

CITY OF GLENS FALLS, NEW YORK

Independent Auditors' Report

Financial Statements and  
Supplementary Information

Year Ended December 31, 2011



Whittemore, Downen & Ricciardelli, LLP  
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CITY OF GLENS FALLS, NEW YORK

Table of Contents

		Page
Independent Auditors' Report		1-2
	Exhibit	
Management's Discussion and Analysis		3-9
<u>City-Wide Financial Statements:</u>		
Statement of Net Assets	A	10
Statement of Activities	B	11
<u>Governmental Fund Financial Statements:</u>		
Balance Sheet – Governmental Funds	C	12-13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	D	14-15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	E	16-19
Statement of Fiduciary Net Assets – Fiduciary Funds	F	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	G	21
Statement of Net Assets – Proprietary Fund	H	22
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund	I	23
Statement of Cash Flows – Proprietary Fund	J	24-25
Reconciliation of Balance Sheet for Governmental Funds to Statement of Net Assets	K	26-27
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds to the Statement of Activities	L	28-29
Notes to Financial Statements		30-51

Required Supplemental Information:

Schedule of Funding Progress for Other Postemployment Benefits (Schedule 1)	52
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Additional Reports Required by the Single Audit Act:

Schedule of Expenditures of Federal Awards (Schedule 2)	53
Notes to Schedule of Expenditures of Federal Awards	54
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	55-56
Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	57-58
Schedule of Findings and Questioned Costs (Schedule 3)	59-62
Schedule of Status of Findings and Questioned Costs From 2010 Report (Schedule 4)	63



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## INDEPENDENT AUDITORS' REPORT

To The Mayor and Common Council  
City of Glens Falls, New York:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Glens Falls, New York, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Glens Falls, New York's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Greater Glens Falls Transit System, which statements represent the amounts shown as the enterprise fund or the Glens Falls Urban Renewal Agency, a blended component unit included in non-major funds. In addition, we did not audit the financial statements of the City of Glens Falls Industrial Development Agency and the Greater Glens Falls Local Development Corporation which are component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Greater Glens Falls Transit System and the listed component units are based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. In addition, the other auditors conducted the audits of the Greater Glens Falls Transit System, City of Glens Falls industrial Development Agency, and the Greater Glens Falls Local Development Corporation in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The other auditors of the financial statements of the Glens Falls Urban Renewal Agency conducted their audit in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards, the effect of which is considered to be immaterial to the audit results. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Glens Falls, New York, as of December 31, 2011 and the respective changes in financial position and where applicable, the cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2012 on our consideration of the City of Glens Falls, 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for post employment benefits on pages 3 through 9, 16 through 19 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glens Falls, New York's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP

September 14, 2012

**CITY OF GLENS FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2011

The City of Glens Falls offers this discussion and analysis for the fiscal year ending December 31, 2011. Unless otherwise stated, all amounts are expressed in thousands of dollars. The purpose of the MD&A is to (1) focus on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any individual fund issues or concerns and (5) provide descriptions of significant asset and debt activity. Please read along with the City's financial statements, which immediately follow this section, including the notes beginning on page 30.

## 1. FINANCIAL HIGHLIGHTS

Total assets of the City exceeded total liabilities by \$79,387, reported as net assets. Assets totaled \$140,038 and liabilities totaled \$60,652. Net assets of business-type activities were \$3,141 and net assets of governmental activities were \$76,246.

For the year, total revenues for the City were \$28,550, while total expenses were \$32,013. The net of the revenues and expenses leaves the City with a negative change in net assets of \$3,464.

At the end of the year, total assigned fund balance for the general fund was \$218, down from \$420 in the prior year. The assigned fund balance at the end of 2011 represents 1.3% of total general fund expenditures for the year.

Total long-term indebtedness for the City (excluding the business-type activities) at the end of the year was \$53,070, up \$ 2,282 from \$50,788 at the end of 2010.

## 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 Glens Falls. 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. In future years, the Statement of Net Assets will provide comparisons that will most closely answer the question of whether the City's financial condition has improved or deteriorated during the year.

The statement of net assets provides the reader with a snapshot in time of the assets, liabilities and resulting net assets (or equity as stated with private sector reporting) of the City. Over time, increases or decreases in the net assets 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. Some of these indicators include, but are not limited to: changes in the total property tax base, employment trends in the City and outlying areas, and condition of the City's capital assets (streets, buildings, water, and sewer infrastructure).

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 assets 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 for 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 (police & fire protection), street construction & maintenance, economic development, water & sewer utilities, culture and recreation. The only business-type activity in the City is

**CITY OF GLENS FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2011

the Greater Glens Falls Transit System. Third, the City includes three separate legal entities in its report - Glens Falls Local Development Corporation, the Glens Falls Industrial Development Agency, and the Urban Renewal Agency. While these represent legally separate entities, their operational or financial relationship with the City makes the City financially accountable.

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 Glens Falls, 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 Glens Falls 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 spendable resources as well as on the balance of spendable resources available at the end of the year. Spendable 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 60 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 Glens Falls maintains several 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, Bay Street reconstruction capital project fund, City Reservoir rehabilitation capital project fund, Water, Sewer, and Civic Center funds, all of which are considered to be major funds.

The financial statements for governmental funds can be found in the Governmental Fund Statement section.

b. Proprietary funds - The City of Glens Falls maintains one type of proprietary fund. The only enterprise fund in the City is for the Greater Glens Falls Transit System. Other funds such as Water, Sewer, and Civic Center are considered governmental funds.

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.

### 3. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets - Net assets may serve as a useful indicator of a government's financial position over time. For the year ending December 31, 2011, the City of Glens Falls assets exceeded liabilities by \$79,387, up from \$78,129 the previous year.

The majority of the City's net assets are 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, streets and sidewalks, etc.). Because 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.

An additional portion of the City's total assets, \$3,124, represents resources that are subject to external restrictions on how they may be used and are reported as restricted net assets. The remaining category of total net assets, unrestricted net assets may be used to meet the government's ongoing obligations and services to creditors and citizens, especially in the future.

**CITY OF GLENS FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2011

CITY OF GLENS FALLS NET ASSETS  
(000s omitted)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current Assets and Other Assets	\$ 12,517	\$ 13,961	\$ 1,528	\$ 1,411	\$ 14,045	\$ 15,372
Capital Assets	123,068	118,540	2,926	2,726	125,994	121,266
<b>Total assets</b>	<b>\$ 135,585</b>	<b>\$ 132,501</b>	<b>\$ 4,454</b>	<b>\$ 4,137</b>	<b>\$ 140,039</b>	<b>\$ 136,638</b>
Current liabilities	\$ 12,357	\$ 23,035	\$ 778	\$ 672	\$ 13,135	\$ 23,707
Non-current liabilities	46,982	34,399	535	403	47,517	34,802
<b>Total liabilities</b>	<b>59,339</b>	<b>57,434</b>	<b>1,313</b>	<b>1,075</b>	<b>60,652</b>	<b>58,509</b>
<b>Net Assets:</b>						
Invested in capital assets, Net of related debt	77,438	73,363	2,926	2,726	80,364	76,089
Restricted	2,205	1,709	920	788	3,125	2,497
Unrestricted (deficit)	(3,397)	(5)	(705)	(452)	(4,102)	(457)
<b>Total net assets</b>	<b>76,246</b>	<b>75,067</b>	<b>3,141</b>	<b>3,062</b>	<b>79,387</b>	<b>78,129</b>
<b>Total liabilities and Net assets</b>	<b>\$ 135,585</b>	<b>\$ 132,501</b>	<b>\$ 4,454</b>	<b>\$ 4,137</b>	<b>\$ 140,039</b>	<b>\$ 136,638</b>

- Governmental activities

Total net assets of the City's governmental activities for the year ending December 31, 2011 were \$76,246, up from \$75,067 in 2010. The majority of the net assets, \$77,438 are capital assets (net of related debt), which is an increase of \$4,075 over 2010.

Restricted net assets for the end of the year were \$2,205. Restricted assets include, but are not limited to: debt service and capital reserves.

- Business-type activities

The total net assets of our business-type activities were \$3,141 at year-end.



**CITY OF GLENS FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2011

The change in net assets during the most recent fiscal year is reported in the Statement of Activities found on Exhibit B. Key elements of this change are illustrated in the following table.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<b>Primary Revenues:</b>						
Charges for services	\$ 9,216	\$ 8,271	\$ 315	\$ 288	\$ 9,531	\$ 8,559
Operating grants and contributions	2,288	1,766	1,013	934	3,301	2,700
Capital grants and contributions	-	7,107	863	227	863	7,334
<b>Total Primary Revenues</b>	<b>11,504</b>	<b>17,144</b>	<b>2,191</b>	<b>1,449</b>	<b>13,695</b>	<b>18,593</b>
<b>General Revenues:</b>						
Property taxes	8,914	8,519	-	-	8,914	8,519
Sales and other taxes	3,617	3,498	-	-	3,617	3,498
Government aid	1,607	1,640	-	-	1,607	1,640
Other	714	731	3	2	717	733
<b>Total General Revenues</b>	<b>14,852</b>	<b>14,388</b>	<b>3</b>	<b>2</b>	<b>14,855</b>	<b>14,390</b>
<b>Total Revenues</b>	<b>26,356</b>	<b>31,532</b>	<b>2,194</b>	<b>1,451</b>	<b>28,550</b>	<b>32,983</b>
<b>Expenses:</b>						
General government	3,288	3,147	-	-	3,288	3,147
Education	1	2	-	-	1	2
Public safety	9,240	8,779	-	-	9,240	8,779
Health	155	149	-	-	155	149
Transportation	2,259	2,294	-	-	2,259	2,294
Economic assistance and Opportunity	304	356	-	-	304	356
Culture and recreation	3,054	2,520	-	-	3,054	2,520
Home and community	9,604	12,981	-	-	9,604	12,981
Debt service	1,993	1,619	-	-	1,993	1,619
Transit	-	-	2,115	1,997	2,115	1,997
<b>Total Expenses</b>	<b>29,898</b>	<b>31,847</b>	<b>2,115</b>	<b>1,997</b>	<b>32,013</b>	<b>33,844</b>
Excess of (deficit) revenue over Expenses	(3,542)	(315)	78	(546)	(3,463)	(861)
Change in net assets	(3,542)	(315)	78	(546)	(3,464)	(861)
Net assets – beginning	75,067	75,382	3,062	3,608	78,129	78,990
Prior period adjustments	4,722	-	-	-	4,722	-
<b>Net assets – ending</b>	<b>\$ 76,247</b>	<b>\$ 75,067</b>	<b>\$ 3,140</b>	<b>\$ 3,062</b>	<b>\$ 79,387</b>	<b>\$ 78,129</b>

**CITY OF GLENS FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2011

The City's total revenues for 2011 were \$28,550 versus total expenses of \$32,013, which decreased by \$1,831 over 2010. For the year, the City's net assets decreased by \$3,464, to bring total net assets of the primary government of the City to \$79,387. 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 \$26,356, down \$5,176 from 2010. Total expenses were \$29,898, down \$1,949 from 2010. This yielded an increase in net assets of \$1,180. Two of the major sources of revenues for the year were charges for services, which is mostly made up of water and sewer charges for services at \$9,216, or 35%. Property taxes comprised 34% of the total revenues while sales and other taxes were 13% of revenues.

