

CITY OF PLATTSBURGH

FINANCIAL REPORT

DECEMBER 31, 2013

CONTENTS

Independent Auditor's Report	1-2
Management's Discussion and Analysis (Unaudited)	3-16
Basic Financial Statements	
Government-wide Financial Statements:	Exhibit
Statement of Net Position	A 17-18
Statement of Activities	B 19-20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	C 21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds	D 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
Combining Balance Sheet - Special Revenue Funds	E 25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	F 26
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- General Fund	G 27
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- Special Revenue Funds	H 28
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- Debt Service Fund	I 29
Statement of Net Position - Proprietary Funds	J 30
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	K 31
Statement of Cash Flows - Proprietary Funds	L 32
Statement of Fiduciary Net Position	M 33
Notes to Financial Statements	34-57
Other Supplemental Information	
Schedule of Funding Progress Other Post Employment Benefits Plan	58
Compliance Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance With Government Auditing Standards	59-60

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Plattsburgh, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Plattsburgh, New York as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 16), budgetary comparison information (pages 27 through 29) and Schedule of Funding Progress Other Post Employment Benefits Plan (page 58) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014, on our consideration of the City of Plattsburgh New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Plattsburgh New York's internal control over financial reporting and compliance.

Boulrice & Wood CPAs, PC

October 16, 2014

The City of Plattsburgh offers this discussion and analysis in conjunction with the audit of financial statements for the fiscal year ended December 31, 2013.

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

1. FINANCIAL HIGHLIGHTS

Total assets of the City exceeded total liabilities by \$118,148, a decrease of \$2,026 from the prior year. The net position of business-type activities was \$27,859 and net position of governmental activities was \$90,276.

For the year, total revenues for the City were \$48,285 while total expenses were \$49,867. The net of the revenues and expenses leaves the City with a net deficit of \$1,582.

At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$20,679, a decrease of \$1,973 from the prior year.

At the end of the year, total unassigned fund balance for the general fund was \$608 down \$1,204 from the prior year.

Total outstanding long-term indebtedness for the City at the end of the year was \$29,180 down from \$31,990 at the end of 2012.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City of Plattsburgh maintains nine governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and the special revenue fund, all of which are considered to be major funds. The special revenue fund aggregates data from the other six subsidiary funds into a single

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

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

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

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

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position – Net position may serve as a useful indicator of a government's financial position over time. For the year ending December 31, 2013, the City of Plattsburgh's assets exceeded liabilities by \$118,148.

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

City of Plattsburgh Net Position
(000's Omitted)

	Governmental activities		Business-type activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current Assets	\$ 25,839	\$ 25,608	\$ 6,632	\$ 7,490	\$ 32,471	\$ 33,098
Noncurrent Assets	97,092	98,587	35,321	34,636	132,413	133,223
Total Assets	\$122,931	\$ 124,195	\$ 41,953	\$ 42,126	\$164,884	\$166,321
Current Liabilities	\$ 7,097	\$ 4,814	\$ 2,429	\$ 2,359	\$ 9,526	\$ 7,173
Noncurrent Liabilities	25,494	26,356	11,659	12,499	37,153	38,855
Total Liabilities	32,591	31,170	14,088	14,858	46,679	46,028
Deferred Inflows of Resources	64	129	6	6	70	135
Total Deferred Inflows of resources	64	129	6	6	70	135
Net Position:						
Invested in capital assets, net of related debt	79,480	78,993	23,753	22,240	103,233	101,233
Restricted	7,922	6,027	3,420	4,320	11,342	10,347
Unrestricted	2,874	7,876	686	702	3,560	8,578
Total Net Position	90,276	92,896	27,859	27,262	118,135	120,158
Total Liabilities and Net Position	\$122,931	\$ 124,195	\$ 41,953	\$ 42,126	\$164,884	\$166,321

An additional portion of the City's total assets, \$11,342, represents resources that are subject to external restrictions on how they may be used and are reported as *restricted* net position. The remaining category of total net position, *unrestricted* net position may be used to meet the government's ongoing obligations and services to creditors and citizens, especially in the future.

- **Governmental activities**

Total net position of the City's governmental activities for the year ended December 31, 2013 was \$90,276. The majority of the net position, \$79,480 or 88.0%, is tied up in capital assets (net of related debt).

Restricted assets for the end of the year were \$7,922. Restricted assets include, but are not limited to: debt reserves, water and sewer capital reserves, and asset forfeitures. The restricted assets were higher at the end of the year due to the amount of water reserves of \$234 and sewer reserves of \$3,998.

Unrestricted assets at year-end for governmental activities were \$2,874, a decrease of \$5,002 from the prior year.

- **Business-type activities**

The total net position of our business-type activities was \$27,859 at year-end. Like the governmental-type activities, capital assets net of related debt were \$23,753 and made up the majority of the net position.

Restricted assets at year-end were \$3,420 and were primarily made up of the capital projects reserve \$2,857 and debt reserve \$396. Unrestricted net position was \$686. In addition, net position of the business-type activities cannot be used to support any of the activities in the governmental-type activities. The City can only use this net position to finance the continuing operations of the Municipal Lighting Department.

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

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

	Governmental activities		Business-type activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for Services	\$ 9,624	\$ 9,876	\$16,651	\$15,707	\$ 26,275	\$ 25,583
Operating Grants and contributions	338	3,546	-	-	338	3,546
General revenues:						
Property Taxes	10,123	9,700	-	-	10,123	9,700
Sales and Other Taxes	4,332	4,400	-	-	4,332	4,400
Government Aid	3,093	3,555	-	7	3,093	3,562
Other	3,530	3,151	582	698	4,112	3,849
Total Revenues	31,040	34,228	17,233	16,412	48,273	50,640
Expenses						
General Government	3,206	3,045	-	-	3,206	3,045
Public Safety	7,675	8,222	-	-	7,675	8,222
Transportation	1,751	1,549	-	-	1,751	1,549
Economic assistance & opportunity	78	113	-	-	78	113
Culture and recreation	1,792	1,877	-	-	1,792	1,877
Home and community	7,637	7,444	-	-	7,637	7,444
Employee Benefits	11,129	9,699	-	-	11,129	9,699
Debt Service	557	596	465	-	1,022	596
Municipal Lighting	-	-	15,572	14,980	15,572	14,980
Total Expenses	33,825	32,545	16,037	14,980	49,862	47,525
Excess of revenues over expenses	(2,785)	1,683	1,196	1,432	(1,589)	3,115
Transfers	610	600	(599)	(600)	11	-
Increase (decrease) in Net Position	(2,175)	2,283	597	832	(1,578)	3,115
Net Position - beginning	92,895	90,621	27,262	26,442	120,157	117,063
Prior period adjustment (note)	(444)	(9)	-	(12)	(444)	(21)
Net Position - ending	\$90,276	\$ 92,895	\$27,859	\$27,262	\$118,135	\$ 120,157

The City's total revenues for the 2013 year were \$48,273 versus total expenses of \$49,862. For the year, the City's net position decreased by \$2,024 or 1.7%, to bring total net position of the primary government of the City to \$118,134. The following analysis separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for the City's governmental activities for the year were \$31,040 while total expenses were \$33,825 which yielded a decrease in net position of \$2,785, or 3.0%. The drivers of revenues for the year were charges for services, which is mostly made up of water and sewer charges for services. Property taxes comprised 32.6% of the total revenues while sales taxes were 14.0% of revenues. Revenues were down from the prior year by \$3,188.

On the expense side, public safety, home and community and employee benefits made up the majority of the cost of the governmental activities. In public safety, the police department and fire department expenses for the year totaled \$4,556 (59.3%) and \$2,591 (33.8%), of the total for public safety of \$7,675, respectively.

Home and community total expenses for the year were \$7,637. Costs associated with operating the water fund were \$1,538 or 20.1% of the total while the sewer fund costs were \$3,521 or 46.1% of the total.

Finally, employee benefits for the year were \$11,129, or 32.9% of total governmental activity expenses. Of this total, health insurance cost was \$5,369, or 48.2% of the total.

Business-type Activities

Revenues for the Municipal Lighting Department for the year were \$17,233, while total expenses for the operation were \$16,037. The resulting total net position for the business-type activities for the year increased by \$597, or 2.2%.

For the Municipal Lighting Department, revenues are heavily influenced by winter temperatures, business activity, local development and any changes in rates granted by the Public Service Commission. The charges for services part of total revenues were up by over \$944 or 6.0%.

On the expense side, demand for electric power drives demand to purchase power. Since MLD does not generate its own power but only distributes what it purchases, the cost of purchase power is a large cost factor in operating the business. In 2013, the total cost of purchased power increased by \$851 or 10.5%.

THE CITY'S FUNDS:

Governmental Funds

- 1) General fund – The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$608 and the total fund equity was \$4,485. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to fund expenditures. For the

current year ended December 31, 2013, unassigned fund balances represent 2.7% of total fund expenditures (including transfers out), while total fund balance was 19.6% of the same amount. The total fund balance of the City's General Fund decreased by \$1,015 during the current fiscal year.

