements as liabilities.		<u>(1,351,480)</u>
Total Net Position – End of Year	\$	<u>35,335,222</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, 2012

Total Net Change in Fund Balances – Governmental Funds	\$ 1,533,257
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.	823,979
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.	758,217
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.	6,820
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.	(68,174)
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.	(475,350)
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.	(16,681)
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 position.	(1,870,711)
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>(225,000)</u>
Change in Net Position of Governmental Activities	\$ <u><u>466,357</u></u>

See accompanying notes and independent auditors' report.



Town of Plattsburgh, New York
 Statement of Fiduciary Net Position - Fiduciary Funds
 December 31, 2012

	<u>Agency</u>
ASSETS	
Cash	\$ 492,367
Total assets	<u>492,367</u>
LIABILITIES	
Due to governmental funds (note 3)	7,480
Other liabilities	<u>484,887</u>
Total liabilities	<u>492,367</u>
NET POSITION	
Net position	<u>\$ -</u>

See accompanying notes and independent auditors' report.



TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements

December 31, 2012

(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 any component unit or other organizational entity determined to be includable in the Town's financial reporting entity. The decision to include a potential component unit or other organizational entity in the Town's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. The Town does not have any reportable component units or other organizational entities for the year ended December 31, 2012. The Town is not a component unit of another reporting entity.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Basis of Presentation -

1. Government-wide Statements:

The Statement of Net Position 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.

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.

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, Continued:

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.

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.

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

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.

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.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting, Continued:

3. Cash and Investments, Continued

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, 2012, the carrying amount of the Town's demand and savings deposits was \$7,796,241 and the bank balance was \$7,667,894. Of the bank balance, \$732,189 was covered by Federal depository insurance and \$6,935,705 was covered by collateral held by the pledging bank in the Town's name. There were no uninsured deposits.

At December 31, 2012, 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.

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.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting, Continued:

6. Capital Assets, Continued

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.

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 position. 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.



TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting, Continued:

8. Long-Term Obligations, Continued

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.

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.

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting, Continued:

12. Property Taxes

Property taxes are collected solely through the Highway Fund and Special Districts (sewer, lighting, water and drainage). The tax rates are determined by dividing each district budgeted amount by its assessment value. Revenues for the Highway Fund is received from all Town residents and revenues for special districts 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 Position/Fund Balances:

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents 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, are classified as follows:

- 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.

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 Position/Fund Balances, Continued:

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.

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 position of governmental activities:

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

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, 2012, 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	\$ 7,480	-	3,386	-
Major Special Revenue	100,000	60,000	304,991	-
Non-Major Special Revenue	-	-	-	5,085
Capital Projects	<u>60,000</u>	<u>100,000</u>	<u>-</u>	<u>303,292</u>
Total governmental activity	167,480	160,000	308,377	308,377
Trust and Agency	<u>-</u>	<u>7,480</u>	<u>-</u>	<u>-</u>
Total	\$ <u>167,480</u>	<u>167,480</u>	<u>308,377</u>	<u>308,377</u>

(4) Capital Assets:

A summary of capital asset balances and activity for the year ended December 31, 2012 is as follows:

	<u>Balance Jan. 1, 2012</u>	<u>Adjustments/ Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance Dec. 31, 2012</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 727,424	-	-	727,424
Construction in progress	<u>200,087</u>	<u>442,806</u>	<u>(308,951)</u>	<u>333,942</u>
Total nondepreciable historical cost	<u>927,511</u>	<u>442,806</u>	<u>(308,951)</u>	<u>1,061,366</u>
Capital assets that are depreciated:				
Buildings, infrastructure & improvements	70,793,089	308,951	(18,000)	71,084,040
Furniture and equipment	<u>5,648,472</u>	<u>381,173</u>	<u>(425,939)</u>	<u>5,603,706</u>
Total depreciable historical cost	<u>76,441,561</u>	<u>690,124</u>	<u>(443,939)</u>	<u>76,687,746</u>

TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(4) Capital Assets, Continued:

	<u>Balance Jan. 1, 2012</u>	<u>Adjustments/ Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance Dec. 31, 2012</u>
Less accumulated depreciation:				
Buildings, infrastructure & improvements	33,349,522	1,604,482	(14,400)	34,939,604
Furniture and equipment	<u>4,250,136</u>	<u>266,229</u>	<u>(412,858)</u>	<u>4,103,507</u>
Total accumulated depreciation	<u>37,599,658</u>	<u>1,870,711</u>	<u>(427,258)</u>	<u>39,043,111</u>
Net depreciable historical cost	<u>38,841,903</u>	<u>(1,180,587)</u>	<u>(16,881)</u>	<u>37,644,635</u>
Governmental activities capital assets, net	<u>\$ 39,769,414</u>	<u>(737,781)</u>	<u>(325,632)</u>	<u>38,706,001</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 190,398
Transportation	756,395
Culture & Recreation	35,796
Home & Community Service	<u>888,122</u>
Total	<u>\$ 1,870,711</u>

(5) Indebtedness:

Long-Term Debt:

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

	<u>Balance at Dec.31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Dec. 31, 2012</u>	<u>Amounts due within one year</u>
Serial bonds	\$ 6,666,790	-	(481,919)	6,184,871	437,725
Compensated absences	<u>594,048</u>	<u>68,174</u>	<u>-</u>	<u>662,222</u>	<u>-</u>
Total	<u>\$ 7,260,838</u>	<u>68,174</u>	<u>(481,919)</u>	<u>6,847,093</u>	<u>437,725</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 12/31/12</u>
Champlain Park Water Improvements	3/1981	2/2020	5.000	\$ 64,000
Cadyville WD Construction	10/1986	10/2025	6.000	65,000
Treadwell Mills WD Improvements	9/1988	9/2027	6.375	110,000
Wallace Hill WD #1	1/1997	9/2021	5.500	96,800
Treadwell Mills WD	1/1997	9/2017	5.500	21,100
Route #3 SD	1/1997	9/2017	5.500	46,500
Bluff Point SD	1/1997	9/2017	5.500	34,100
Bluff Point WD	1/1997	9/2017	5.500	34,200
Morrisonville WD #1	1/1997	9/2021	5.500	117,300
Cadyville SD - NYSEFC	11/1998	11/2018	0.000	25,394
Wallace Hill WD #2 Phase II - NYSEFC	7/2001	5/2031	0.000	294,101
Wallace Hill SD #3 - NYSEFC	7/2003	7/2033	0.000	367,431
Cumberland Head WD - NYSEFC	7/2003	7/2022	0.000	2,928,945
Champlain Park Sewer Closure - NYSEFC	10/2010	10/2039	0.724	<u>1,980,000</u>
Total serial bonds				\$ <u>6,184,871</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, 2012:

<u>Description of Issue</u>	<u>Interest Rate %</u>	<u>Balance at Dec. 31, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Dec. 31, 2012</u>
Pleasant Ridge WD/River Crossing	1.51	\$ 800,000	-	(50,000)	750,000
Archie Bordeau WD	1.49	250,000	-	(25,000)	225,000
Cadyville/M'ville WD	1.33	700,000	-	(50,000)	650,000
Morrisonville Chlorination	1.79	200,000	-	(50,000)	150,000
Moffitt Road Water	1.33	950,000	-	(50,000)	900,000
Highway Improvements	1.34	1,000,000	-	-	1,000,000
		<u>\$ 3,900,000</u>	<u>-</u>	<u>(225,000)</u>	<u>3,675,000</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, 2012 is as follows:

Interest paid	\$ 175,979
Less interest accrued in the prior year	(46,110)
Plus interest accrued in the current year	<u>39,290</u>
Total expense	\$ <u>169,159</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>
2013	\$ 126,126	4,112,725	4,238,851
2014	70,800	440,627	511,431
2015	66,363	447,238	513,601
2016	61,595	455,144	516,739
2017	56,564	460,950	517,514
2018 - 2022	223,938	2,183,917	2,407,855
2023 - 2027	159,119	572,149	731,268
2028 - 2032	108,139	542,352	650,491
2033 - 2037	57,766	454,769	512,535
2038 - 2039	<u>7,269</u>	<u>190,000</u>	<u>197,269</u>
	<u>\$ 937,679</u>	<u>9,859,871</u>	<u>10,797,554</u>

(6) Retirement Benefits:

The Town of Plattsburgh participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan, collectively known as NYSLRS. These are a cost-sharing multiple-employer retirement systems. The NYSLRS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSLRS. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of the fund. The NYSLRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.



TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(6) Retirement Benefits, Continued:

Funding Policy - The NYSLRS 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 for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contribution based on salaries paid during the NYSLRS' fiscal year ending March 31. Contributions for the current and two preceding years were equal to 100% of the contributions required, and were as follows:

2012	\$	516,950
2011		393,036
2010		283,042

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 \$59,535 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	\$ 571,963
Interest on net OPEB obligation	35,045
Adjustment to annual required contribution	<u>(50,557)</u>
Annual OPEB cost	556,451
Contributions made (expected)	<u>(81,101)</u>
Increase in OPEB obligation	475,350
Net OPEB obligation – beginning of year	<u>876,130</u>
Net OPEB obligation – end of year	<u>\$1,351,480</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 Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 556,451	14.6%	\$ 1,351,480
2011	525,965	14.6%	876,130
2010	496,842	14.1%	426,954

Funded Status and Funding Process – As of December 31, 2012, the most recent interim actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$4,539,049, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,539,049.

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, 2012 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 \$14,381. 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, 2012, 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, 2012 as follows:

General fund	\$ 16,313
Highway fund	264
Water/Sewer Administration fund	163,264
Sewer fund	45,855
Water fund	48,728
Lighting fund	83
	<u>\$ 274,507</u>

(8) Net Position and Fund Balances:

The Town implemented GASB Statement 63, Reporting Deferred Outflows, Deferred Inflows and Net Position, in fiscal year 2012. This statement requires the reporting of deferred outflows of resources and deferred inflows of resources in the statement of financial position and a change to the Statement of Net Assets title to the Statement of Position.

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

Net position, beginning of the year, as previously stated	\$ 35,117,912
Net adjustment to prior year expenditures	48,356
Net adjustment to prior year revenues	(5,881)
Component unit no longer required to be reported	<u>(291,522)</u>
Net position, beginning of year, as restated	<u>\$ 34,868,865</u>

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

	General Fund	Special Revenue Funds	Capital Projects Fund	Non-Major Special Revenue Funds
Fund balance, beginning of year, as previously stated	\$ 511,415	4,534,509	(2,473,856)	1,010,807
Net adjustment to prior year expenditures	5,136	39,927	3,292	-
Net adjustment to prior year revenues	(1000)	(4,881)	-	-
Component unit no longer required to be reported	<u>-</u>	<u>-</u>	<u>-</u>	<u>(291,522)</u>
Fund balance, beginning of year, as restated	<u>\$ 515,551</u>	<u>4,569,555</u>	<u>(2,470,564)</u>	<u>719,285</u>



TOWN OF PLATTSBURGH, NEW YORK

Notes to Financial Statements, Continued

(8) Net Position and Fund Balances, Continued:

The following is a summary of fund balances at December 31, 2012:

	General Fund	Special Revenue Funds	Capital Projects Fund	Non-Major Special Revenue Funds	Total
Committed for outstanding purchase orders	\$ 16,313	258,111	-	83	274,507
Assigned for excess 2013 budget appropriations	462,449	977,297	-	110,000	1,549,746
Assigned for other purposes	-	4,983,511	-	688,304	5,671,815
Unassigned	-	-	(2,628,984)	-	(2,628,984)
	<u>\$ 478,762</u>	<u>6,218,919</u>	<u>(2,628,984)</u>	<u>798,387</u>	<u>4,867,084</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 4.5% of Special Revenue fund assets and 31.7% 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, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is August 1, 2013, 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.



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

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

We have audited, 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the Town of Plattsburgh, New York's basic financial statements and have issued our report thereon dated August 1, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 12-01 to 12-08 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 12-01 to 12-08 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 12-02 and 12-08.