On the expense side, public safety, and home and community made up the majority of the cost of the governmental activities. In public safety, the police and fire department expenses for the year totaled \$3,951 (42.7%) and \$4,179 (45.2%), of the total for public safety, respectively.

Home and community total expenses for the year were \$9,604. Costs associated with operating the water fund were \$1,415 or 14.7% of the total while the sewer fund costs were \$3,908 or 40.6% of the total.

- Business-type Activities

Revenues for the Transit System for the year were \$2,194, while total expenses for the operation were \$2,115. The resulting net assets for the business-type activities for the year increased by \$78.

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 assigned fund balance was \$218 and the total fund balance was \$696. As a measure of the General Fund's liquidity, it may be useful to compare both assigned fund balance and total fund balance to fund expenditures. For the current year ending December 31, 2011, assigned fund balances represent 1.3% of total fund expenditures, while total fund balance was 4.4% of the same amount. The total fund balance of the City's General Fund decreased by \$262 during the fiscal year 2011.
- 2) Special revenue funds - The special revenue funds for the City are made up of the following individual funds: Civic Center fund, special grant fund, water fund, and sewer fund. At the end of the current fiscal year, the total special revenue fund balances were \$4,531 which decreased by \$755 from the previous year.
- 3) Proprietary fund - The only proprietary fund for the City is the GGF Transit. At the end of the fiscal year ending December 31, 2011 fund balance was \$3,140, up \$78 from the previous year.
- 4) Internal service fund - An internal service fund is used to report any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units. At this time the City does not have an internal service fund.

4. BUDGETARY HIGHLIGHTS

The City Charter requires the Mayor to submit a tentative budget with an accompanying written budget report to the Common Council on or before October 1st for the next fiscal year. The tentative budget includes proposed expenditures and the proposed sources of funds for the General Fund and the Civic Center. The tentative budget is filed with the city clerk for public inspection. After public hearings are conducted to obtain taxpayer comments, but no later than December 1st, the Common Council adopts the budget.

**CITY OF GLENS FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2011

If the Common Council fails to adopt the tentative budget by December 15, the tentative budget shall be the budget. Any revisions that alter total appropriations of any department or fund must be approved by the Common Council.

The actual change in fund balance of the general fund resulted in a decrease for the current year of \$263 compared to an original budget with an excess of \$1. This result was caused by a shortage in mortgage tax revenue due to a still slow real estate market, a reduction in State Aid and a shortage in sales tax revenue due to a slow economy. The City's major governmental activities are financed almost entirely by real property taxes, non-property taxes, and other general revenues. To meet the demand for these services, the City increased property tax rates for 2011 by 2.27%.

**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, 2011, amounted to \$125,994 (net of accumulated depreciation). The amount as of December 31, 2010 was \$121,266 or an increase of \$4,728 or 3.9%. 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:

- Net capital additions for governmental activities for the year were \$13,373.
- Depreciation expense for the year was \$3,521.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 2,765	\$ 2,765	\$ 85	\$ 85	\$ 2,850	\$ 2,850
Infrastructure	121,087	121,087			121,087	121,087
Bldgs & Improvements	28,695	19,851	1,804	1,805	30,499	21,656
Equipment & Vehicles	22,664	22,506	4,642	3,924	27,306	26,430
Construction in Progress	<u>17,505</u>	<u>18,523</u>			<u>17,505</u>	<u>18,523</u>
<b>Totals</b>	<b>192,716</b>	<b>184,732</b>	<b>6,531</b>	<b>5,814</b>	<b>199,247</b>	<b>190,546</b>
Accumulated Depreciation	<u>69,648</u>	<u>66,192</u>	<u>3,605</u>	<u>3,088</u>	<u>73,253</u>	<u>69,280</u>
Capital assets net of accumulated depreciation	<u><u>\$ 123,068</u></u>	<u><u>\$ 118,540</u></u>	<u><u>\$ 2,926</u></u>	<u><u>\$ 2,726</u></u>	<u><u>\$ 125,994</u></u>	<u><u>\$ 121,266</u></u>

**CITY OF GLENS FALLS, NEW YORK**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the Year Ended December 31, 2011

Long-term Debt:

For the year, total debt increased by \$2,282 or 4.4%.

The New York State Constitution establishes a debt limit of 7 percent of the most recent five-year average valuation of taxable real estate in the City. The limit as of the fiscal year-end was \$68,711.

CITY OF GLENS FALLS OUTSTANDING DEBT  
(000s omitted)

	Governmental Activities		Business – type Activities		Total	
	2011	2010	2011	2010	2011	2010
Bonds and state and equipment loans	\$ 30,077	\$ 15,805	\$ -	\$ -	\$ 30,077	\$ 15,805
OPEB Liability	7,441	5,611	535	403	7,976	6,014
Capital Leases	11,537	15,077	-	-	11,537	15,077
Bond anticipation Notes	4,015	14,295	-	-	4,015	14,295
<b>Total</b>	<b>\$ 53,070</b>	<b>\$ 50,788</b>	<b>\$ 535</b>	<b>\$ 403</b>	<b>\$ 53,605</b>	<b>\$ 51,191</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City considers current year operational expenses and estimated revenues based on economic factors when establishing the fiscal year 2013 budget. The New York State Constitution restricts the annual tax levy for operating expenses to two percent of average full value of taxable City property over the last 5 years. The limitation does not apply to taxes for debt service. Property taxes for 2013 will increase an estimated 4% and an increase in the Water/Sewer rates is anticipated to be similar to 2012 with 4%. Budgeted expenditures are expected to rise due to increases in health insurance cost, estimated at 9%, and NYS retirement cost estimated at 11%. The City's elected and appointed officials will take these factors in consideration when developing the 2013 in December 2012.

**6. REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for the benefit of our citizens, taxpayers, customers, investors and creditors. If you need additional copies or have any questions, please contact our offices at Glens Falls Controller's Office, City Hall, 42 Ridge Street, Glens Falls, NY 12801.

## CITY OF GLENS FALLS, NEW YORK

## Statement of Net Assets

December 31, 2011

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Local Development Corporation	Industrial Development Agency
Cash and cash equivalents	\$ 4,524,554	\$ 244,745	\$ 4,769,299	\$ 703,248	\$ 185,190
Receivables (net)	5,691,078	433,347	6,124,425	-	-
Internal balances	8,168	660,853	669,021	-	-
Due from state and federal governments	111,867	-	111,867	7,689	-
Due from other governments	559,213	-	559,213	-	-
Loans receivable, net	80,557	-	80,557	82,396	-
Inventories	28,516	-	28,516	-	-
Prepaid expenses	61,006	-	61,006	7,019	-
Restricted cash	1,451,984	188,543	1,640,527	322,137	-
Capital assets, net	123,067,800	2,926,211	125,994,011	780,037	-
<b>Total Assets</b>	<b>135,584,743</b>	<b>4,453,699</b>	<b>140,038,442</b>	<b>1,902,526</b>	<b>185,190</b>
LIABILITIES					
Accounts payable	857,668	31,039	888,707	-	-
Accrued liabilities	1,470,325	81,073	1,551,398	-	-
Internal balances	-	660,558	660,558	-	-
Due to state and federal governments	-	-	-	-	-
Due to other governments	1,532,572	-	1,532,572	-	-
Deferred revenue	1,215,679	5,006	1,220,685	7,236	-
Other liabilities	1,191,673	-	1,191,673	-	-
Escrow funds held	50	-	50	-	-
Noncurrent liabilities:					
Due within one year	6,089,030	-	6,089,030	-	-
Due in more than one year	46,981,491	535,342	47,516,833	-	-
<b>Total Liabilities</b>	<b>59,338,488</b>	<b>1,313,018</b>	<b>60,651,506</b>	<b>7,236</b>	<b>-</b>
NET ASSETS					
Invested in capital assets, net of related debt	77,438,459	2,926,211	80,364,670	1,573,153	-
Restricted for:					
Debt service	1,339,454	-	1,339,454	-	-
Program services/Capital projects	865,211	919,823	1,785,034	322,137	-
Unrestricted (deficit)	(3,396,869)	(705,353)	(4,102,222)	-	185,190
<b>Total Net Assets</b>	<b>\$ 76,246,255</b>	<b>\$ 3,140,681</b>	<b>\$ 79,386,936</b>	<b>\$ 1,895,290</b>	<b>\$ 185,190</b>