- 2) Debt service fund – The debt service fund is the fund from which all debt payments for the City are made. The fund balance at the end of the year of \$1,157 is reserved for the repayment of debt. The increase in total fund balance from year-to-year was \$1,095.
- 3) Capital Projects Fund – The Capital Projects Fund accounts for the construction and reconstruction of general public improvements and major asset purchases, including projects related to business-type activities. At the end of the current fiscal year, the fund balance was \$875.
- 4) Special revenue fund – The special revenue fund for the City is made up of the following individual funds: Community Development Fund, Parking Lot Fund, Recreation Complex Fund, Water Fund, Sewer Fund, and Library Fund. The Community Development Fund is a special revenue fund used to account for the programs and projects primarily funded by the U.S. Department of Housing and Urban Development as well as other federal and state grant programs. At the end of the current fiscal year, the total special revenue fund balance was \$14,162. Components of the December 31, 2013 fund balance are as follows:

	<u>2013</u>	<u>2012</u>
Nonspendable		
Prepays	\$ 213	\$ 185
Long-term loans & receivable	1,022	1,059
Restricted		
Capital reserve	4,280	3,781
Other restricted	1,455	1,392
Assigned		
Encumbrances:		
Home & community services	31	10
Appropriated	195	37
Unappropriated fund balance	6,976	6,956
Unassigned	<u>(10)</u>	<u>(23)</u>
Total Fund Balances	<u><u>\$ 14,162</u></u>	<u><u>\$ 13,397</u></u>

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

- 5) Proprietary fund – the only proprietary fund for the City is the Municipal Lighting Department (MLD). This department purchases all of its power from the New York Power Authority and the New York Municipal Power Agency and distributes it on a system owned by the City of Plattsburgh. For the fiscal year ended December 31, 2013, fund balance was \$27,859, up \$597 from the same time in the previous year fund.

4. BUDGETARY HIGHLIGHTS

The City Charter requires the Mayor to submit a budget with an accompanying written budget report to the Common Council on or before October 1st for the next fiscal year which begins January 1st. The budget shall provide a complete financial plan of all City funds and activities for the ensuing fiscal year. The final 2014 budget included a 2.32% property tax levy increase including a 3.89% increase in the total assessed value of the city properties with a corresponding decrease of 1.52% in the property tax rate. 0% increases for water, sewer, electric and refuse rates. An infrastructure investment charge was added March 1st, 2013, based upon the size of a customer's water main line for the eventual repair of the Westbrook #1 & #2 dams.

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

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

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

The actual change in fund balance of the general fund resulted in a decrease for the current year of \$1,015 compared to an adopted budget with a deficit of \$2,305.

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

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

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

In 2013, the General fund inter-fund transfers were as follows:

Library Fund	\$ 871,000
Recreation Fund	381,427
Capital Projects	105,557
Debt Service	2,027,144
	<u>\$ 3,385,128</u>

The payments from the water and sewer funds have been reduced by \$28,326 and \$64,871, respectively, during 2013, thereby relieving some of the stress placed on these funds to provide support to the General Fund. The transfers from these funds have been reduced a cumulative \$823,337 over the period from 2009 through 2013. These reductions eliminated the need for annual rate increases in order to maintain the level of support established for the General Fund.

The annual reductions, an average of \$163,000, were pursuant to the results of an audit conducted by the NYS Office of the State Comptroller that required documented support of the amounts being transferred from the water and sewer funds to support General Fund services. Based on 2008 expense levels in the General Fund, the documented support to the water and sewer funds reached about \$377,000, leaving \$800,000 as the excess transfers that were reduced ratably over the five year period.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2013 amounted to \$132,413 (net of accumulated depreciation). The amount as of December 31, 2012 was \$133,223 or a decrease of \$810, or .6%. The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress (CIP).

Major capital asset events during the current fiscal year included:

- Total capital expenditures for governmental activities for the year were \$2,458.
- Depreciation expense for the year was \$3,498.
- A prior period adjustment of \$444 (see note 17).

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 18,625	\$ 18,637	\$ 516	\$ 516	\$ 19,141	\$ 19,153
Infrastructure	71,410	73,269	933	853	72,343	74,122
Buildings & Improvements	50,951	45,923	56,885	55,999	107,836	101,922
Machinery & Equipment	9,621	9,369	10,162	9,930	19,783	19,299
Construction in Progress	10,366	11,871	1,452	253	11,818	12,124
Total	160,973	159,069	69,948	67,551	230,921	226,620
Less: Acc. Depreciation	(63,881)	(60,482)	(34,627)	(32,915)	(98,508)	(93,397)
Net Capital Assets	\$ 97,092	\$ 98,587	\$ 35,321	\$ 34,636	\$ 132,413	\$ 133,223

Long-term Debt

For the year, total debt decreased by \$2,810 or 8.8% to \$29,180.

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

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

Standard & Poor's, during 2013, did not change the A+ rating with negative outlook to the City of Plattsburgh's outstanding general obligation debt because of the City's structural imbalance stemming from rising labor costs that, if unaddressed, could deplete general fund reserves within the next three years.

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

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

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 17,612	\$ 19,594	\$ 11,568	\$ 12,396	\$ 29,180	\$ 31,990

6. ECONOMIC FACTORS

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

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

This project is complete and located adjacent to the Plattsburgh State University College property on Broad Street and involved the development of the St. John's parochial school property, previously tax exempt, as for profit college student housing fully assessed at \$12,000,000 in 2011. Sale of City property in the form of parking and green area was accomplished in 2008 for approximately \$12,000 to enhance the development parking for students and thereby reduce the City's obligation to maintain the property. The annual increase to property tax revenue in 2011 was \$182,500 based on the 2009 and 2010 partially assessed value (AV) property tax collections. The owner of the property, Plattsburgh Suites LLC, has filed a petition for a tax assessment reduction of \$3,000,000 against the City of Plattsburgh, for which the outcome is uncertain as of December 31st, 2013.

Commercial development and redevelopment projects

Meadowbrook Nursing Facility proposed a 2009 development on the PAFB Old Base property to be completed by tax roll date in 2010, but the Project did not advance during the period 2010 through 2013.

Redevelopment of the Durkee Street Municipal Parking Lot and Adjoining Lands

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

Approximately 3 +/- acres of land in the project will be dedicated to public use. Current plans call for development in three phases. Phase I involves construction of a two-story

parking garage on the southernmost end of the municipal parking lot that will accommodate 146 vehicles.

Also part of phase I is construction of a 44,452 sq. ft. structure for retail and office use along with a second adjoining two-story parking structure for approximately 180 spaces. Phase II includes a multi-tiered public parking structure, ribbon retail space and development of improved public space that will occupy approximately 4 +/- acres of land. The third phase includes construction of a second 50,000-60,000 sq. ft. building for office and retail use.

Phase I was complete as of December 31, 2007, and the office space occupancy rate is at 100% at year-end 2013, however, the restaurant space on the first floor is vacant.

As the rental commitments continue and the occupancy grows, the remaining phases of the construction will become more feasible for completion of the project, although no work on the remaining phases has begun by year-end 2013.

Development of waterfront hotel and conference center

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

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

Construction of the hotel facility has been delayed due to default by the developer to perform on the construction contract although the site development for the water distribution, storm and sewer drainage, and parking lot with related lighting has been completed by the City at a cost of approximately \$4.4 Million. There has been no activity regarding the solution to this problem during 2013.

Air Force Base redevelopment projects

The former ROTC property located on the "old base" was purchased by Larkin Realty out of Burlington, Vermont in 2004.

They are the largest apartment and hotel owner in Vermont and have plans to renovate the existing building into 60 condo/apartments. The property also includes 5 acres of vacant land to the north of the existing building. Current plans for this site are for construction of 32 additional apartments. Larkin Realty also purchased an additional 5.91 acres of land adjoining the ROTC property for future development for \$350,000 in September 2006. Both of these properties are lakefront properties and are expected to command the highest rental rates of any apartments in the county, but the vacant land has not seen any development progress during 2013. However, the former ROTC building completed Phase 3 in 2010 which includes 45 apartments and an AV of \$2,389,200 for 2011 up from \$2,068,400 in 2010.

Larkin has completed the final Phase 4 in 2011, which includes a total of 60 apartments with a completed AV of \$3,515,800 increased in 2012, up from \$2,389,200 in 2011. The current assessment is at \$4,853,900 reflecting a city wide apartment revaluation in 2013.

Pyramid Realty Corporation of Syracuse, New York, had attempted to purchase the unoccupied base hospital located at the intersection of US Route 9 and New York Avenue, but never completed the purchase from PARC. The property consists of 90,000 square feet of building space and land totaling 25 acres. Full demolition of the hospital building was completed in 2007 by PARC, but no further development has occurred during 2013. PARC still owns this property and it became fully taxable in 2012 and as of 2013, there are no solid plans to develop this lot and it remains on the market for sale.

All the developments listed above are expected to increase the taxable base of the City significantly. All of these developments were expected to be completed by the end of 2007, but delays in development due to changes in the economy continue to make it more likely that these projects will continue on into 2014 and beyond.

In 2010, Harborview Condominiums completed construction of Phase 1 which included 18 lake view condominium units. The addition was \$3,741,400 in AV to the 2012 tax roll. Phase 2 includes 15 condo units and was completed in 2011 and added \$3,212,000 in AV to the 2013 tax roll. Currently, Phase 3 is being constructed with a completion date estimated sometime in 2014 and will be comparable to Phase 2, adding another 15 units with an estimated AV of \$3,345,300 to the 2015 tax roll.

Directly across the street from Harborview Condominiums is another project that is under construction. Gregory Heights is a 20-unit apartment building that was completed in 2013 and the 2014 tax roll reflects an assessed value of \$1,352,700.

Four new apartment buildings, all side-by-side, were completed in 2012 in the residential west end neighborhood. Each apartment building has five units, for a total of 20 units in the project. The completed project added \$1,420,600 to the 2014 tax roll.

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

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

Bombardier Transportation, an international railcar manufacturer located in the City of Plattsburgh, announced that it plans to build an 80,000 square foot addition to its existing 150,000 square foot plant in 2013. Bombardier has recently been awarded two large contracts that will keep many more employees working at the plant and the need for more space is evident. Construction was completed adding 94,851 square feet to the existing plant and the AV was increased in 2014 to \$10,500,000.