Town of Plattsburgh New York's Response to Findings

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. Town of Plattsburgh, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

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

August 1, 2013



TOWN OF PLATTSBURGH

Schedule of Findings and Responses

For the Year Ended December 31, 2012

11-01: (Item cleared in 2012)

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: (See item 12-01)

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: (See item 12-02)

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: (Item cleared in 2012)

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, 2012

11-05: (See item 12-03)

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: (Item cleared in 2012)

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: (Item cleared in 2012)

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 a 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: (See item 12-04)

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, 2012

11-09: (Item cleared in 2012)

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: (See item 12-08)

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: (See item 12-05)

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: (See item 12-06)

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, 2012

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: (Item cleared in 2012)

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: (Item cleared in 2012)

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

Schedule of Findings and Responses, Continued

For the Year Ended December 31, 2012

12-01:

In 2011, it was discovered that the monthly utility billing interface reports could not be reconciled to the annual utility billing reports. The software company was contacted and they were unable to provide a solution. Since there were no changes or updates to the utility billing system in 2012, it was determined that the system would not provide reliable data for the 2012 yearend audit.

The Town has not been able to resolve this issue with the current software provider. As a result, the Town is in the process of reviewing and analyzing new software for replacement.

12-02:

Two instances were noted during the December 31, 2012 audit where the Town's purchasing policy was not followed in regard to bid requirements.

The Town has several departments purchasing small priced items from the same vendors throughout the fiscal year which has caused aggregate purchases with two vendors to exceed the \$20,000 threshold per General Municipal Law. To go out to bid is not practical and would result in no benefit to the Town.

12-03:

Although effort has been made by the Town to close out completed capital projects, numerous projects still remain open at December 31, 2012, which is well after completion of the original project purpose.

The Town closed 9 capital projects in 2012 and will close another 9 capital projects in 2013. At the end of 2013 the Town will only have active capital projects open.

12-04:

The Town's fixed asset accounting software is still over depreciating assets in the final depreciable year. The software company has been unable to resolve the problem.

The Town is currently developing its own fixed asset program which will properly calculate the depreciation.

12-05:

Ninety four (94) items with an original cost of \$340,372, including a number of large pieces of equipment, were removed from the Town's fixed asset inventory listing because it was determined by management that those items no longer existed. A large number of items were also removed in 2010.

The Town continues and will continue to update its fixed asset list to reflect the proper inventory of fixed assets maintained by the Town.

TOWN OF PLATTSBURGH

Schedule of Findings and Responses, Continued

For the Year Ended December 31, 2012

12-06:

The Town budgeted a deficit for 2012, in all budgeted funds except two, with surplus net assets expected to be used to fund the deficits. However, 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.

In addition, The Town budgeted a deficit for 2013, in all budgeted funds except two and the available fund balance at 12/31/12 in the General Fund was not sufficient to cover the appropriated fund balance for the 2013 budget.

During the budget process the Town will implement new procedures to address this issue.

12-07:

A 2008 receivable of \$29,478.91 from the Town of Plattsburgh Fire District #3, resulting from an Article 7 settlement, is still outstanding at December 31, 2012, despite collection efforts made by the Town.

The Town contacted Fire District #3 in 2013 and the Fire District #3 has agreed to make full payment on the outstanding receivable. Payment will be made in late 2013 or early 2014.

12-08:

Payroll transfers totaling \$122,434.23, for the first payroll in 2013, from the General, Highway and Misc Funds to the Trust and Agency consolidated payroll account dated in December 2012, were not properly reflected in the Town's 2012 yearend cash balances.

The transfers were processed through the cash management system which allows for transactions to be scheduled and not affect the general ledger until they occur. However, because of requirements from the payroll processing company, the actual transfers were made at the end of 2012 with the general ledger entries being recorded in 2013. Also, bank reconciliations are done using the cash management system but reconciliations are not agreed to the general ledger.

In addition, the Town is still carrying old (dating back to 2006) outstanding payroll checks in the consolidated payroll cash account.

The Town identified the error during its year-end bank reconciliation. However, the Town failed to complete the correcting journal entry. In 2013, the Town researched old outstanding payroll checks which were voided and new checks were issued if applicable.