See Independent Auditors' Report and Notes

## CITY OF GLENS FALLS, NEW YORK

## Statement of Activities

Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Local Development Corporation	Industrial Development Agency
Primary Government:									
Governmental Activities:									
General government	\$ 3,287,884	\$ 326,204	\$ 240,271	\$ -	\$ (2,721,409)	\$ -	\$ (2,721,409)	\$ -	\$ -
Education	651	-	-	-	(651)	-	(651)	-	-
Public safety	9,239,627	518,935	37,625	-	(8,683,067)	-	(8,683,067)	-	-
Health	155,588	-	-	-	(155,588)	-	(155,588)	-	-
Transportation	2,259,352	-	338,373	-	(1,920,979)	-	(1,920,979)	-	-
Economic opportunity and development	303,864	-	-	-	(303,864)	-	(303,864)	-	-
Cultural and recreation	3,054,096	699,095	23,775	-	(2,331,226)	-	(2,331,226)	-	-
Home and community services	9,603,725	7,671,832	1,647,853	-	(284,040)	-	(284,040)	-	-
Interest on long-term debt	1,993,579	-	-	-	(1,993,579)	-	(1,993,579)	-	-
Total Governmental Activities	<u>29,898,366</u>	<u>9,216,066</u>	<u>2,287,897</u>	<u>-</u>	<u>(18,394,403)</u>	<u>-</u>	<u>(18,394,403)</u>	<u>-</u>	<u>-</u>
Business-Type Activities:									
Transit system	<u>2,114,988</u>	<u>315,375</u>	<u>1,012,849</u>	<u>863,354</u>	<u>-</u>	<u>76,590</u>	<u>76,590</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 32,013,354</u>	<u>\$ 9,531,441</u>	<u>\$ 3,300,746</u>	<u>\$ 863,354</u>	<u>(18,394,403)</u>	<u>76,590</u>	<u>(18,317,813)</u>	<u>-</u>	<u>-</u>
Component Units:									
Local Development Corporation	\$ 270,295	\$ 6,997	\$ -	\$ 230,821	-	-	-	(32,477)	-
Industrial Development Agency	94,569	31,400	-	-	-	-	-	-	(63,169)
Total Component Units	<u>\$ 364,864</u>	<u>\$ 38,397</u>	<u>\$ -</u>	<u>\$ 230,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,477)</u>	<u>(63,169)</u>
General Revenues:									
Real property taxes and tax items					8,914,037	-	8,914,037	-	-
Non-property taxes					3,617,040	-	3,617,040	-	-
Miscellaneous local sources					510,725	-	510,725	-	-
Sale of property					165,533	-	165,533	(179,622)	-
Investment earnings					37,764	1,794	39,558	2,201	360
General state aid					1,607,009	-	1,607,009	-	-
Transfers					(7)	-	(7)	-	-
Total General Revenues and Transfers					<u>14,852,101</u>	<u>1,794</u>	<u>14,853,895</u>	<u>(177,421)</u>	<u>360</u>
Change in Net Assets					<u>(3,542,302)</u>	<u>78,384</u>	<u>(3,463,918)</u>	<u>(209,898)</u>	<u>(62,809)</u>
Net Assets at Beginning of Year					75,066,278	3,062,297	78,128,575	2,105,188	247,999
Prior Period Adjustment					4,722,279	-	4,722,279	-	-
Net Assets (Deficit) at Beginning of Year, Restated					79,788,557	3,062,297	82,850,854	2,105,188	247,999
Net Assets at End of Year					<u>\$ 76,246,255</u>	<u>\$ 3,140,681</u>	<u>\$ 79,386,936</u>	<u>\$ 1,895,290</u>	<u>\$ 185,190</u>

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit C

Balance Sheet  
Governmental Funds

December 31, 2011

	General	Water	Sewer	Civic Center	City Reservoir Rehabilitation	Water St. Pump Station	Dam Rehabilitation	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash	\$ 711,272	\$ 269,863	\$ 758,948	\$ 198,000	\$ -	\$ 41,076	\$ 258,883	\$ 2,286,512	\$ 4,524,554
Receivables:									
Taxes	3,359,563	372	-	-	-	-	-	-	3,359,935
Accounts	74,777	300	655,182	97,099	-	-	-	116,861	944,219
Water rents	-	621,730	-	-	-	-	-	-	621,730
Sewer rents	-	-	765,194	-	-	-	-	-	765,194
State and federal	-	-	66,707	-	-	-	-	45,160	111,867
Other governments	385,279	-	-	-	-	-	-	173,934	559,213
Rehabilitation loan	-	-	-	-	-	-	-	80,557	80,557
Due from other funds	366,432	494,976	756,445	-	-	14,911	252,507	-	1,885,271
Inventories, at cost	28,516	-	-	-	-	-	-	-	28,516
Prepaid expenses	41,014	74,625	-	19,992	-	-	-	-	135,631
Restricted Assets:									
Cash	19,066	875,697	557,171	-	-	-	-	-	1,451,934
Escrow account	-	-	-	-	-	-	-	50	50
<b>Total Assets</b>	<b>\$ 4,985,919</b>	<b>\$ 2,337,563</b>	<b>\$ 3,559,647</b>	<b>\$ 315,091</b>	<b>\$ -</b>	<b>\$ 55,987</b>	<b>\$ 511,390</b>	<b>\$ 2,703,074</b>	<b>\$ 14,468,671</b>

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit C, Continued

Balance Sheet  
Governmental Funds

December 31, 2011

	General	Water	Sewer	Civic Center	City Reservoir Rehabilitation	Water St. Pump Station	Dam Rehabilitation	Non-Major Funds	Total Governmental Funds
<b>LIABILITIES</b>									
Accounts payable	\$ 210,991	\$ 57,874	\$ 201,899	\$ -	\$ -	\$ 1,360	\$ 8,315	\$ 451,855	\$ 932,294
Accrued liabilities	254,927	9,791	27,622	328,677	-	-	-	-	621,017
Due to other funds	1,209,933	9,289	34,295	-	-	-	-	623,586	1,877,103
Due to other governments	1,532,304	-	-	-	-	-	-	268	1,532,572
Deferred revenues	238,176	3,304	650,378	185,094	-	-	-	376,918	1,453,870
Other liabilities	843,713	21,710	151,250	-	-	-	-	175,000	1,191,673
BAN payable	-	-	-	-	-	1,475,000	-	2,540,000	4,015,000
Liabilities From Restricted Assets:									
Escrow funds held	-	-	-	-	-	-	-	50	50
<b>Total Liabilities</b>	<b>4,290,044</b>	<b>101,968</b>	<b>1,065,444</b>	<b>513,771</b>	<b>-</b>	<b>1,476,360</b>	<b>8,315</b>	<b>4,167,677</b>	<b>11,623,579</b>
<b>FUND BALANCES</b>									
Nonspendable	396,859	74,625	-	19,992	-	-	-	-	491,476
Restricted	-	-	369	-	-	-	-	865,211	865,580
Assigned	80,943	2,160,970	2,493,834	-	-	-	503,075	-	5,238,822
Unassigned (Deficit)	218,073	-	-	(218,672)	-	(1,420,373)	-	(2,329,814)	(3,750,786)
<b>Total Fund Balances</b>	<b>695,875</b>	<b>2,235,595</b>	<b>2,494,203</b>	<b>(198,680)</b>	<b>-</b>	<b>(1,420,373)</b>	<b>503,075</b>	<b>(1,464,603)</b>	<b>2,845,092</b>
(Deficits)									
Contingent Liabilities and Commitments									
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,985,919</b>	<b>\$ 2,337,563</b>	<b>\$ 3,559,647</b>	<b>\$ 315,091</b>	<b>\$ -</b>	<b>\$ 55,987</b>	<b>\$ 511,390</b>	<b>\$ 2,703,074</b>	<b>\$ 14,468,671</b>

See Independent Auditors' Report and Notes



CITY OF GLENS FALLS, NEW YORK

Exhibit D

Statement of Revenues, Expenditures and Changes in  
Fund Balances  
Governmental Funds

Year End December 31, 2011

	General	Water	Sewer	Civic Center	City Reservoir Rehabilitation	Water St. Pump Station	Dam Rehabilitation	Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>									
Real property taxes and tax items	\$ 8,923,484	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,923,484
Non-property taxes	3,617,040	-	-	-	-	-	-	-	3,617,040
Departmental income	799,603	2,664,204	4,072,161	677,849	-	-	-	-	8,213,817
Intergovernmental charges	102,459	-	807,249	-	-	-	-	92,541	1,002,249
Use of money and property	8,978	3,545	7,177	615	195	818	1,129	15,307	37,764
Licenses and permits	53,161	-	-	-	-	-	-	-	53,161
Fines and forfeitures	182,276	-	-	-	-	-	-	-	182,276
Sale of property and compensation for loss	27,095	86,261	1,300	-	-	-	-	50,877	165,533
Miscellaneous local sources	41,967	11	20,351	-	-	-	-	212,959	275,288
State aid	2,208,107	-	-	-	-	-	-	188,029	2,396,136
Federal aid	37,625	-	-	-	-	-	-	1,461,145	1,498,770
<b>Total Revenues</b>	<b>16,001,795</b>	<b>2,754,021</b>	<b>4,908,238</b>	<b>678,464</b>	<b>195</b>	<b>818</b>	<b>1,129</b>	<b>2,020,858</b>	<b>26,365,518</b>
<b>EXPENDITURES</b>									
<b>Current:</b>									
General government support	2,641,686	-	-	-	-	-	-	-	2,641,686
Education	651	-	-	-	-	-	-	-	651
Public safety	8,313,208	-	-	-	-	-	-	-	8,313,208
Health	139,969	-	-	-	-	-	-	-	139,969
Transportation	1,184,990	-	-	-	-	-	-	1,346	1,186,336
Economic opportunity & development	193,235	-	-	-	-	-	-	104,555	297,790
Cultural and recreation	1,061,258	-	-	1,128,218	-	-	-	371,041	2,560,517
Home and community services	1,686,529	1,415,300	3,908,347	-	-	212,454	244,980	3,262,111	10,729,721
<b>Debt Service:</b>									
Principal retirement	313,937	610,323	1,057,610	261,775	-	-	-	2,745,671	4,989,316
Interest	160,995	324,311	871,598	78,673	-	-	-	-	1,435,577
<b>Total Expenditures</b>	<b>15,696,458</b>	<b>2,349,934</b>	<b>5,837,555</b>	<b>1,468,666</b>	<b>-</b>	<b>212,454</b>	<b>244,980</b>	<b>6,484,724</b>	<b>32,294,771</b>
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	<b>305,337</b>	<b>404,087</b>	<b>(929,317)</b>	<b>(790,202)</b>	<b>195</b>	<b>(211,636)</b>	<b>(243,851)</b>	<b>(4,463,866)</b>	<b>(5,929,253)</b>

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit D, Continued

Statement of Revenues, Expenditures and Changes in  
Fund Balances  
Governmental Funds