A group of local developers are exploring the idea of redeveloping the City Beach recreational area. The redevelopment would include a hotel, restaurants, retail,

historical center, and hiking trails that all tie in with the beach on Lake Champlain. The developers are in the process of having a feasibility study completed.

On December 10, 2010 an announcement was made that Laurentian Aerospace Corporation had finally secured the lead-investor needed to move forward with the construction of the aircraft maintenance, repair and overhaul facility on the former Plattsburgh Air Force Base (PARC) within the Town of Plattsburgh, just outside the City limits. This 2-bay hangar facility will be constructed at a cost of about \$175 million and will contain approximately 262,000 square feet of production space. Employment estimates range from 900-1,200 jobs (900 to overhaul jets and 300 administrative staff) that will be created within five years. The facility would be in full operation about 18 months after construction begins, creating 200-300 new construction jobs. The financial closing is still in the process of being arranged, and Laurentian remains optimistic that funding should be secured in the near future. However, local optimism regarding the project has dwindled since the Clinton County IDA authorized issuance of millions of dollars in tax-exempt bonds to finance the project in June of 2007 and it is uncertain whether the project will ever come to fruition.

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

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

7. REQUEST FOR INFORMATION

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

CITY OF PLATTSBURGH

Exhibit A

STATEMENT OF NET POSITION

December 31, 2013

ASSETS	Governmental Activities	Business-type Activities	Total Primary Government	Lake City LDC	Total Reporting Unit
Current assets					
Cash and equivalents	\$ 13,596,886	\$ 130,081	\$ 13,726,967	\$ 13,709	\$ 13,740,676
Restricted assets-cash and cash in time deposits	6,529,742	3,420,008	9,949,750	-	9,949,750
Taxes receivable, net of allowance for uncollectibles of \$225,757	1,224,800	-	1,224,800	-	1,224,800
Other receivable, net of allowance for uncollectibles of \$964,824	1,489,311	966,621	2,455,932	-	2,455,932
State and federal receivable	133,495	-	133,495	-	133,495
Economic development loans	1,077,486	-	1,077,486	-	1,077,486
Due from other government	1,215,081	-	1,215,081	-	1,215,081
Internal balances	(265,885)	266,365	480	-	480
Inventories	-	1,496,671	1,496,671	-	1,496,671
Prepaid expenses	837,645	352,788	1,190,433	-	1,190,433
Total current assets	<u>25,838,561</u>	<u>6,632,534</u>	<u>32,471,095</u>	<u>13,709</u>	<u>32,484,804</u>
Noncurrent assets					
Capital assets, net of accumulated depreciation	<u>97,092,091</u>	<u>35,320,581</u>	<u>132,412,672</u>	<u>-</u>	<u>132,412,672</u>
Total noncurrent assets	<u>97,092,091</u>	<u>35,320,581</u>	<u>132,412,672</u>	<u>-</u>	<u>132,412,672</u>
Total assets	<u>\$ 122,930,652</u>	<u>\$ 41,953,115</u>	<u>\$ 164,883,767</u>	<u>\$ 13,709</u>	<u>\$ 164,897,476</u>

LIABILITIES

Current liabilities

Accounts payable	\$ 911,677	\$ 1,369,503	\$ 2,281,180	\$ -	\$ 2,281,180
Accrued liabilities	563,687	131,067	694,754	-	694,754
Bond anticipation note payable	2,606,766		2,606,766	-	2,606,766
Compensated absences	-	-	-	-	-
Due to other governments	8,975	-	8,975	-	8,975
Due to school districts	1,008,491	-	1,008,491	-	1,008,491
Other current liabilities	-	-	-	-	-
Customer deposits	-	111,204	111,204	-	111,204
Bonds outstanding -current portion	1,997,101	817,670	2,814,771	-	2,814,771

Total current liabilities 7,096,697 2,429,444 9,526,141 - 9,526,141

Noncurrent liabilities

Bonds outstanding, less current portion	15,614,765	10,750,235	26,365,000	-	26,365,000
Compensated absences	4,433,129	712,631	5,145,760	-	5,145,760
Other post employment benefits	5,446,332	195,935	5,642,267	-	5,642,267

Total noncurrent liabilities 25,494,226 11,658,801 37,153,027 - 37,153,027

Total liabilities 32,590,923 14,088,245 46,679,168 - 46,679,168

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources	<u>64,211</u>	<u>6,256</u>	<u>70,467</u>	<u>-</u>	<u>70,467</u>
-------------------------------	---------------	--------------	---------------	----------	---------------

NET POSITION

Investment in Capital Assets, net of related debt	79,480,225	23,752,676	103,232,901	-	103,232,901
Restricted	7,922,017	3,420,008	11,342,025	-	11,342,025
Unrestricted	2,873,276	685,930	3,559,206	13,709	3,572,915
Total net position	<u>90,275,518</u>	<u>27,858,614</u>	<u>118,134,132</u>	<u>13,709</u>	<u>118,147,841</u>

Total liabilities, deferred inflows
and net position \$ 122,930,652 \$ 41,953,115 \$ 164,883,767 \$ 13,709 \$ 164,897,476

See accompanying notes and independent auditor's report.

CITY OF PLATTSBURGH
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,205,912	\$ 270,828	\$ -	\$ -
Public Safety	7,674,885	635,663	-	-
Transportation	1,750,845	7,540	234,626	-
Economic assistance and opportunity	78,361	14,590	94,733	-
Culture and recreation	1,792,356	463,071	-	-
Home and community services	7,637,350	8,231,929	8,494	-
Employee benefits	11,128,939	-	-	-
Debt service	557,494	-	-	-
Total governmental activities	<u>33,826,142</u>	<u>9,623,621</u>	<u>337,853</u>	<u>-</u>
Business-type activities:				
Municipal Lighting	16,037,039	16,651,292	-	-
Total business-type activities	<u>16,037,039</u>	<u>16,651,292</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 49,863,181</u>	<u>\$ 26,274,913</u>	<u>\$ 337,853</u>	<u>\$ -</u>
Component units:				
Lake City LDC	3,732	1,566	-	-
Total component units	<u>\$ 3,732</u>	<u>\$ 1,566</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Property tax items				
Non-property tax items				
Interest and earnings				
Fines and penalties				
Intergovernmental				
Sales of property and compensation for loss				
Miscellaneous				
Interfund revenues				
State sources				
Industrial payments				
Operating transfers				
Total general revenues and operating transfers				
Changes in net assets				
Net assets, beginning				
Prior period adjustment (note 17)				
Net assets, ending				

See accompanying notes and independent auditor's report.

Exhibit B

Net (Expense) Revenue and Changes in Net Position

Primary Government		Total	Component Units	Total Reporting Unit
Governmental Activities	Business-type Activities			
\$ (2,935,084)	\$ -	\$ (2,935,084)	\$ -	\$ (2,935,084)
(7,039,222)	-	(7,039,222)	-	(7,039,222)
(1,508,679)	-	(1,508,679)	-	(1,508,679)
30,962	-	30,962	-	30,962
(1,329,285)	-	(1,329,285)	-	(1,329,285)
603,073	-	603,073	-	603,073
(11,128,939)	-	(11,128,939)	-	(11,128,939)
(557,494)	-	(557,494)	-	(557,494)
<u>(23,864,668)</u>	<u>-</u>	<u>(23,864,668)</u>	<u>-</u>	<u>(23,864,668)</u>
-	614,253	614,253	-	614,253
-	614,253	614,253	-	614,253
<u>(23,864,668)</u>	<u>614,253</u>	<u>(23,250,415)</u>	<u>-</u>	<u>(23,250,415)</u>
-	-	-	(2,166)	(2,166)
-	-	-	(2,166)	(2,166)
9,829,075	-	9,829,075	-	9,829,075
294,157	-	294,157	-	294,157
4,331,763	-	4,331,763	-	4,331,763
475,890	163,515	639,405	23	639,428
504,957	-	504,957	-	504,957
334,116	-	334,116	-	334,116
335,206	-	335,206	-	335,206
160,768	102,259	263,027	-	263,027
1,719,652	222,795	1,942,447	-	1,942,447
3,092,568	-	3,092,568	-	3,092,568
-	93,439	93,439	-	93,439
609,991	(599,462)	10,529	-	10,529
<u>21,688,143</u>	<u>(17,454)</u>	<u>21,670,689</u>	<u>23</u>	<u>21,670,712</u>
(2,176,525)	596,799	(1,579,726)	(2,143)	(1,581,869)
92,895,885	27,261,815	120,157,700	13,174,485	133,332,185
(443,842)	-	(443,842)	(13,158,633)	(13,602,475)
<u>\$ 90,275,518</u>	<u>\$ 27,858,614</u>	<u>\$ 118,134,132</u>	<u>\$ 13,709</u>	<u>\$ 118,147,841</u>

See accompanying notes and independent auditor's report.