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, 2012

	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	\$ 65,000	65,000	81,400		16,400
Non-property tax items	2,100,000	2,100,000	2,351,607		251,607
Departmental income	20,500	20,500	37,659		17,159
Charges for services	4,000	4,000	6,878		2,878
Use of money and property	9,750	9,750	9,024		(726)
Licenses and permits	66,950	66,950	61,147		(5,803)
Sale of property and compensation for loss	275,700	275,700	295,075		19,375
Miscellaneous	3,000	3,000	35,836		32,836
Total Local Sources	2,544,900	2,544,900	2,878,626		333,726
State aid	334,500	335,596	321,495		(14,101)
Federal aid	-	5,885	17,441		11,556
Total Revenues	2,879,400	2,886,381	3,217,562		331,181
OTHER FINANCING SOURCES					
Transfers from other funds	10,000	10,000	3,386		(6,614)
Appropriated reserves	774,138	789,571	88,789		-
Total Revenues and Other Financing Sources	\$ 3,663,538	3,685,952	3,309,737		324,567
EXPENDITURES					
General support	\$ 1,716,626	1,705,162	1,512,568	13,820	178,774
Public safety	147,044	147,044	111,181	-	35,863
Health	2,150	2,150	2,150	-	-
Transportation	93,978	93,978	87,747	-	6,231
Economic opportunity and development	37,701	37,771	37,717	-	54
Culture and recreation	534,143	540,178	472,178	-	68,000
Home and community service	354,700	380,033	339,521	2,493	38,019
Employee benefits	777,196	779,636	694,675	-	84,961
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	3,663,538	3,685,952	3,257,737	16,313	411,902
OTHER FINANCING USES					
Transfers to other funds	-	-	-	-	-
Total Expenditures and Other Uses	\$ 3,663,538	3,685,952	3,257,737	16,313	411,902
					\$ 736,469

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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)		Final Budget Variance With Budgetary Actual Over (Under)
REVENUES					
Local Sources					
Real property taxes	\$ 2,944,258	2,944,258	2,980,972		36,714
Non-property tax items	1,300,000	1,300,000	1,375,000		75,000
Departmental income	2,116,700	2,116,700	2,384,615		267,915
Charges for services	229,098	229,098	229,166		68
Use of money and property	76,925	76,925	7,015		(69,910)
Licenses and permits	-	-	97,562		97,562
Sale of property and compensation for loss	470,000	470,000	524,488		54,488
Miscellaneous	25,000	62,047	45,324		(16,723)
Total Local Sources	7,161,981	7,199,028	7,644,142		445,114
State aid	115,000	115,000	163,706		48,706
Federal aid	5,000	89,652	229,191		139,539
Total Revenues	7,281,981	7,403,680	8,037,039		633,359
OTHER FINANCING SOURCES					
Transfers from other funds	-	-	304,991		304,991
Appropriated reserves	715,258	927,464	-		-
Total Revenues and Other Financing Sources	\$ 7,997,239	8,331,144	8,342,030		938,350
EXPENDITURES					
	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-end Encumbrances	Final Budget Variance With Budgetary Actual And Encumbrances (Over) Under
General support	\$ 1,425,920	1,495,595	1,037,852	160,609	297,134
Public safety	-	-	-	-	-
Health	925,000	925,000	918,000	2,656	4,344
Transportation	1,884,575	1,975,005	1,775,884	264	198,857
Economic opportunity and development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Home and community service	1,635,751	1,772,503	1,103,353	94,586	574,564
Employee benefits	1,149,028	1,149,028	974,679	-	174,349
Debt service					
Principal	802,965	810,900	706,919	-	103,981
Interest	174,000	203,113	175,979	-	27,134
Total Expenditures	7,997,239	8,331,144	6,692,666	258,115	1,380,363
OTHER FINANCING USES					
Transfers to other funds	-	-	-	-	-
Total Expenditures and Other Uses	\$ 7,997,239	8,331,144	6,692,666	258,115	1,380,363
					\$ 2,318,713

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, 2012

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
12/31/12	0	4,539,049	4,539,049	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, 2012

(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	\$ 3,274,050	6,950,781
Less encumbrances recorded in budget comparison - Schedule 1	<u>(16,313)</u>	<u>(258,115)</u>
Expenditures per Exhibit D	\$ <u>3,257,737</u>	<u>6,692,666</u>

(2) 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.

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.