December 31, 2011

	General	Water	Sewer	Civic Center	City Reservoir Rehabilitation	Water St. Pump Station	Dam Rehabilitation	Non-Major Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)									
Proceeds of obligations	-	-	-	-	4,896,000	-	5,388,000	5,427,011	15,711,011
Operating transfers in	7	-	-	593,705	-	25,000	-	45,696	664,408
Operating transfers out	(568,190)	(3,100)	(30,500)	-	(427)	-	-	(62,184)	(664,401)
Total Other Financing Sources (Uses)	(568,183)	(3,100)	(30,500)	593,705	4,895,573	25,000	5,388,000	5,410,523	15,711,018
Net Change in Fund Balances	(262,846)	400,987	(959,817)	(196,497)	4,895,768	(186,636)	5,144,149	946,657	9,781,765
Fund Balances (Deficits) at Beginning of Year	958,721	1,834,608	3,454,020	(2,183)	(4,895,768)	(1,233,737)	(4,641,074)	(2,411,260)	(6,936,673)
Fund Balances (Deficits) at End of Year	<u>\$ 695,875</u>	<u>\$ 2,235,595</u>	<u>\$ 2,494,203</u>	<u>\$ (198,680)</u>	<u>\$ -</u>	<u>\$ (1,420,373)</u>	<u>\$ 503,075</u>	<u>\$ (1,464,603)</u>	<u>\$ 2,845,092</u>

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Year Ended December 31, 2011

	General Fund			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real property taxes and tax items	\$ 8,818,023	\$ 8,818,023	\$ 8,923,484	\$ 105,461
Non-property taxes	3,670,000	3,670,000	3,617,040	(52,960)
Departmental income	703,849	713,249	799,603	86,354
Intergovernmental charges	99,000	99,000	102,459	3,459
Use of money and property	16,000	16,025	8,978	(7,047)
Licenses and permits	53,200	53,200	53,161	(39)
Fines and forfeitures	192,000	194,849	182,276	(12,573)
Sale of property and compensation for loss	5,000	13,476	27,095	13,619
Miscellaneous local sources	148,599	189,933	41,967	(147,966)
Interfund revenues	-	-	-	-
State aid	2,431,768	2,491,455	2,208,107	(283,348)
Federal aid	-	42,434	37,625	(4,809)
<b>Total Revenues</b>	<b>16,137,439</b>	<b>16,301,644</b>	<b>16,001,795</b>	<b>(299,849)</b>
<b>EXPENDITURES</b>				
Current:				
General government support	2,764,122	2,682,685	2,718,012	(35,327)
Education	-	651	651	-
Public safety	8,193,847	8,344,441	8,315,659	28,782
Health	145,417	144,877	139,969	4,908
Transportation	1,177,577	1,193,605	1,186,990	6,615
Economic opportunity and development	196,656	209,077	193,235	15,842
Cultural and recreation	1,028,366	1,102,640	1,061,258	41,382
Home and community services	1,636,411	1,769,387	1,686,695	82,692
Employee benefits	-	-	-	-
Debt Service:				
Principal retirement	310,836	324,603	313,937	10,666
Interest	133,205	150,332	160,995	(10,663)
<b>Total Expenditures</b>	<b>15,586,437</b>	<b>15,922,298</b>	<b>15,777,401</b>	<b>144,897</b>
Excess (Deficit) of Revenues Over (Under) Expenditures	551,002	379,346	224,394	(154,952)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of obligations	-	-	-	-
BANs redeemed from appropriations	-	-	-	-
Operating transfers in	-	-	7	7
Operating transfers out	(550,000)	(568,190)	(568,190)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(550,000)</b>	<b>(568,190)</b>	<b>(568,183)</b>	<b>7</b>
Net Change in Fund Balances	1,002	(188,844)	(343,789)	(154,945)
Encumbrances Included in Actual	N/A	N/A	80,943	N/A
Net Change in Fund Balance			(262,846)	
Fund Balances at Beginning of Year			958,721	
Fund Balances (Deficit) at End of Year			<u>\$ 695,875</u>	

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit E, Continued

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Year Ended December 31, 2011

	Water Fund			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real property taxes and tax items	\$ -	\$ -	\$ -	\$ -
Non-property taxes	-	-	-	-
Departmental income	2,590,981	2,590,981	2,664,204	73,223
Intergovernmental charges	-	-	-	-
Use of money and property	12,000	12,000	3,545	(8,455)
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	96,000	96,000	86,261	(9,739)
Miscellaneous local sources	500	500	11	(489)
Interfund revenues	-	-	-	-
State aid	-	-	-	-
Federal aid	-	-	-	-
<b>Total Revenues</b>	<u>2,699,481</u>	<u>2,699,481</u>	<u>2,754,021</u>	<u>54,540</u>
<b>EXPENDITURES</b>				
Current:				
General government support	-	-	-	-
Education	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic opportunity and development	-	-	-	-
Cultural and recreation	-	-	-	-
Home and community services	1,402,589	1,501,793	1,418,840	82,953
Employee benefits	-	-	-	-
Debt Service:				
Principal retirement	610,323	613,423	610,323	3,100
Interest	642,569	642,569	324,311	318,258
<b>Total Expenditures</b>	<u>2,655,481</u>	<u>2,757,785</u>	<u>2,353,474</u>	<u>404,311</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>44,000</u>	<u>(58,304)</u>	<u>400,547</u>	<u>458,851</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of obligations	-	-	-	-
BANs redeemed from appropriations	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(44,000)	(3,100)	(3,100)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(44,000)</u>	<u>(3,100)</u>	<u>(3,100)</u>	<u>-</u>
Net Change in Fund Balances	-	(61,404)	397,447	458,851
Encumbrances Included in Actual	N/A	N/A	3,540	N/A
Net Change in Fund Balance			400,987	
Fund Balances at Beginning of Year			<u>1,834,608</u>	
Fund Balances (Deficit) at End of Year			<u>\$ 2,235,595</u>	

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit E, Continued

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Year Ended December 31, 2011

	Sewer Fund			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real property taxes and tax items	\$ -	\$ -	\$ -	\$ -
Non-property taxes	-	-	-	-
Departmental income	3,985,494	3,985,494	4,072,161	86,667
Intergovernmental charges	850,000	850,000	807,249	(42,751)
Use of money and property	9,000	9,000	7,177	(1,823)
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	1,000	1,000	1,300	300
Miscellaneous local sources	2,000	2,000	20,351	18,351
Interfund revenues	-	-	-	-
State aid	608,288	608,288	-	(608,288)
Federal aid	-	-	-	-
<b>Total Revenues</b>	<u>5,455,782</u>	<u>5,455,782</u>	<u>4,908,238</u>	<u>(547,544)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	-	-	-	-
Education	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic opportunity and development	-	-	-	-
Cultural and recreation	-	-	-	-
Home and community services	5,076,166	3,908,722	3,908,716	6
Employee benefits	-	-	-	-
Debt Service:				
Principal retirement	165,510	986,511	1,057,610	(71,099)
Interest	189,106	871,598	871,598	-
<b>Total Expenditures</b>	<u>5,430,782</u>	<u>5,766,831</u>	<u>5,837,924</u>	<u>(71,093)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>25,000</u>	<u>(311,049)</u>	<u>(929,686)</u>	<u>(618,637)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of obligations	-	-	-	-
BANs redeemed from appropriations	-	-	-	-
Operating transfers in	25,000	25,000	-	(25,000)
Operating transfers out	(50,000)	(30,500)	(30,500)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(25,000)</u>	<u>(5,500)</u>	<u>(30,500)</u>	<u>(25,000)</u>
Net Change in Fund Balances	-	(316,549)	(960,186)	(643,637)
Encumbrances Included in Actual	N/A	N/A	369	N/A
Net Change in Fund Balance			(959,817)	
Fund Balances at Beginning of Year			<u>3,454,020</u>	
Fund Balances (Deficit) at End of Year			<u>\$ 2,494,203</u>	

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit E, Continued

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Year Ended December 31, 2011

	Civic Center			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Real property taxes and tax items	\$ -	\$ -	\$ -	\$ -
Non-property taxes	-	-	-	-
Departmental income	876,566	876,566	677,849	(198,717)
Intergovernmental charges	-	-	-	-
Use of money and property	-	-	615	615
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	-	-	-	-
Miscellaneous local sources	-	-	-	-
Interfund revenues	-	-	-	-
State aid	-	-	-	-
Federal aid	-	-	-	-
<b>Total Revenues</b>	<u>876,566</u>	<u>876,566</u>	<u>678,464</u>	<u>(198,102)</u>
<b>EXPENDITURES</b>				
Current:				
General government support	-	-	-	-
Education	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic opportunity and development	-	-	-	-
Cultural and recreation	1,152,786	1,152,786	1,128,218	24,568
Home and community services	-	-	-	-
Employee benefits	-	-	-	-
Debt Service:				
Principal retirement	195,107	195,107	261,775	(66,668)
Interest	78,673	78,673	78,673	-
<b>Total Expenditures</b>	<u>1,426,566</u>	<u>1,426,566</u>	<u>1,468,666</u>	<u>(42,100)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>(550,000)</u>	<u>(550,000)</u>	<u>(790,202)</u>	<u>(240,202)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of obligations	-	-	-	-
BANs redeemed from appropriations	-	-	-	-
Operating transfers in	550,000	550,000	593,705	(43,705)
Operating transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>550,000</u>	<u>550,000</u>	<u>593,705</u>	<u>(43,705)</u>
Net Change in Fund Balances	-	-	(196,497)	(196,497)
Encumbrances Included in Actual	N/A	N/A	-	N/A
Net Change in Fund Balance			(196,497)	
Fund Balances at Beginning of Year			(2,183)	
Fund Balances (Deficit) at End of Year			<u>\$ (198,680)</u>	