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013

ASSETS	General	Special Revenue	Capital Projects	Debt Service	Total
Cash and equivalents	\$ 1,682,194	\$ 8,848,630	\$ 3,054,291	\$ 11,771	\$ 13,596,886
Taxes receivable, net of allowance for uncollectibles of \$225,757	1,224,800	-	-	-	1,224,800
Other receivable, net of allowance for uncollectible of \$885,802	387,165	1,091,809	10,337	-	1,489,311
State and federal receivable	66,847	34,264	32,384	-	133,495
Economic development loans	-	1,077,486	-	-	1,077,486
Due from other funds	283,473	3,790	563,176	3,255	853,694
Due from other government	1,214,376	705	-	-	1,215,081
Restricted assets-cash and cash in time deposits	1,034,485	4,353,231	-	1,142,026	6,529,742
Prepaid expenses	624,846	212,799	-	-	837,645
Total assets	\$ 6,518,186	\$ 15,622,714	\$ 3,660,188	\$ 1,157,052	\$ 26,958,140
LIABILITIES					
Accounts payable	\$ 517,554	\$ 304,381	\$ 89,742	\$ -	\$ 911,677
Accrued liabilities	186,100	297,386	76,268	-	559,754
Bonds anticipation note	-	-	2,606,766	-	2,606,766
Due to other funds	266,271	840,631	12,677	-	1,119,579
Due to other governments	1,969	7,006	-	-	8,975
Due to school districts	1,008,491	-	-	-	1,008,491
Total liabilities	1,980,385	1,449,404	2,785,453	-	6,215,242
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources	53,062	11,149	-	-	64,211
FUND BALANCES					
Nonspendable:					
Prepays	624,846	212,799	-	-	837,645
Long term loans & receivable	-	1,021,645	-	-	1,021,645
Restricted:					
Capital reserve	-	4,280,225	-	-	4,280,225
Retirement of LTD	-	-	-	1,157,052	1,157,052
Aerial fire equip reserve	273,250	-	-	-	273,250
Asset seizure reserve	225,407	-	-	-	225,407
Retirement reserve	530,769	-	-	-	530,769
Other restricted	-	1,455,314	-	-	1,455,314
Assigned:					
Capital Projects	-	-	874,735	-	874,735
Public safety	7,295	-	-	-	7,295
Home & community services	2,660	31,196	-	-	33,856
Appropriated fund balance					
Designated for subsequent year's expenditures	2,212,536	195,419	-	-	2,407,955
Unappropriated fund balance	-	6,976,250	-	-	6,976,250
Unassigned	607,976	(10,687)	-	-	597,289
Total fund balances	4,484,739	14,162,161	874,735	1,157,052	20,678,687
Total liabilities, deferred inflows and fund balances	\$ 6,518,186	\$ 15,622,714	\$ 3,660,188	\$ 1,157,052	\$ 26,958,140

See accompanying notes and independent auditor's report.

CITY OF PLATTSBURGH

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

December 31, 2013

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

Total fund balance - governmental funds	\$ 20,678,687
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	97,092,091
Long-term liabilities, including bonds payable, compensated absences, claims and judgements, and other post employment benefits are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(17,611,866)
Compensated absences	(4,433,129)
Other post employment benefits	(5,446,332)
Accrued bond interest is reflected in the statement of net position but not in the governmental funds.	<u>(3,933)</u>
Net position of governmental activities	<u><u>\$ 90,275,518</u></u>

See accompanying notes and independent auditor's report.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2013**

Exhibit D

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
Revenues					
Real property taxes	\$9,744,065	\$ 85,010	\$ -	\$ -	\$ 9,829,075
Real property tax items	294,157	-	-	-	294,157
Non-property tax items	4,331,763	-	-	-	4,331,763
Departmental income	1,438,672	7,963,061	-	-	9,401,733
Intergovernmental charges	-	1,167,417	-	-	1,167,417
Use of money and property	113,379	330,967	949	28,823	474,118
Licenses and permits	108,935	-	-	-	108,935
Fines and forfeitures	504,957	-	-	-	504,957
Sales of property & compensation for loss	331,034	15,472	-	-	346,506
Miscellaneous local sources	209,124	52,438	25,994	9,437	296,993
Interfund	778,622	107,729	-	-	886,351
State aid	2,977,086	115,420	126,217	-	3,218,723
Federal aid	8,494	73,295	108,409	-	190,198
Total revenues	20,840,288	9,910,809	261,569	38,260	31,050,926
Expenditures					
General governmental support	2,102,973	544,465	-	-	2,647,438
Public Safety	7,477,158	-	84,808	-	7,561,966
Transportation	1,201,453	51,924	1,440,507	-	2,693,884
Economic assistance and opportunity	70,682	-	-	-	70,682
Culture and recreation	364,752	1,218,627	292,754	-	1,876,133
Home and community services	563,291	5,164,754	522,037	-	6,250,082
Employee benefits	7,759,999	2,233,946	-	-	9,993,945
Debt service	-	-	-	2,539,715	2,539,715
Total expenditures	19,540,308	9,213,716	2,340,106	2,539,715	33,633,845
Excess (deficit) of revenues over (under) expenditures	1,299,980	697,093	(2,078,537)	(2,501,455)	(2,582,919)
Other financing sources (uses)					
Operating transfers in	1,069,947	1,672,636	776,786	3,596,435	7,115,804
Operating transfers out	(3,385,128)	(1,604,974)	(1,515,711)	-	(6,505,813)
Total other financing sources (uses)	(2,315,181)	67,662	(738,925)	3,596,435	609,991
Net change in fund balances	(1,015,201)	764,755	(2,817,462)	1,094,980	(1,972,928)
Fund Balances, Beginning of Year	5,499,940	13,397,406	3,692,197	62,072	22,651,615
Fund Balance, End of Year	\$4,484,739	\$14,162,161	\$ 874,735	\$1,157,052	\$ 20,678,687

See accompanying notes and independent auditor's report.

CITY OF PLATTSBURGH

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2013**

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

Net change in fund balances - total governmental funds \$ (1,972,928)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the detail of the two components:

Capital outlay	2,458,139
Depreciation expense	(3,497,663)
Basis of disposed asset	(11,300)

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

Repayment of principal long-term debt	1,982,190
---------------------------------------	-----------

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

Compensated absences earned exceeded the amount used during the year	(481,757)
Other post employment benefits earned exceeded the amount used during the year	(653,237)
Accrued bond interest	31

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

Principal reduction - BAN	-
BAN's redeemed from appropriations	-

Change in net position of governmental activities	\$ (2,176,525)
---------------------------------------------------	----------------

CITY OF PLATTSBURGH

Exhibit E

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 December 31, 2013

	Special Grants	Parking Authority	Recreation	Water	Sewer	Library	Total Special Revenue
ASSETS							
Cash	\$ 1,683,864	\$ 132,628	\$ 41,910	\$ 1,851,422	\$ 4,941,995	\$ 196,811	\$ 8,848,630
Other receivables	62,800	-	4,914	316,894	706,606	595	1,091,809
Prepaid expenses	-	1,528	20,087	59,682	106,132	25,370	212,799
Economic development loans	1,077,486	-	-	-	-	-	1,077,486
Due from other funds	-	-	-	190	3,600	-	3,790
Due from other governments	-	-	-	-	-	705	705
Restricted assets - cash	-	-	-	233,490	4,070,877	48,864	4,353,231
State & Federal receivables	1,152	-	92	1,922	3,020	28,078	34,264
Total assets	\$ 2,825,302	\$ 134,156	\$ 67,003	\$ 2,463,600	\$ 9,832,230	\$ 300,423	\$ 15,622,714
LIABILITIES							
Accounts payable	\$ -	\$ 512	\$ 21,552	\$ 71,790	\$ 178,499	\$ 32,028	\$ 304,381
Accrued liabilities	-	1,353	8,695	35,299	236,147	15,892	297,386
Due to other funds	3,605	7,567	27,356	544,736	257,367	-	840,631
Due to other governments	7,006	-	-	-	-	-	7,006
Total liabilities	10,611	9,432	57,603	651,825	672,013	47,920	1,449,404
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources	11,149	-	-	-	-	-	11,149
	11,149	-	-	-	-	-	11,149
FUND BALANCES							
Nonspendable:							
Prepays	-	1,528	20,087	59,682	106,132	25,370	212,799
Long term loans & receivable	1,021,645	-	-	-	-	-	1,021,645
Restricted:							
Capital reserve	-	-	-	233,679	3,997,682	48,864	4,280,225
Other restricted	1,455,314	-	-	-	-	-	1,455,314
Assigned:							
Home & community services	-	-	-	25,568	825	4,803	31,196
Appropriated fund balance	-	-	-	100,904	41,449.00	53,066	195,419
Unappropriated fund balance	326,583	123,196	-	1,391,942	5,014,129	120,400	6,976,250
Unassigned	-	-	(10,687)	-	-	-	(10,687)
Total fund balances	2,803,542	124,724	9,400	1,811,775	9,160,217	252,503	14,162,161
Total liabilities and fund balances	\$ 2,825,302	\$ 134,156	\$ 67,003	\$ 2,463,600	\$ 9,832,230	\$ 300,423	\$ 15,622,714

See accompanying notes and independent auditor's report.