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit F

Statement of Fiduciary Net Assets  
Fiduciary Funds

December 31, 2011

	<u>Private Purpose Trust Funds</u>	<u>Permanent Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 96,625	\$ -	\$ 8,921
Restricted cash	-	282,253	-
Restricted cash in time deposits	-	139,795	-
Restricted investments, at fair value	-	1,370	-
<b>Total Assets</b>	<u>96,625</u>	<u>423,418</u>	<u>\$ 8,921</u>
<b>LIABILITIES</b>			
Agency liabilities	-	-	\$ 753
Due to other funds, restricted	-	-	8,168
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>\$ 8,921</u>
<b>NET ASSETS</b>			
Cemetery perpetual care charges	-	419,695	
Reserved for Pruyn Mausoleum	-	3,723	
Reserved for downtown improvements	79	-	
Reserved for sidewalks	500	-	
Reserved for cross country ski trail	1,024	-	
Reserved for fire equipment	21	-	
Reserved for Civil War Monument	95,499	-	
Reserved for Other Expendable Trust Funds	390	-	
Unreserved fund balance (deficit)	(888)	-	
<b>Total Net Assets</b>	<u>\$ 96,625</u>	<u>\$ 423,418</u>	

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit G

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year Ended December 31, 2011

	<u>Private Purpose Trust Funds</u>	<u>Permanent Trust Funds</u>
Additions:		
Interest	\$ 319	8,139
Total Additions	<u>319</u>	<u>8,139</u>
Deductions:		
Cultural and recreation	1,200	-
Operating transfers out	7	-
Total Deductions	<u>1,207</u>	<u>-</u>
Change in Net Assets	(888)	8,139
Net Assets at Beginning of Year	<u>97,513</u>	<u>415,279</u>
Net Assets at End of Year	<u>\$ 96,625</u>	<u>\$ 423,418</u>

See Independent Auditors' Report and Notes



CITY OF GLENS FALLS, NEW YORK

Statement of Net Assets  
Proprietary Fund

December 31, 2011

ASSETS	Enterprise Fund Greater Glens Falls Transit System
Cash and cash equivalents	\$ 244,745
Cash - capital reserve	188,543
Due from other funds	660,853
Accounts receivable	433,347
Capital assets	<u>2,926,211</u>
Total Assets	<u>4,453,699</u>
LIABILITIES	
Accounts payable	31,039
Accrued liabilities	81,073
Due to other funds	660,558
Deferred revenues	5,006
Other postretirement benefits obligation	<u>535,342</u>
Total Liabilities	<u>1,313,018</u>
NET ASSETS	
Net assets - restricted for capital projects	919,823
Net assets (deficit) - unrestricted	<u>2,220,858</u>
Total Net Assets	<u><u>\$ 3,140,681</u></u>

See Independent Auditors' Report and Notes

## CITY OF GLENS FALLS, NEW YORK

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund

Year Ended December 31, 2011

	Enterprise Fund Greater Glens Falls Transit System
Operating Revenues:	
Bus operations	\$ 289,891
Miscellaneous local sources	25,484
	<hr/>
Total Operating Revenues	315,375
	<hr/>
Operating Expenses:	
Personal services	714,929
Depreciation	517,657
Contractual expenses	358,630
Employee benefits	391,730
	<hr/>
Total Operating Expenses	1,982,946
	<hr/>
Operating Income (Loss)	(1,667,571)
	<hr/>
Non-Operating Revenue (Expenses):	
Federal, state and local aid	1,876,203
Interest and earnings	1,794
Postretirement benefit expense	(132,042)
	<hr/>
Total Non-Operating Revenue (Expenses)	1,745,955
	<hr/>
Change in Net Assets	78,384
	<hr/>
Total Net Assets at Beginning of Year	3,062,297
	<hr/>
Total Net Assets at End of Year	\$ 3,140,681
	<hr/> <hr/>

See Independent Auditors' Report and Notes

## CITY OF GLENS FALLS, NEW YORK

Statement of Cash Flows  
Proprietary Fund

Year Ended December 31, 2011

	Enterprise Fund Greater Glens Falls Transit System
Cash Flows From Operating Activities:	
Cash received from bus operations	\$ 287,800
Cash payments for contractual expenses	(354,670)
Cash payments employee benefits	(1,105,894)
Other operating revenues	25,484
	<hr/>
Net Cash Provided (Used) by Operating Activities	(1,147,280)
	<hr/>
Cash Flows From Noncapital Financing Activities:	
Operating grants received	861,361
	<hr/>
Cash Flows From Capital and Related Financing Activities:	
Capital grants	821,499
Payments for capital assets	(717,796)
Payments from other governments	13,741
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	117,444
	<hr/>
Cash Flows From Investing Activities:	
Interest income	1,794
	<hr/>
Net Decrease in Cash and Cash Equivalents	(166,681)
Cash and Cash Equivalents at Beginning of Year	599,969
	<hr/>
Cash and Cash Equivalents at End of Year	\$ 433,288
	<hr/> <hr/>

See Independent Auditors' Report and Notes

## CITY OF GLENS FALLS, NEW YORK

Statement of Cash Flows  
Proprietary Fund

Year Ended December 31, 2011

	Enterprise Fund Greater Glens Falls Transit System
	<u>                    </u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	<u>\$ (1,667,571)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	517,657
Decrease (Increase) in Liabilities:	
Accounts payable	3,960
Accrued liabilities	765
Deferred revenues	<u>(2,091)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (1,147,280)</u></u>

See Independent Auditors' Report and Notes

## CITY OF GLENS FALLS, NEW YORK

Reconciliation of Balance Sheet for Governmental Funds  
to Statement of Net Assets

December 31, 2011

ASSETS	Total Governmental Funds	Long-term Assets, Liabilities	Reclasses and Eliminations	Statement of Net Assets Totals
Cash and cash equivalents	\$ 4,524,554	\$ -	\$ -	\$ 4,524,554
Receivables (net)	5,691,078	-	-	5,691,078
Due from other funds	1,885,271	-	(1,877,103)	8,168
State and federal receivables	111,867	-	-	111,867
Loans receivable	80,557	-	-	80,557
Due from other governments	559,213	-	-	559,213
Inventories	28,516	-	-	28,516
Prepaid expenses	135,631	-	(74,625)	61,006
Restricted cash	1,451,984	-	-	1,451,984
Capital assets, net	-	123,067,800	-	123,067,800
<b>Total Assets</b>	<b>\$ 14,468,671</b>	<b>\$ 123,067,800</b>	<b>\$ (1,951,728)</b>	<b>\$ 135,584,743</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 932,294	\$ -	\$ (74,626)	\$ 857,668
Accrued liabilities	621,017	849,308	-	1,470,325
Due to other funds	1,877,103	-	(1,877,103)	-
State loans payable	-	-	-	-
Due to other governments	1,532,572	-	-	1,532,572
Deferred revenues	1,453,870	(238,191)	-	1,215,679
Other liabilities	1,191,673	-	-	1,191,673
Debt due within one year	4,015,000	2,074,030	-	6,089,030
Debt due in more than one year	-	46,981,490	1	46,981,491
Escrow funds held	50	-	-	50
<b>Total Liabilities</b>	<b>11,623,579</b>	<b>49,666,637</b>	<b>(1,951,728)</b>	<b>59,338,488</b>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Encumbrances	84,852	-	(84,852)	-
Capital	865,211	-	-	865,211
Inventories	28,516	-	(28,516)	-
Prepaid	135,631	-	(135,631)	-
Debt	1,339,454	-	-	1,339,454
Urban Renewal receivable	327,329	-	(327,329)	-
<b>Unreserved:</b>				
Invested in capital assets, net of related debt	-	77,438,459	-	77,438,459
Undesignated (deficit)	64,099	(4,037,296)	576,328	(3,396,869)
<b>Total Fund Balances (Deficits)</b>	<b>2,845,092</b>	<b>73,401,163</b>	<b>-</b>	<b>76,246,255</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,468,671</b>	<b>\$ 123,067,800</b>	<b>\$ (1,951,728)</b>	<b>\$ 135,584,743</b>

See Independent Auditors' Report and Notes

## CITY OF GLENS FALLS, NEW YORK

Reconciliation of Balance Sheet for Governmental Funds  
to Statement of Net Assets

December 31, 2011

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 192,715,861
Accumulated depreciation	<u>(69,648,061)</u>
	<u>\$ 123,067,800</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance.

Adjustment of deferred revenue	<u>\$ (238,191)</u>
--------------------------------	---------------------

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Bonds and notes payable	\$ 30,077,393
Capital leases	11,536,947
OPEB liability	7,441,180
Accrued interest	<u>849,309</u>
Total	<u>\$ 49,904,829</u>

These amounts are included in the Statement of Net Assets (Exhibit A) as follows:

Accrued liabilities	\$ 849,309
Debt due within one year	2,074,030
Debt due in more than one year	46,981,490
Total	<u>\$ 49,904,829</u>

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Reconciliation of Statement of Revenues, Expenditures and Changes in  
Fund Balances for Governmental Funds to the Statement of Activities

Year Ended December 31, 2011

Total revenues and other financing sources in the governmental funds differ from total revenues for governmental activities in the Statement of Activities. The differences result primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds.

Total revenues and other financing sources of the governmental funds.(Exhibit D)	\$ 42,740,937
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as "available" revenues in the governmental funds.	(9,461)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(15,711,011)
Interfund transfers are eliminated in the Statement of Activities.	<u>(664,401)</u>
Total	<u>\$ 26,356,064</u>

Total revenues of governmental activities in the Statement of Activities (Exhibit B) are comprised of:

Charges for services	\$ 9,216,066
Operating grants and contributions	2,287,897
General revenues and transfers	<u>14,852,101</u>
Total Revenues of Governmental Activities	<u>\$ 26,356,064</u>

See Independent Auditors' Report and Notes

CITY OF GLENS FALLS, NEW YORK

Reconciliation of Statement of Revenues, Expenditures and Changes in  
Fund Balances for Governmental Funds to the Statement of Activities

Year Ended December 31, 2011

Total expenditures and other financing uses of the governmental funds differ from total expenses of governmental activities in the Statement of Activities. The difference is attributable primarily to the long-term focus of governmental activities versus the current financial resources focus of governmental funds. The main components of the differences are described below.

Total expenditures and other financing uses of the governmental funds. (Exhibit D)      \$ 32,959,172

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures (\$3,319,457) were less than depreciation (\$3,520,923) in the current year.      201,466

The recording of the City's actuarially calculated liability for retiree health insurance benefits (OPEB expense) is not recognized in the governmental funds, but is recognized in the City-wide financial statements.      1,829,950

Interfund transfers are eliminated in the Statement of Activities.      (664,408)

Repayment of bond principal is reported as an expenditure in governmental funds. For the City as a whole, however, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities.      (4,985,816)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Interest expense in the Statement of Activities differs from the amount reported in governmental funds by this amount.      558,002

Total Expenses of Governmental Activities (Exhibit B)      \$ 29,898,366

See Independent Auditors' Report and Notes



CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Summary of Significant Accounting Policies**

The City of Glens Falls (City), which was incorporated in 1908, is governed by the Charter of the City of Glens Falls, and other general laws of the State of New York and various local laws and ordinances. The Common Council, which is the legislative body responsible for the overall operation of the City, consists of the mayor and six councilmen. The mayor serves as chief executive officer and the controller serves as chief fiscal officer of the City.

The City provides the following basic services: public safety (police and fire), highways and streets, water and sewer systems, public transportation, health, culture and recreation, public improvements, planning, zoning and general administrative services.

The financial statements of the City of Glens Falls have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

**Financial Reporting Entity**

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

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB Statements 14 and 39 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the City of Glens Falls reporting entity.

Based on the foregoing criteria and the significant factors presented below, the following organizations are included in the reporting entity as Discretely Presented Component Units:

1. **City of Glens Falls Industrial Development Agency**  
Members of this public benefit corporation are appointed by the Common Council and serve at the pleasure of this appointing authority. Accordingly, financial oversight is vested in the City Common Council.
2. **Greater Glens Falls Development Corporation**  
Original funding for this corporation was received from the City's Special Grant Fund through Community Development Block Grant money and Urban Development Action Grant (UDAG) loan repayments. These monies were assigned to the GGFDC to be used in the Economic Development Revolving Loan Program. As financial dependency exists, financial oversight is vested in the City Common Council.

Separately issued financial statements for both of the above entities may be obtained by contacting City Hall, 42 Ridge Street, Glens Falls, New York 12801

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Summary of Significant Accounting Policies – Continued**

Financial Reporting Entity – Continued

The following organization is included in the reporting entity as a blended component unit in the Non-Major Fund category:

Glens Falls Urban Renewal Agency

Members of this public benefit corporation are also appointed by the Common Council. The agency exists for the sole purpose of benefitting the City. Accordingly, financial oversight is vested in the City Common Council.

Basis of Presentation

I) City-wide financial statements:

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

II) Governmental fund financial statements:

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

The City Reports the Following Major Governmental Funds:

General Fund

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

Water Fund

A special revenue fund used to account for City-wide water supply and services to all City residents.

Sewer Fund

A special revenue fund used to account for City-wide sewer and waste water treatment operations.

Civic Center

A special revenue fund used to account for the City's Civic Center operations.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Summary of Significant Accounting Policies – Continued**

Basis of Presentation – Continued

The City Reports the Following Major Governmental Funds – Continued:

City Reservoir Rehabilitation Capital Project

This capital project is displayed separately from other capital projects because of its large amount of other financial sources during the year.

Water Street Pump Station Project

This capital project is displayed separately from other capital projects because of its large amount of liabilities.

Wilkie and Keenan Dam Rehabilitation Project

This capital project is displayed separately from other capital projects because of its large amount of other financing sources during the year.

The City Reports the Following Non-Major Governmental Funds:

Special Revenue Funds

These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Capital Project Funds

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

The City Reports the Following Proprietary Funds:

Enterprise Fund

This fund accounts for the operations of the Greater Glens Falls Transit System.

Fiduciary Fund

This fund is used to account for fiduciary activities. Fiduciary activities are those in which the City acts as trustee or agent for resources that belong to others. These activities are not included in the City-wide financial statements, because their resources do not belong to the City, and are not available for unrestricted use.

Component Units

The component units consist of the City of Glens Falls Industrial Development Agency, the Greater Glens Falls Development Corporation and the Glens Falls Urban Renewal Agency.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Summary of Significant Accounting Policies – Continued**

Capital Assets

Capital assets include property, plant equipment, and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the City as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20-75
Buildings and improvements	20-50
Equipment and vehicles	5-10

Measurement Focus and Basis of Accounting

The City-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Enterprise Fund activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Statement and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

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

General Budget Policies

1. The City employs the following budgetary procedures:
  - a. No later than October 15th, the budget officer (mayor) submits a tentative budget for the fiscal year commencing the following January 1<sup>st</sup>. The tentative budget includes proposed expenditures and the proposed means of financing for the following funds: General, Water, Sewer and Civic Center.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Summary of Significant Accounting Policies – Continued**

General Budget Policies – Continued

- b. After public hearings are conducted to obtain taxpayer comments, but no later than December 1<sup>st</sup>, the Common Council adopts the City budget.
- c. Any revisions that alter total appropriations of any department or fund must be approved by the Common Council.
- d. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects which remain in effect for the life of the project. Budgets are prepared for Proprietary Funds primarily to establish the estimated contributions required from other funds.

2. Encumbrances

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 employed in the governmental funds. Open encumbrances at year end are reported as reservations of fund balances since the commitments do not constitute expenditures or liabilities.

3. Budget Basis of Accounting

Except as indicated below, 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 over from the prior year. Encumbrances are recorded at year end and are included in Exhibit E for comparing actual results to the budget for the year.

Budgetary control for the Special Grant Fund is established in accordance with the applicable grant agreement which covers a period other than the City's fiscal year. The Greater Glens Falls Development Corporation is a separate corporation and is not included in the formal City budget process. Additionally, the Glens Falls Urban Renewal Agency and the City of Glens Falls Industrial Development Agency, both municipal corporations, are not included in the formal City budget process. Capital project budgets are prepared for the life of each project, not annually. Consequently, such funds have been excluded from the statements of revenues, expenditures and changes in fund balances - budget and actual. A reconciliation of actual results for Major Funds is as follows:

	<u>General Fund Expenditures</u>	<u>Water Fund Expenditures</u>	<u>Sewer Fund Expenditures</u>	<u>Civic Center Fund Expenditures</u>
Total for funds included in budget comparison – Exhibit E	\$15,777,401	\$ 2,353,474	\$ 5,837,924	\$ 1,468,666
Encumbrances	<u>(80,943)</u>	<u>(3,540)</u>	<u>(369)</u>	<u>-</u>
Total for funds included in Exhibit D	<u>\$15,696,458</u>	<u>\$ 2,349,934</u>	<u>\$ 5,837,555</u>	<u>\$ 1,468,666</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Summary of Significant Accounting Policies – Continued**

Cash and Cash in Time Deposits

Checking and time deposit bank balances totaled \$4,001,843 which was covered by Federal depository insurance or by collateral held by the City's agent in the City's name, as required by City policy.

Investment Policy

The City's investment policies are governed by statutes of the State. City monies must be deposited in FDIC insured commercial banks or trust companies located within the state. The Controller of the City is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury, and obligations of the State or its localities. Investments are stated at cost which approximates market value. At year end, the City's investments consisted of \$1,370 in stock held in trust for the cemetery commission.

Collateral is required for demand deposits and certificates of deposit at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States of America and its agencies and obligations of the State and its municipalities and school districts.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventories

Inventories of the General Fund are recorded at cost and consist of gasoline, oil and office supplies held for consumption. Inventory acquisitions are recorded in the inventory account initially and charged as expenditures when used. An offsetting equity reserve for inventory has been established for the General Fund. Civic Center inventories are stated at the most recent cost price of the items.

Compensated Absences

According to the union contracts between the City and its Civil Service Employees, Policemen and Firemen, employees are granted the following compensated absences after one year of service:

	<u>Civil Service</u>	<u>Police</u>	<u>Firemen</u>
Personal leave	5 days	5 days	2 (24 hour) days
Sick leave	12 days	15 days	5 (24 hour) days
Vacation	10 days	10 days	4 (24 hour) days

Vacation days granted are increased on the basis of longevity of service to the maximum of 25 days. Vacation days do not vest. However, unused vacation days may be carried forward into the succeeding year upon approval by the department heads or Board of Public Safety. A carry forward of vacation time may not extend beyond the next succeeding year.

Sick leave vests for union employees to a maximum of 180 days. The firemen can elect annually to receive incentive pay for up to five days of sick leave credits. A police officer may accumulate an additional two days sick leave if, in the preceding calendar year, the officer used no sick leave, up to a maximum of 180 days. In the event a police officer shall already have the maximum 180 days accumulated, the City shall pay the officer an amount equal to the value of the two additional sick days. For Civil Service employees, the City will provide additional service credit upon retirement and a retirement bonus at a rate of \$10 per day up to a maximum of 180 days for unused sick days.

Personal leave does not vest except that personal leave not taken by the firemen prior to December 31st shall be paid in January based on the member's December 31st salary.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Summary of Significant Accounting Policies – Continued**

Compensated Absences – Continued

Payment of vacation and compensatory absences 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 payment of vacation and compensatory absences when such payments become due.

Program Revenues and Indirect Expenses

In the Statement of Activities, program revenues include fees, permits, bus fares, water and sewer charges and various local, state and federal operating and capital grants.

No indirect expenses are allocated to the various Governmental functions.

Operating and Non-Operating Revenues - Enterprise Fund

In the Statement of Revenues, Expenses and Changes in Net Assets for the Transit System, operating revenues include bus fares and miscellaneous income.

Non-Operating Revenues include interest income and Federal, New York State and Area Local Governmental Municipalities operating assistance and grants to the Transit System. New York State Transit Operating Assistance (TOA) is recognized in the quarter that actual ridership and mileage have occurred. This differs from New York State which does not recognize this until the subsequent quarter when it is distributed. Project financing from U.S. Department of Transportation, Federal Transit Administration (FTA) and from NYS Department of Transportation, Transit Division, require audits of the financial information of the Transit System. In the event that an audit reveals an overpayment or an inappropriate payment of operating assistance funds, the Transit System will be required to reimburse the governmental grantor.

Transportation Agreements have been entered into with the participating local governments which provide for the establishment, funding and management of the Transit System.

Postretirement Benefits

In addition to providing pension benefits, the City pays 100% of the health insurance costs for retired firemen, retired policemen and other retired contract employees. This expense totaled \$1,219,522 for 2011 for 152 retirees and is recognized as insurance premiums become due.