CITY OF PLATTSBURGH

Exhibit F

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - SPECIAL REVENUE FUNDS
Year Ended December 31, 2013**

	Special Grants	Parking Authority	Recreation	Water	Sewer	Library	Total Special Revenue
Revenues							
Real property taxes	\$ -	\$ 85,010	\$ -	\$ -	\$ -	\$ -	\$ 85,010
Departmental income	14,590	-	441,974	2,913,238	4,572,162	21,097	7,963,061
Intergovernmental charges	-	-	-	304,484	862,933	-	1,167,417
Use of money and property	41,773	6,116	1,060	49,196	229,370	3,452	330,967
Sales of property and compensation for loss	-	-	6,880	5,932	1,567	1,093	15,472
Miscellaneous local sources	-	-	385	10,140	15,930	25,983	52,438
Interfund Revenues	-	-	-	78,097	29,632	-	107,729
State aid	-	-	(62)	-	-	115,482	115,420
Federal aid	73,295	-	-	-	-	-	73,295
Total revenues	129,658	91,126	450,237	3,361,087	5,711,594	167,107	9,910,809
Expenditures							
General governmental support	-	-	16,012	327,971	197,700	2,782	544,465
Transportation	-	51,924	-	-	-	-	51,924
Home and community services	96,739	-	-	1,547,064	3,520,951	-	5,164,754
Employee benefits	-	9,011	102,670	722,872	1,121,239	278,154	2,233,946
Culture and recreation	-	-	613,744	-	-	604,883	1,218,627
Total expenditures	96,739	60,935	732,426	2,597,907	4,839,890	885,819	9,213,716
Excess (deficit) of revenues over (under) expenditures	32,919	30,191	(282,189)	763,180	871,704	(718,712)	697,093
Other financing sources (uses)							
Operating transfers in	-	-	381,427	364,409	45,270	881,530	1,672,636
Operating transfers out	-	(186,331)	(82,589)	(873,324)	(422,504)	(40,226)	(1,604,974)
Total other financing sources (uses)	-	(186,331)	298,838	(508,915)	(377,234)	841,304	67,662
Net change in fund balances	\$ 32,919	\$ (156,140)	\$ 16,649	\$ 254,265	\$ 494,470	\$ 122,592	\$ 764,755

See accompanying notes and independent auditor's report.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE- BUDGET AND ACTUAL - GENERAL FUND
Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Real property taxes	\$ 9,690,870	\$ 9,690,870	\$ 9,744,065	\$ 53,195
Real property tax items	358,333	358,333	294,157	(64,176)
Non-property tax items	4,255,000	4,255,000	4,331,763	76,763
Departmental income	1,463,948	1,463,948	1,438,672	(25,276)
Use of money and property	105,000	105,000	113,379	8,379
Licenses and permits	92,510	92,510	108,935	16,425
Fines and forfeitures	294,510	299,510	504,957	205,447
Sales of property and compensation for loss	62,300	70,223	331,034	260,811
Miscellaneous local sources	135,300	163,734	209,124	45,390
Interfund	789,870	789,870	778,622	(11,248)
State aid	2,892,880	2,892,880	2,977,086	84,206
Federal aid	12,000	12,000	8,494	(3,506)
Total revenues	20,152,521	20,193,878	20,840,288	646,410
Expenditures				
General governmental support	2,111,114	2,260,812	2,102,973	157,839
Public Safety	7,459,590	7,679,900	7,484,453	195,447
Transportation	1,306,268	1,254,172	1,201,453	52,719
Economic assistance and opportunity	103,567	105,248	70,682	34,566
Culture and recreation	330,638	388,564	364,752	23,812
Home and community services	627,781	693,307	565,951	127,356
Employee benefits	8,208,536	7,835,488	7,759,999	75,489
Total expenditures	20,147,494	20,217,491	19,550,263	667,228
Excess (deficit) of revenues over (under) expenditures	5,027	(23,613)	1,290,025	1,313,638
Other financing sources (uses)				
Operating transfers in	1,069,175	1,069,175	1,069,947	772
Operating transfers out	(3,379,571)	(3,385,128)	(3,385,128)	-
Total other financing sources (uses)	(2,310,396)	(2,315,953)	(2,315,181)	772
Net change in fund balances	\$ (2,305,369)	\$ (2,339,566)	\$ (1,025,156)	\$ 1,314,410

See accompanying notes and independent auditor's report.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE- BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS
Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Real property taxes	\$ 85,010	\$ 85,010	\$ 85,010	\$ -
Departmental income	8,276,154	8,295,554	7,948,471	(347,083)
Intergovernmental charges	1,093,646	1,074,246	1,167,417	93,171
Use of money and property	261,645	261,645	289,194	27,549
Sales of property and compensation for loss	19,100	34,630	15,472	(19,158)
Miscellaneous local sources	200	200	52,438	52,238
Interfund revenues	92,875	92,875	107,729	14,854
State aid	88,840	109,090	115,420	6,330
Federal aid	-	-	-	-
Total revenues	9,917,470	9,953,250	9,781,151	(172,099)
Expenditures				
General governmental support	510,924	510,924	544,465	(33,541)
Transportation	77,295	77,295	51,924	25,371
Culture and recreation	1,258,628	1,263,628	1,218,627	45,001
Home and community services	5,757,006	5,767,125	5,099,211	667,914
Employee benefits	2,382,923	2,382,923	2,233,946	148,977
Total expenditures	9,986,776	10,001,895	9,148,173	853,722
Excess (deficit) of revenues over (under) expenditures	(69,306)	(48,645)	632,978	681,623
Other financing sources (uses)				
Operating transfers in	1,252,427	1,252,427	1,672,636	420,209
Operating transfers out	(1,219,783)	(1,755,203)	(1,604,974)	150,229
Total other financing sources (uses)	32,644	(502,776)	67,662	570,438
Net change in fund balances	\$ (36,662)	\$ (551,421)	\$ 700,640	\$ 1,252,061

See accompanying notes and independent auditor's report.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND**

Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ -	\$ -	\$ 28,823	\$ 28,823
Miscellaneous local sources	-	-	9,437	9,437
Total revenues	-	-	38,260	38,260
Expenditures				
Debt service (principal and interest)	2,542,790	2,542,790	2,539,715	3,075
Total expenditures	2,542,790	2,542,790	2,539,715	3,075
Excess (deficit) of revenues over (under) expenditures	(2,542,790)	(2,542,790)	(2,501,455)	41,335
Other financing sources (uses)				
Operating transfers in	2,542,790	2,542,790	3,596,435	1,053,645
Total other financing sources (uses)	2,542,790	2,542,790	3,596,435	1,053,645
Net change in fund balances	\$ -	\$ -	\$ 1,094,980	\$ 1,094,980

See accompanying notes and independent auditor's report.

STATEMENT OF NET POSITION - PROPRIETARY FUND
December 31, 2013

	<u>2013</u>
<u>ASSETS</u>	
Cash and equivalents	\$ 130,081
Accounts receivable, net of allowance for receivables of \$79,022	966,621
Inventories	1,496,671
Prepaid expenses	352,788
Restricted assets-cash and cash in time deposits	3,420,008
Due from other funds	283,570
Fixed assets, net of accumulated depreciation	35,320,581
Total assets	<u>\$ 41,970,320</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 1,369,503
Accrued liabilities	131,067
Due to other funds	17,205
Customer deposits	111,204
Bonds payable, current portion	817,670
Total current liabilities	<u>2,446,649</u>
Non-current liabilities:	
Compensated absences	712,631
Other post employment benefits	195,935
Bonds payable	10,750,235
Total non-current liabilities	<u>11,658,801</u>
Total liabilities	<u>14,105,450</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows of resources	<u>6,256</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	23,752,676
Restricted for capital projects	2,857,306
Restricted for debt service	395,972
Restricted for other purposes	166,730
Unrestricted	685,930
Total net position	<u>27,858,614</u>
Total liabilities, deferred inflows and net position	<u>\$ 41,970,320</u>

See accompanying notes and independent auditor's report.

CITY OF PLATTSBURGH

Exhibit K

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUND
Year ended December 31, 2013**

	<u>2013</u>
Charges for services:	
Municipal charges	\$ 16,651,292
Interfund charges	222,795
Miscellaneous income	<u>102,259</u>
Total charges for services	<u>16,976,346</u>
Operating expenses:	
Salaries and wages	1,543,793
Fringe benefits	1,306,485
Electric and power	10,665,352
Real property taxes	69,033
Depreciation	<u>1,987,851</u>
Total operating expenses	<u>15,572,514</u>
Net Operating income	<u>1,403,832</u>
Nonoperating Income (Expenses)	
Use of money and property	163,515
Interest expense	(464,525)
Industrial payments	93,439
State aid	-
Total Nonoperating Income (Expense)	<u>(207,571)</u>
Change in net position before transfers	1,196,261
Transfers	
Transfer from capital projects	538
Payments in lieu of taxes	(377,205)
Contributions to municipality	<u>(222,795)</u>
Total transfers	<u>(599,462)</u>
Change in net position	596,799
Net position and required reserves, January 1	<u>27,261,815</u>
Net position and required reserves, December 31	<u><u>\$ 27,858,614</u></u>

See accompanying notes and independent auditor's report.

CITY OF PLATTSBURGH

Exhibit L

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended December 31, 2013**

	<u>2013</u>
Net cash provided (used) by operating activities	
Cash received from customers	\$ 16,958,805
Cash paid to suppliers and other vendors	(11,262,153)
Cash paid for salaries and employee benefits	(2,873,323)
Other revenue	170,541
Net cash provided by operating activities	<u>2,993,870</u>
Net cash used by non-capital and financing activities	
Real property taxes	<u>(69,033)</u>
Net cash used by non-capital and financing activities	<u>(69,033)</u>
Net cash provided (used) by investing activities	
Sale of investments	899,638
Interest income	110,156
Net cash provided by investing activities	<u>1,009,794</u>
Net cash provided (used) by capital and related financing activities	
Industrial payments	93,439
Principal payments on debt	(827,810)
Interest expense on debt	(464,525)
Payments to contractors	<u>(2,672,372)</u>
Net cash used by capital and related financing activities	<u>(3,871,268)</u>
Net increase in cash and cash equivalents	63,363
Cash and cash equivalents, beginning of year	<u>66,718</u>
Cash and cash equivalents, end of year	<u><u>\$ 130,081</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 1,403,832
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Contributions to municipality	(599,462)
Real property taxes	69,033
Rental of real property	53,359
Depreciation	1,987,851
(Increase) decrease in assets:	
Account receivable	84,718
Due from other funds	(50,567)
Inventories	(2,636)
Prepaid expenses	(4,305)
Increase (decrease) in liabilities:	
Accounts payable	56,481
Accrued liabilities	9,345
Due to other funds	(5,657)
Customer deposits	14,923
Compensated absences	23,775
Other post employment benefits	(46,820)
Net cash provided by operating activities	<u><u>\$ 2,993,870</u></u>

See accompanying notes and independent auditor's report.