Deferred Contribution Plan

The City participates in the New York State deferred compensation plan under Section 457(b) of the Internal Revenue Code. All eligible employees are allowed to make regular contributions up to 100% of salary after required salary deductions. The minimum dollar contribution is \$10 per day. The maximum dollar contribution is \$16,500 (\$22,000 if age 50 or older) in 2011, indexed annually for inflation thereafter. The plan does not provide for an employer match.

Revenue Recognition, Property Taxes

Taxes for City purposes are based on City budget requirements. The City also bills and collects taxes levied by the Glens Falls City School District, the Abraham Wing Common School District, Crandall Public Library and the County of Warren. The City guarantees the collection of these levies and the unpaid taxes are included in the City's tax lien processing.

The City bills and collects taxes for the business improvement district. However, the City does not guarantee the collection of these levies.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Summary of Significant Accounting Policies – Continued**

Revenue Recognition, Property Taxes – Continued

As described in the preceding paragraph, City tax receivables consist in part of direct City tax revenues and in part of taxes initially levied for School District and County purposes. Therefore, deferred tax revenues on the General Fund balance sheet at December 31, 2011 represent total taxes receivable owed to the City at that date, less the amount estimated to be available within the first 60 days of the subsequent year. The City may not levy taxes in excess of 2% of the average full valuation of real property for the previous five years.

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

Taxable status date	March 1 <sup>st</sup>
Lien date	On or before January 1 <sup>st</sup>
Levy date	On or before January 15 <sup>th</sup>
Date taxes due	February 1 <sup>st</sup> , first installment June 1 <sup>st</sup> , second installment
Date penalty period begins	March 1 <sup>st</sup> and July 1 <sup>st</sup>
Delinquent tax lien date	November 1 <sup>st</sup>

Non-Property Taxes

The primary non-property tax item is sales tax. Sales tax is recorded as revenue in the General Fund when it is received and is adjusted for year end accruals.

Concentrations of Credit Risk

Financial instruments which potentially expose the City to concentrations of credit risk, as defined by Governmental Accounting Standards Board Statement No. 40, consist primarily of taxes receivable and tax liens which are secured by property values throughout the City.

Use 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 liabilities 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.

Adoption of New Accounting Pronouncement

During the year ended December 31, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to change its fund balance classifications for governmental funds. The new classifications are as follows:

Nonspendable fund balance – Amounts that are not in a spendable form such as inventory, prepaid expenses or long-term portions of loans receivable.

Restricted fund balance – Amounts subject to a constraint imposed by providers such as creditors, grantors, contributors or higher levels of government or through constitutional provisions or enabling legislation.



CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Summary of Significant Accounting Policies – Continued**

Adoption of New Accounting Pronouncement - Continued

Committed fund balance – Amounts subject to a purpose imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year and that require the same level of formal action to remove the constraint.

Assigned fund balance – Amounts subject to a constraint that represents an intended use established by the government's highest level of decision-making authority or by their designated body or official, which is the Board of Supervisors.

Unassigned fund balance – Amounts available for any purpose, which are only found in the general fund or as a deficit balance in any other fund.

Order of Use of Fund Balance

In determining the order that expenditures will be applied to the various classifications of fund balance, it is the City's policy to first determine the total fund balance that is nonspendable and to then determine the amount of restricted fund balance. Any remaining fund balance is first committed and/or assigned to a specific purpose. In the general fund the remaining balance is unassigned. Unassigned balances are available for general use. In addition, any deficit fund balance in any other fund is considered to be unassigned. Stabilization amounts may be formally set aside by the Common Council and may be used from any unassigned balance.

Restricted and Unrestricted Resources

The City's policy is to first apply restricted cash, if any, when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

Future Impacts of Accounting Pronouncements

The City has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB No. 53*, effective for the year ending June 30, 2012; GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statement No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective for the year ending June 30, 2013. The City is, therefore, unable to disclose the impact that adopting GASB Statement Nos. 57, 60, 61, 62, 63 and 64 will have on its financial position and results of operations.

**Explanation of Certain Differences Between Governmental Fund Statements and City-Wide Statements**

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

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Explanation of Certain Differences Between Governmental Fund Statements and City-Wide Statements - Continued**

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

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

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

i. Long-term revenue differences:

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

ii. Capital related differences:

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

iii. Long-term debt transaction differences:

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

**Stewardship, Compliance and Accountability**

Violations of finance related legal and contractual provisions are discussed in a separate "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."

**Deficit Fund Balances**

The following funds had a deficit fund balance at December 31, 2011:

Civic Center	\$ 198,680
Urban Renewal	150,645
Capital Projects:	
Water Tanks	95,560
1999 Financial Software	116,442

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Deficit Fund Balances – Continued**

Capital Projects – Continued

Sanford Street Pump Station	43,858
Luzerne Road Landfill Closure	145,616
Ward 3 Storm Sewer	92,710
Bay Street Rehabilitation	239,298
CSO Mitigation	757,728
Water Street Pump Station	1,420,373

The Civic Center deficit will be covered by future operations. The deficit in the Urban Renewal Fund will be relieved when the Urban Renewal Board determines where future funding will come from to repay the General Fund. The deficit in the Water Tanks Capital Project, and the 1999 Financial Software Project deficit should be relieved by current appropriations. The Luzerne Road Landfill Closure deficit should be relieved by reimbursements from New York State. The other project deficits will be relieved by future State and Federal Aid and debt issuances.

**Restricted Assets**

Enabling legislation requires that cash from debt proceeds be restricted for future debt service. This and other restricted cash are comprised of the following:

General Fund – seized cash	\$ 19,066
Water Fund – cash reserved for debt	875,697
Sewer Fund – cash reserved for capital improvements	557,171
Special Grant Fund – cash held in escrow	50
	<hr/>
Total governmental restricted cash – Exhibit C	<u>\$ 1,451,984</u>

**Prior Period Adjustments**

Prior period adjustments represents errors in the calculation of a prior year interest payable on long-term debt and a prior year long-term debt principal outstanding, and Construction In Progress that was not recorded in the prior year, which were discovered during the year ended December 31, 2011.

**Changes in Capital Assets**

A summary of changes in capital assets is as follows:

	Balance 1/1/11	Additions	(Deletions)	Balance 12/31/11
Non-depreciated Assets:				
Land	\$ 2,764,936	\$ -	\$ -	\$ 2,764,936
Construction in progress	18,523,146	7,815,753	(8,833,931)	17,504,968
Capital Assets being Depreciated:				
Infrastructure	121,086,985	-	-	121,086,985
Buildings and improvements	19,851,096	8,844,262	-	28,695,358
Equipment and vehicles	22,506,049	233,938	(76,374)	22,663,613
	<hr/>	<hr/>	<hr/>	<hr/>
Total cost	184,732,212	16,893,953	(8,910,305)	192,715,860

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Changes in Capital Assets - Continued**

	Balance 1/1/11	Additions	(Deletions)	Balance 12/31/11
Less: Accumulated depreciation				
Infrastructure	50,376,078	1,965,903	-	52,341,981
Buildings and improvements	10,686,401	659,695	-	11,346,096
Equipment and vehicles	5,129,596	895,325	(64,938)	5,959,983
Total accumulated depreciation	<u>66,192,075</u>	<u>3,520,923</u>	<u>(64,938)</u>	<u>69,648,060</u>
Total cost, net	<u>\$ 118,540,137</u>	<u>\$ 13,373,030</u>	<u>\$ (8,845,367)</u>	<u>\$ 123,067,800</u>

Depreciation was charged to governmental funds as follows:

General Government	\$ 115,117
Public Safety	114,636
Transportation	1,088,967
Economic Development	6,074
Cultural and Recreational	424,374
Home and Community Services	<u>1,771,755</u>
Total	<u>\$ 3,520,923</u>

Enterprise Fund (Greater Glens Falls Transit System):

	Balance 1/1/11	Net Adjustments Additions (Deletions)	Balance 12/31/11	Accumulated Depreciation 12/31/11	Net Balance 12/31/11
Land	\$ 85,000	\$ -	\$ 85,000	\$ -	\$ 85,000
Buildings	1,582,984	-	1,582,984	(709,787)	873,197
Machinery and equipment	3,924,113	717,795	4,641,908	(2,781,132)	1,860,776
Improvements other than buildings	221,543	-	221,543	(114,305)	107,238
Total	<u>\$5,813,640</u>	<u>\$ 717,795</u>	<u>\$6,531,435</u>	<u>\$ (3,605,224)</u>	<u>\$2,926,211</u>

Depreciation expense for 2011 totaled \$517,657 for the Enterprise Fund.

**Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services. These transactions are recorded as interfund transfers and expenditures in the respective funds.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Interfund Transactions - Continued**

Individual interfund receivable and payable balances at December 31, 2011 arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 366,432	1,209,933
Special Revenue Funds:		
Water Fund	494,976	9,289
Sewer Fund	756,445	34,295
Urban Renewal	-	327,329
Capital Projects Funds:		
Water Tanks	-	100,000
1999 Financial Software	-	28,768
Wilkie and Keenan Dam Rehabilitation	252,507	-
Sanford Street Pump Station	-	44,740
Water Street Pump Station	14,911	-
Ward 3 Storm Sewer	-	125
CSO Mitigation	-	1523
Landfill Closure	-	95,000
HUD Grant Civic Center	-	23,932
Special Grant	-	2,169
Governmental Funds	<u>1,885,271</u>	<u>1,877,103</u>
Fiduciary Funds:		
Trust and Agency Fund	-	8,168
 Total	 <u>\$ 1,885,271</u>	 <u>\$ 1,885,271</u>

The City made the following transfers during 2011:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 7	\$ 568,190
Water Fund	-	3,100
Sewer Fund	-	30,500
Civic Center Fund	593,705	-
Debt Service Fund	12,096	50,515
City Reservoir Rehabilitation Capital Project	-	427
Water St. Pump Station Capital Project	25,000	-
Other Capital Projects	33,600	11,669
Private Purpose Trust	-	7
	<u>\$ 664,408</u>	<u>\$ 664,408</u>

**Fund Balances**

During the year ended December 31, 2011, the City implemented Governmental Accounting Standards Board Statement NO. 54, Fund Balance Reporting and Governmental Fund Type definitions. The various categories are presented in the Governmental Fund Statements, as follows:

Nonspendable amounts represent inventory and prepaid expenses - General fund prepaid expense of \$41,014 and inventory of \$28,516, Water fund prepaid expense of \$74,625, and Civic Center fund prepaid expense of \$19,992.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Fund Balances - Continued**

Assigned amounts include the following:

Encumbrances or commitments for expenditures are comprised of General fund encumbrances of \$408,272, Water fund \$1,342,994, Sewer fund \$369, and non-major funds \$865,210.