CITY OF PLATTSBURGH, NEW YORK

Exhibit M

STATEMENT OF FIDUCIARY NET POSITION
December 31, 2013

<u>ASSETS</u>	<u>12/31/2013</u>
Cash and equivalents	\$ -
Restricted cash	<u>2,515,900</u>
Total assets	<u>\$ 2,515,900</u>
<u>LIABILITIES</u>	
Due to other funds	\$ 480
Due to other governments	9
Other liabilities	<u>2,515,411</u>
Total liabilities	<u>2,515,900</u>
<u>NET POSITION</u>	
Trust	<u>-</u>
Total net position	<u>-</u>
Total liabilities and net position	<u>\$ 2,515,900</u>

See accompanying notes and independent auditor's report.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

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

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

FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

COMPONENT UNITS

The financial reporting entity consists of (a) the primary government which is the City of Plattsburgh, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement 61.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in Statement No. 61 of the Governmental Accounting Standards Board including legal standing, fiscal dependency, financial accountability and overall materiality to the primary government. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the City of Plattsburgh reporting entity.

1. The Lake City Local Development Corporation (LCLDC) is related to the City of Plattsburgh and is a component unit under the criteria set forth in GASB Statement 61. The discrete component unit column in the Statement of Net Position and the Statement of Activities includes the financial data of the LDC. It is discretely presented in a separate column to emphasize that it is legally separate from the City. The Corporation provides administrative and technical support to potential employers of city residents.

The principal office of the Corporation is located at:

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

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (continued)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (continued)

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

formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

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

FUND TYPES AND MAJOR FUNDS

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

Governmental Funds

The City reports the following major governmental funds:

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

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

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

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

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION (continued)

FUND TYPES AND MAJOR FUNDS (continued)

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

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

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

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

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

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

Proprietary Fund

The City reports the following major proprietary fund:

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

Fiduciary Fund

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

PERVASIVENESS OF ESTIMATES

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

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETARY DATA

BUDGET POLICY AND PRACTICE

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

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

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

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

Revenues	General Fund	Special Revenue Fund	Debt Service Fund
Revenues included in budget comparison - Exhibits G, H and I	\$ 20,840,288	\$ 9,781,151	\$ 38,260
Plus revenues from Special Revenue funds excluded in budget comparison	-	129,658	-
Revenues per Exhibit D	\$ 20,840,288	\$ 9,910,809	\$ 38,260
 Expenditures			
Expenditures included in budget comparison - Exhibits G, H, and I	\$ 19,550,263	\$ 9,148,173	\$ 2,539,715
Plus Expenditures from Special Revenue Funds excluded in budget comparison	-	96,739	-
Less Encumbrances included in budget comparison	(9,955)	(31,196)	-
Expenditures per Exhibit D	\$ 19,540,308	\$ 9,213,716	\$ 2,539,715

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUDGETARY DATA (continued)

BUDGETARY CONTROL

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

BUDGET BASIS OF ACCOUNTING

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

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

CASH

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

RECEIVABLES

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

<u>Fund</u>	<u>Taxes Receivable</u>	<u>Other Receivables</u>
General	\$ 225,757	\$ 885,802
Enterprise	-	79,022
	<u>\$ 225,757</u>	<u>\$ 964,824</u>

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORIES AND PREPAIDS

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

CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

Governmental funds

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

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

Proprietary fund

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

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

Equity Classifications

City-wide Statements:

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

Fund statements:

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

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes prepaids for \$837,645 and long-term loans & receivables for \$1,021,645.

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

General Fund

Asset Forfeiture Reserve – An amount reserved to purchase equipment for police department. Reserve balance at December 31, 2013 was \$225,407.

Aerial Fire Equipment Reserve - An amount reserved for the future purchase of an Aerial Fire Truck. Reserve balance at December 31, 2013 was \$273,250.

Retirement Reserve - An amount reserved for future retirement costs. Reserve balance at December 31, 2013 was \$530,769.

Special Revenue Fund

Sewer

Capital Reserve - Established June 28, 1979, pursuant to Section 6(c) of the General Municipal Law for the acquisition, construction and reconstruction of the City's Sewer System. Reserve balance at December 31, 2013 was \$3,997,682.

Water

Capital Reserve - Established June 28, 1979, pursuant to Section 6(c) of the General Municipal Law for the acquisition, construction and reconstruction of the City's Water System. Reserve balance at December 31, 2013 was \$233,679.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Library

Capital Reserve - Established October 22, 2013, pursuant to Section 6(c) of the General Municipal Law for the construction and/or reconstruction of the City's Library. Reserve balance at December 31, 2013 was \$48,864.

Debt Service Fund

Mandatory Reserve for Indebtedness - Pursuant to Section 165.00 of the Local Finance Law of the State of New York, the proceeds, inclusive of premium of generally all indebtedness incurred by the City, which will not be used for the specific purposes of the borrowing, plus any interest earned or capital gain realized on these proceeds or gain must be used only for payment of the principal and/or interest of the indebtedness from which these proceeds were derived. Such funds were set aside for Water Pollution Plant Bonds of 1976, Various Purpose Bonds of 1986, and Various Purpose Bonds of 1988. Reserve balance at December 31, 2013 was \$1,157,052.

Enterprise Fund

Electric Distribution System Bond Reserve Fund - Established July 27, 1978, pursuant to Section 6(h) of the General Municipal Law for the payment of bonded indebtedness. Maximum allowed accumulation is up to two years of debt service. Reserve balance at December 31, 2013 was \$395,972.

Reserve for Capital Projects (Municipal Lighting) - Required to be maintained by Section 6(k) of the General Municipal Law. These monies can only be used for improvements, extension, or replacement of electric services or for payment of indebtedness incurred for such purposes. Reserve balance at December 31, 2013 was \$2,857,306.

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

Committed – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Mayor and common council. The City has no committed fund balances as of December 31, 2013.

Assigned – Includes amounts that are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$9,955 and Special Revenue Fund amounted to \$31,196.

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

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Order of Use of Fund Balance:

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

PROGRAM REVENUES

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes.

PROPRIETARY FUNDS OPERATING AND NONOPERATING REVENUES AND EXPENSES

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

COMPENSATED ABSENCES

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

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

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

POST-EMPLOYMENT BENEFITS

The City of Plattsburgh, New York, provides certain health care benefits for retired employees. Health care costs include a prescription plan with co-payment of \$3 - \$40 per participant, 80% of major medical costs, and reimbursement to retiree and spouse for Medicare Part B insurance of \$104.90 per month. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. As of April 1, 1991, all present full time and equivalent City employees must serve for 20 years for the City to pay health care coverage unless otherwise prohibited by bargaining contract. All new hires will not be accorded any retirement health care coverage unless otherwise given in contract. The City accrues these costs when incurred. Segregation of these costs from ordinary employee benefits is not feasible at this time. Additionally, under General Municipal Law, the City is responsible for post-employment benefits to City firefighters who become disabled as a result of an injury or illness incurred in the line of duty.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This post-employment benefit is the difference between the amount received from the pension system and regular salary. The City accounts for this post-employment benefit on a pay-as-you-go basis and the cost recognized in 2013 amounted to \$342,712 for 16 individuals.

EVENTS OCCURRING AFTER THE REPORTING DATE

The City has evaluated events and transactions that occurred between December 31, 2013 and October 16, 2014, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NEW ACCOUNTING STANDARDS:

The City has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2013, the City implemented the following new standard issued by GASB:

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*.

GASB 65 amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. In addition, this Statement amends or supersedes requirements for the determination of major funds and addresses other statement of net position and governmental funds balance sheet presentation issues.

NOTE 2. CASH AND INVESTMENTS

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

The carrying amount of cash and cash in time deposits at December 31, 2013, is comprised as follows:

	Non-restricted Cash	Restricted Cash
Petty cash funds	\$ 7,240	\$ -
Non-interest bearing accounts	4,622	-
Interest bearing accounts	<u>13,715,105</u>	<u>12,465,650</u>
	<u>\$ 13,726,967</u>	<u>\$ 12,465,650</u>

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

Deposits and investments at year-end were entirely covered by either the FDIC or by collateral held by the City's designated third-party custodial banks in the City's name. The City's bank balances totaled \$26,625,928 of which, \$250,000 was covered by Federal depository insurance and \$26,375,928 was covered by collateral.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 2. CASH AND INVESTMENTS (continued)

Pooled Bank Accounts - Separate bank accounts are not maintained for all of the City's funds. Instead, most of the cash is deposited in pooled checking and savings accounts with accounting records maintained to show the portion of the balance attributable to each fund. At December 31, 2013 the City's funds had the book balances shown in the following schedule in the pooled bank accounts:

<u>Fund</u>	<u>Cash</u>
General	\$ 2,710,039
Water	1,851,372
Sewer	4,941,944
Library	196,611
Parking	132,628
Rec. Complex	41,710
Debt Service	1,142,026
	<u>\$ 11,016,330</u>

NOTE 3. PROPERTY TAXES

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

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

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

Taxable Status Date - March 1

Levy Date - On or before January 30

Lien Date - January 1

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

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

NOTE 4. ECONOMIC DEVELOPMENT LOANS

The City has established an economic development revolving loan program to create new employment opportunities for low or moderate income residents of the City through the expansion of existing or creation of new business in the City. Community Development Block Grant funds were used to issue the loans and as repayments are received, the City will provide additional economic development assistance to residents of the City. The balance of these loans at December 31, 2013 was \$272,705 maturing at various dates, bearing interest from 2.44% to 6.38%, collateralized by various property liens.

During 1998, the City established the Facade III Program which provided loans to business owners in the Central Business District for building facade rehabilitation. Dollars for this program are part of the Economic

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

NOTE 4. ECONOMIC DEVELOPMENT LOANS (continued)

Development Loan Fund. Loans are \$10,000 per store front or \$24 per square foot whichever is greater to qualifying property owners. The loans are over seven years at 3% interest. The balance of these loans at December 31, 2013 was \$62,801.

NOTE 5. INTERFUND BALANCES AND ACTIVITY

Interfund balances at December 31, 2013 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Transfers In	Interfund Transfers Out
General	\$ 283,473	\$ 266,271	\$ 1,069,947	\$ 3,385,128
Special Revenue	3,790	840,631	1,672,636	1,604,974
Capital Projects	563,176	12,677	776,786	1,515,711
Debt Service	3,255	-	3,596,435	-
Trust & Agency	-	480	-	-
Permanent Fund	-	-	-	10,529
Enterprise Fund	283,570	17,205	538	600,000
Total	<u>\$ 1,137,264</u>	<u>\$ 1,137,264</u>	<u>\$ 7,116,342</u>	<u>\$ 7,116,342</u>

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

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

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

NOTE 6. RESTRICTED CASH

Restricted cash consists of the following:

Fund	Restricted Cash Balance	Restriction
General	\$ 273,250	Fire equipment purchases
	230,466	Police equipment purchases
	530,769	Retirement reserve
Total General	<u>\$ 1,034,485</u>	
Special Revenue	<u>\$ 4,353,231</u>	Water, Sewer and Library fund capital reserves
Debt Service	<u>\$ 1,142,026</u>	Bond Debt Reserve - Time Deposit
Enterprise	\$ 395,972	Bond Debt Reserve - Time Deposit
	2,857,306	Depreciation Reserve
	55,327	Retirement Reserve
	111,403	Other Deposits
Total Enterprise	<u>\$ 3,420,008</u>	
Trust & Agency	\$ 2,280,044	Escrow compost
	63,253	Clyde Lewis Park
	172,603	Other
Total Trust & Agency	<u>\$ 2,515,900</u>	

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 7. CAPITAL ASSETS

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

	Restated Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
Land	\$ 18,636,924	\$ -	\$ 11,300	\$ 18,625,624
Infrastructure	68,441,203	2,968,424	-	71,409,627
Buildings & improvements	50,464,326	486,648	-	50,950,974
Machinery and equipment	9,085,074	771,170	235,283	9,620,961
Construction in progress	12,134,186	2,305,603	4,073,706	10,366,083
Total	<u>158,761,713</u>	<u>\$ 6,531,845</u>	<u>\$ 4,320,289</u>	<u>160,973,269</u>
Less accumulated depreciation	<u>60,618,798</u>			<u>63,881,178</u>
	<u>\$ 98,142,915</u>			<u>\$ 97,092,091</u>

Depreciation was charged to governmental functions as follows:

	12/31/2013
General governmental support	\$ 558,474
Public Safety	315,760
Transportation	497,468
Economic assistance and opportunity	7,679
Culture and recreation	208,977
Home and community services	1,909,305
	<u>\$ 3,497,663</u>

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

FIXED ASSETS				
DESCRIPTION	12/31/2012	ADDITIONS	DELETIONS	12/31/2013
Land	\$ 516,477	\$ -	\$ -	\$ 516,477
Buildings	852,583	80,715	-	933,298
Improvements	55,999,019	1,254,580	368,882	56,884,717
Machinery and equipment	9,930,201	492,958	261,333	10,161,826
Construction in progress	252,485	2,654,643	1,455,614	1,451,514
Total	<u>67,550,765</u>	<u>\$ 4,482,896</u>	<u>\$ 2,085,829</u>	<u>69,947,832</u>
Less accumulated depreciation	<u>32,914,705</u>			<u>34,627,251</u>
	<u>\$ 34,636,060</u>			<u>\$ 35,320,581</u>

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 8. BONDS

Changes in bonds for the year ended December 31, 2013 follow:

	Business-type Activities	Governmental Activities	Totals
Amount payable at January 1, 2013	\$ 12,395,715	\$ 19,594,056	\$ 31,989,771
Bonds Issued	-	-	-
Bonds Retired	(827,810)	(1,982,190)	(2,810,000)
Amount payable at December 31, 2013	<u>\$ 11,567,905</u>	<u>\$ 17,611,866</u>	<u>\$ 29,179,771</u>

Total interest expenditures for the year ended December 31, 2013, were \$1,022,655. The following details the interest expense by function:

	Business-type Activities	Governmental Activities	Totals
General governmental support	\$ -	\$ 553,676	\$ 553,676
Home and community services	468,979	-	468,979
	<u>\$ 468,979</u>	<u>\$ 553,676</u>	<u>\$ 1,022,655</u>

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 8. BONDS (continued)

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

Year	Principal		Total Principal
	Governmental Activities	Business-type Activities	
2014	\$ 1,997,101	\$ 817,670	\$ 2,814,771
2015	1,881,900	848,100	2,730,000
2016	1,296,065	868,935	2,165,000
2017	1,322,980	877,020	2,200,000
2018	1,332,980	902,020	2,235,000
2019-2023	5,577,980	3,902,020	9,480,000
2024-2028	3,392,860	2,827,140	6,220,000
2029-2033	810,000	525,000	1,335,000
	<u>\$ 17,611,866</u>	<u>\$ 11,567,905</u>	<u>\$ 29,179,771</u>

Year	Interest		Total Interest
	Governmental Activities	Business-type Activities	
2014	\$ 493,908	\$ 438,466	\$ 932,374
2015	445,453	410,841	856,294
2016	381,434	377,849	759,283
2017	345,409	344,579	689,988
2018	308,432	310,568	619,000
2019-2023	1,033,498	1,045,808	2,079,306
2024-2028	356,815	371,701	728,516
2029-2033	32,408	10,500	42,908
	<u>\$ 3,397,357</u>	<u>\$ 3,310,312</u>	<u>\$ 6,707,669</u>

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

At December 31, 2013, there were no capital leases.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 8. BONDS (continued)

General obligation bonds consist of the following:

Governmental funds

\$2,761,000, Public Improvement Serial Bonds, variable principal payments through 2024, interest variable at 3.25%-4.15%.	\$ 1,131,600
\$5,190,905 Refunding Serial Bonds of 2009 due in annual installments of \$81,900 to \$827,675 through 2020, interest rate at 2.375% to 4.750%	1,776,495
\$2,865,000 Public Improvements Serial Bonds of 2006 due in annual installments of \$75,000 to \$175,000 through 2026, interest rate at 4.0%	1,775,000
\$3,629,000 Public Improvements Serial Bonds of 2009 due in annual installments of \$25,000 to \$282,000 through 2029, interest rate at 3.625% to 4.0%	2,794,000
\$8,735,000 Public Improvements Serial Bonds of 2011 due in annual installments of \$315,000 to \$550,000 through 2030, interest rate at 1.250% to 3.250%	7,900,000
\$2,369,771 NYS Evironmental Facilities Bond of 2012, due in annual installments of \$130,000 to \$155,000 through 2029 with an interest rate at .27% to 3.468%	2,234,771
Total Governmental Activities	<u>17,611,866</u>

Business-type Activities

\$3,560,000 Public improvement Serial Bonds, variable principal payments through 2024, interest variable at 3.2%-4.15%.	2,113,400
\$2,444,095 Refunding Serial Bonds of 2009, due in annual installments of \$171,880 to \$221,735 through 2020, interest at 2.375% to 4.750%	1,498,505
\$9,600,000 Public Improvement Serial Bonds of 2009, due in annual installments of \$354,000 to \$525,000 through 2029, interest at 3.625% to 4.0%	7,956,000
Total Business-type Activities	<u>11,567,905</u>
Total General Obligation Bonds	<u>\$ 29,179,771</u>

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 9. DEFERRED INFLOWS OF RESOURCES

Special Revenue Fund - In the Community Development Fund, deferred inflows consist of loans currently outstanding to business and individuals which when repaid will be recognized as income. At December 31, 2013, this amount was \$11,149.

General Fund - The City settled a lawsuit during 2002 arising from a dispute relating to obligations under a certain employment contract. This settlement is a result of inaccurate language placed in an employment contract with the City. As a result of this inaccurate language, the City has incurred a liability for approximately \$750,000 in wages to supplement the disability payments of two former employees. A lawsuit against the City's former labor relations attorney was settled in favor of the City in the amount of \$750,000, which is reflected as deferred revenue. The expense for these additional wages and the related deferred inflows will be recognized as paid. At December 31, 2013 the balance in deferred revenues is \$53,062.

NOTE 10. POSTCLOSURE CARE COST

State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the Altona Sludge lagoon for thirty years after closure plan acceptance in 1991. The City reports post closure care costs as an operating expense for each year in the Sewer Fund. At December 31, 2013, this amount was \$2,728.

NOTE 11. RETIREMENT BENEFITS

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

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

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

	ERS	PFRS
2013	\$ 1,509,264	\$ 1,697,869
2012	\$ 1,367,269	\$ 1,455,711
2011	\$ 1,021,920	\$ 1,103,100

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 11. RETIREMENT BENEFITS (Continued)

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

NOTE 12. POST-EMPLOYMENT BENEFITS

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

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

The City has obtained an interim actuarial valuation report as of December 31, 2013 which indicates that the total liability for other post-employment benefits is \$5,642,267 which is reflected in the Statement of Net Position.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

	12/31/2013			12/31/2012			12/31/2011		
	City	MLD	Total	City	MLD	Total	City	MLD	Total
Annual required contribution	\$ 3,488,303	\$ 425,056	\$ 3,913,359	\$ 3,547,754	\$ 440,580	\$ 3,988,334	\$ 4,141,042	\$ 467,483	\$ 4,608,525
Interest on net OPEB obligation	191,724	9,710	201,434	183,881	12,662	196,543	146,243	15,127	161,370
Adjustment to annual required contribution	(198,546)	(10,056)	(208,602)	(181,229)	(12,480)	(193,709)	(134,485)	(13,911)	(148,396)
Annual OPEB cost (expense)	3,481,481	424,710	3,906,191	3,550,406	440,762	3,991,168	4,152,800	468,699	4,621,499
Contributions made (estimated)	(2,828,244)	(471,530)	(3,299,774)	(2,843,557)	(479,393)	(3,322,950)	(3,316,408)	(523,468)	(3,839,876)
Increase (decrease) in net OPEB obligation	653,237	(46,820)	606,417	706,849	(38,631)	668,218	836,392	(54,769)	781,623
Net OPEB obligation - beginning of year	4,793,095	242,755	5,035,850	4,086,246	281,386	4,367,632	3,249,854	336,155	3,586,009
Net OPEB obligation - end of year	\$ 5,446,332	\$ 195,935	\$ 5,642,267	\$ 4,793,095	\$ 242,755	\$ 5,035,850	\$ 4,086,246	\$ 281,386	\$ 4,367,632
Annual OPEB Cost	\$ 3,481,481	\$ 424,710	\$ 3,906,191	\$ 3,550,406	\$ 440,762	\$ 3,991,168	\$ 4,152,800	\$ 468,699	\$ 4,621,499
Percentage of Annual OPEB Cost Contributed	81.2%	111.0%	84.5%	80.1%	108.8%	83.3%	79.9%	111.7%	83.1%
Net OPEB Obligation at end of year	\$ 5,446,332	\$ 195,935	\$ 5,642,267	\$ 4,793,095	\$ 242,755	\$ 5,035,850	\$ 4,086,246	\$ 281,386	\$ 4,367,632

NOTE 12. POST-EMPLOYMENT BENEFITS (continued)

Funding Status and Funding Progress: As of December 31, 2013, the actuarial accrued liability for benefits was \$79,176,105, all of which was unfunded. The covered payroll for all active employees was \$14,445,526 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 548.10%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financials statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

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

The following simplifying assumptions were made:

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

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

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

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was initially set at 10.8%.

Discount rate – A 4.0% discount was used.

The unfunded actuarial accrued liability is being amortized over a level period of 30 years. The remaining amortization period at December 31, 2013 was 24 years.

NOTE 13. BOND ANTICIPATION NOTE

Bond anticipation note payable dated December 27, 2013 with a scheduled maturity date of November 20, 2014 with interest 1.25%. Proceeds of the BAN were used to fund various capital projects. The balance at December 31, 2013 was \$2,606,766.

NOTE 14. FRANCHISE FEE REVENUE

The City has a cable contract with Charter Communications and the City receives 5% of total gross revenue. Included in non-property tax items in the General Fund on Exhibit D franchise fee revenue was \$246,816 based on gross revenue of \$4,936,320

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

NOTE 15. COMMITMENTS AND CONTINGENCIES

Purchase of Electricity

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

Durkee Street Lease

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

Clyde Lewis Park Trust

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

Law Suits

The City has been named, in the normal course of operations, as a defendant in numerous claims according to its insurance carrier. In the opinion of the City, after considering all relevant facts, except as stated below, the ultimate losses not covered by insurance resulting from such litigation could have the potential to be in the range of \$150,000 to \$200,000 taken as a whole.

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

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

There are several real property tax cases pending against the City. Historically many cases are abandoned, settled by modest reductions in assessed value in future years or negotiated settlements are agreed upon. In the opinion of the City, the potential liability that may arise would be \$489,000.

Sewage Treatment Facilities

The City of Plattsburgh has a long-term contract covering the period of indebtedness for its Water Pollution Plant with Georgia Pacific and Tenneco Packaging, which guarantee a significant portion of the capital indebtedness outstanding for this project.

NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)

Other significant users who pay or have paid a significant part of the capital investment in these facilities are the Plattsburgh State University of New York and the Town of Plattsburgh. Operations and maintenance costs are billed on a monthly usage basis.

Grant Programs

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

Environmental Concerns

In the normal course of operations, the City is engaged in many activities (i.e. utility service, refuse disposal, and gasoline storage) that are potentially hazardous to the environment. As of December 31, 2013 the City has not disclosed any significant environmental problems in the financial statements.

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

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

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

City Court Lease

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

Dock Street Landing Property Lease

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

Contract Negotiations

The City's contact with Local 788 and New York Council 66 of the American Federation of State, County and Municipal Employees, AFL-CIO, expired on June 30th, 2009, and has gone through impasse and completed the fact-finding stage of mediation in an attempt to reach an agreement. No agreement was reached for the

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)

period July 1st, 2009, through June 30th, 2010, resulting in no pay increase for that period. Negotiations resumed for the period beginning July 1st, 2010, and the contract was settled in 2013 providing for pay increases of 1.5% per year five years and remains in effect until June 30, 2015.

The financial effect of these changes from the retroactive payroll accumulations allowed under NYS Labor Law from payments made in 2013 is \$462,563.

The City's contract with Local 2421 of The International Association of Firefighters expired on December 31st, 2007, and has gone through impasse and reached interest arbitration of the mediation process to establish an agreement. The interest arbitrator issued a report in October of 2012 detailing the wage and benefit changes being ordered for the affected employee group as follows: effective January 1st, 2008, a 2.9% pay increase with a \$150.00 addition to the employee uniform allowance and effective January 1st, 2009, a 3% pay increase with another \$150.00 addition to the employee uniform allowance. The financial effect of these changes from the retroactive payroll accumulations allowed under NYS Labor Law from payments made in 2012 is \$491,295.

The interest arbitrator issued a second report in August of 2013 in response to a union grievance detailing the wage and benefit changes being ordered for the affected employee group as follows: the \$150.00 increase in the uniform allowance for 2008 will be added retroactively to Schedule A wages, effective January 1st, 2008, whereupon such wages will be increased by 2.9% per the interest award; and the \$150.00 increase in the uniform allowance for 2009 will be added retroactively to Schedule A wages, effective January 1st, 2009, whereupon such wages will be increased by 3%, per the interest award. The financial effect of these changes from the retroactive payroll accumulations allowed under NYS Labor Law from payments made in 2013 is \$40,243. The financial outcome for the negotiations that have continued for periods forward from January 1st, 2012, cannot be determined at this time.

The City's contract with Local 812 of the Plattsburgh Police Officers Union and New York Council 82 of the American Federation of State, County and Municipal Employees, AFL-CIO, expired on December 31st, 2012, and was settled in 2013 providing for pay increases of 1.5% effective January 1st, 2013, 1% effective January 1st, 2014, 1.5% effective January 1st, 2015, and 1% effective January 1st, 2016. The financial effect of these changes from the retroactive payroll accumulations allowed under NYS Labor Law from payments made in 2013 is \$43,949.

The City's contact with Local 1249 of the International Brotherhood of Electrical Workers, AFL-CIO, expired on June 30th, 2012, and during 2013 has gone through impasse and entered the fact-finding stage of mediation in an attempt to reach an agreement but the financial outcome of these negotiations cannot be determined at this time.

NOTE 16. RELATED PARTY

The Plattsburgh Housing Authority (the "Authority") was created in 1951 by the New York State Legislature. Even though five out of seven members of the board are appointed by the Mayor, the City is not financially accountable for the Authority and, therefore, does not meet the requirements of GASB 61 for discrete component unit presentation.

CITY OF PLATTSBURGH

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

Note 17. PRIOR PERIOD ADJUSTMENT

The prior period financial statements were restated in the following funds/component units. The reduction in the governmental activities resulted from the correction of capital assets due to the updating of the software and removal of duplicate assets. The Plattsburgh Housing Authority (see note 16) was removed as a discrete component unit after reviewing the reporting requirements of GASB 61.

	Governmental Activities	Plattsburgh Housing Authority	Total
Reduction in net position	\$ (443,842)	\$ (13,158,633)	\$ (13,602,475)

Other Supplemental Information

CITY OF PLATTSBURGH

SCHEDULE OF FUNDING PROGRESS OTHER POST EMPLOYMENT BENEFITS PLAN
Year Ended December 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UALL as a Percentage of Covered Payroll
12/31/2013	\$ -	\$ 79,176,105	\$ 79,176,105	0%	\$ 14,445,526	548.10%
12/31/2012	\$ -	\$ 75,697,431	\$ 75,697,431	0%	\$ 14,024,783	539.74%
12/31/2011	\$ -	\$ 95,154,104	\$ 95,154,104	0%	\$ 13,984,552	680.42%
12/31/2010	\$ -	\$ 102,948,784	\$ 102,948,784	0%	\$ 13,446,685	765.61%
12/31/2009	\$ -	\$ 91,417,377	\$ 91,417,377	0%	\$ 12,929,505	707.04%
12/31/2008	\$ -	\$ 91,512,247	\$ 91,512,247	0%	\$ 12,939,761	707.22%

Compliance Section

BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Plattsburgh, New York as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise City of Plattsburgh's basic financial statements and have issued our report thereon dated October 16, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Boulrice & Wood CPAs, PC

October 16, 2014