**Indebtedness**

Retirement Plan

The City of Glens Falls participates in the New York State and Local Employees' Retirement System (ERS) and New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple public employer retirement systems. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of 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 System, 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 Glens Falls is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>Police and Fire Retirement</u>	<u>Other Employee Retirement</u>
2011	\$ 831,940	\$ 607,507
2010	775,031	534,103
2009	723,006	423,132

The City of Glens Falls' contributions made to the System were equal to 100% of the contributions required for each year.

Due to Other Governments

The City acts as a tax enforcement agent for certain school districts and Warren County, which are accounted for in the general fund. The liability for "due to other governments" in the general fund represents amounts owed at December 31, 2011 as follows:

	<u>General Fund</u>
Due to City School Districts	\$ 1,532,304
Due to H.U.D.	268
Total	<u>\$ 1,532,572</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Indebtedness – Continued**

Short and Long-Term Liabilities – Governmental Activities

	Payable at 01/01/11	Issued	Payments *	Payable at 12/31/11	Due Within One Year	Due Beyond One Year
General Obligation Bonds	\$9,326,708	\$12,187,900	\$ 809,332	\$20,705,276	\$ 917,232	\$19,788,044
Equipment Financing	172,037	-	66,667	105,370	66,667	38,703
State Loans	6,306,080	3,704,306	743,639	9,266,747	532,445	8,734,302
OPEB liability	5,611,230	1,829,950	-	7,441,180	-	7,441,180
Capital Leases	15,077,463	6,857	3,547,372	11,536,948	557,686	10,979,262
Bond Anticipation Notes	14,295,000	2,251,500	12,531,500	4,015,000	4,015,000	-
<b>Total</b>	<b>\$50,788,518</b>	<b>\$19,980,513</b>	<b>\$17,698,510</b>	<b>\$53,070,521</b>	<b>\$6,089,030</b>	<b>\$46,981,491</b>

\* A portion of this debt was refinanced with New York State Environmental Facilities Loans.

General Obligation Bonds

\$4,216,828 NYS EFC Revolving Fund Revenue Bonds, due in annual installments of \$200,000 through 2007, \$225,000 through 2013 and \$250,000 through 2017, with interest at 4.8162%

\$ 1,450,000

\$3,505,000 public improvement serial bond, due in annual installment of \$140,000 in 2004, \$145,000 in 2005 and additional annual installments ranging from \$155,000 to \$300,000 through 2018, with variable interest between 5.125% and 5.250%

1,795,000

\$33,800 serial bond, due in annual installments of \$6,760 through 2013 with interest at 3.6%

13,520

\$240,000 serial bonds, due in annual installments of \$24,000 through 2015 with interest at 4.75%

96,000

\$5,315,000 public improvement serial bonds, due in annual installments of \$145,000 in 2010, increasing by \$5,000 each subsequent year thereafter through 2032, with variable interest between 3.5% and 4.15%

5,020,000

\$275,000 improvements serial bond, due in annual installments of \$55,000 through 2016 with interest at 3.3%

275,000

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Indebtedness – Continued**

General Obligation Bonds - Continued

\$11,912,900 improvements serial bond, due in annual installments of \$207,900 in 2012, \$215,000 in 2013 and additional annual installments ranging from \$225,000 to \$675,000 through 2041, with variable interest between 5% and 6%.

11,912,900

\$200,000 serial bond, due in annual installments of \$28,572 through 2016 with interest at 3.9%

142,856

Total General Obligation Bonds

\$ 20,705,276

Equipment Financing

A \$297,037 loan for improvements and equipment for the concession stands at the Civic Center is due in monthly installments of \$8,333 at 0% interest to the concession vendor. The balance as of December 31, 2011 is \$105,370. During 2012, the City is expected to make eight monthly payments totaling \$66,664. The remainder of the loan will be paid during 2013.

State Loans

\$7,832,770 NYS EFC Series 2003 F Loan due in annual installments ranging from \$330,000 to \$495,000 through 2023 with interest at 3.77%

\$ 4,611,091

\$3,704,306 NYS EFC Series 2011 long-term direct loan due in annual installments of \$150,000 in 2011, \$110,000 in 2012 and additional annual installments ranging from \$104,306 to 170,000 through 2039, with variable interest between .223% and 4.746%

3,554,306

\$1,494,020 NYS EFC Series 2005 long-term direct loan due in annual installments of \$52,445 through 2032 with interest at 2.11%

1,101,350

Total NYS Loans

\$ 9,266,747

Capital Lease Obligations

The City had capital lease obligations totaling \$11,536,948 at December 31, 2011 related to energy conservation improvements and equipment.

The capitalized cost of the equipment under capital lease is \$15,653,529 at December 31, 2011 and is included in capital assets on the statement of net assets. The accumulated depreciation on the equipment as of December 31, 2011 was \$1,390,928.

The aggregate maturities of all long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,074,030	\$ 2,128,393
2013	2,106,720	1,748,240
2014	2,157,722	1,674,098
2015	2,230,115	1,595,305
2016	2,279,932	1,486,946
2017-2021	10,316,804	6,305,111



CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Indebtedness – Continued**

Capital Lease Obligations - Continued

	<u>Principal</u>	<u>Interest</u>
2022-2026	9,198,252	4,251,331
2027-2031	4,093,320	2,465,825
2032-2036	3,717,446	1,379,685
2037-2041	3,440,000	485,913
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 41,614,341</u>	<u>\$ 23,520,847</u>

Other Liabilities

An interest-free loan payable for \$175,000 for a video/scoreboard is due to the Civic Center's operator in five annual installments of \$35,000 beginning February 28, 2012.

Bond Anticipation Notes

Liabilities for the bond anticipation notes (BAN) are accounted for in the general, capital projects and special revenue funds. Debt service expenditures are recorded in the fund that benefitted from the capital project financed by the note; i.e. the general fund and special revenue funds. State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The following BAN's were outstanding at December 31, 2011:

3 <sup>rd</sup> Ward Storm Sewer Anticipation Note due July 27, 2012 with interest at 1.36%	\$ 48,500
CSO Mitigation Bond Anticipation Note due July 27, 2012 with interest at 1.36%	801,500
South Street Project Bond Anticipation Note due July 27, 2012 with interest at 1.36%	1,350,000
Bay Street Rehabilitation Bond Anticipation Note due October 5, 2012 with interest at 1.49%	240,000
Main Street/Broad Street Corridor Bond Anticipation Note due October 5, 2012 with interest at 1.49%	100,000
Water Street Pump Station Bond Anticipation Note due December 7, 2012 with interest at 1.49%.	<u>1,475,000</u>
Total BAN's Payable	<u>\$ 4,015,000</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Contingent Liabilities**

Lawsuits

The City is a defendant in various lawsuits. It is the opinion of the City attorneys after considering all relevant facts that most of these claims will not exceed the City's insurance company's reserve.

The Pike Company, Inc. alleges that it is owed \$645,419 in change orders in connection with its work on the Wilkie and Keenan Dam restoration project. It is the counsel's opinion that at the trial it is likely that The Pike Company, Inc. will recover a portion of its claim; the amount can not be determined at this time. Subsequent to December 31, 2011 The Pike Company, Inc. agreed to settle any and all claims in the total amount of \$500,000.

**Risk Management and Commitments**

Workers' Compensation

The City of Glens Falls incurs costs related to a self-funded workers' compensation insurance plan coordinated by Warren County. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. During the year ended December 31, 2011 the City incurred premiums or contribution expenditures totaling \$108,441. Payments of claims and claims adjustment expenses attributable to insured events of 2011 paid by the Plan on behalf of the City totaled \$225,222. The City's share of contributed reserve held by the Plan totaled \$70,703 which compares unfavorably to the amount of actuarial reserve computed for the City's share of open claims filed through December 31, 2011 of \$758,940.

Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to perform certain remediation and monitoring functions at its closed landfill for thirty years after closure.

Total cost for the landfill closure and postclosure care costs are estimated to be \$5,921,600 at Luzerne Road, Queensbury, New York. The City's share is estimated to be \$1,657,750 which is 25% of eligible costs and 100% of ineligible costs. It is anticipated that the state will reimburse the City for 75% of eligible costs under a Department of Environment and Conservation Grant.

Landfill closure and postclosure care expenditures recognized in 2011 totaled \$371,041.

On February 2, 2001, the Common Council authorized the Controller's Office to establish a Capital Project for the closure of the Luzerne Road Landfill in the amount of \$4,460,000 to be financed by a bond issuance. On July 19, 2001, the Common Council approved the issuance of \$4,460,000 serial bonds for this purpose. As of the date of this report, the bonds have not been issued.

City's Water Supply Reservoir System

The New York State Department of Environmental Conservation is requiring the City of Glens Falls to rehabilitate the City's dams to be in compliance with NYSDEC Dam Safety Regulations. During 2009, the Common Council authorized \$7,300,000 in serial bonds for the project. It is expected that the total project could exceed \$13,000,000. A grant of \$1,000,000 has been awarded to cover a portion of the cost. Bonds were issued for this project on January 27, 2011 to cover the City's share of these and other project costs.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Postemployment Benefits**

In addition to providing pension benefits, the City provides certain health care and life insurance benefits for retired employees. Retiring employees must meet age and retirement criteria to be eligible for the benefits, based upon collective bargaining agreements between the City and CSEA, Firefighters and Police employees.

**Postemployment Health Care Benefits**

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In prospectively adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2008, the City recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years is recognized in a thirty year amortization schedule, commencing with the 2008 liability.

**Other Postemployment Benefits (OPEB)**

Plan Description

The City of Glens Falls (the "City") administers the City of Glens Falls Retiree Medical Plan (the "Plan") as a single-employer defined benefit Other Postemployment Benefit Plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligation of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the City.

Accounting Policy

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets paid by a willing buyer to a willing seller.

Other Disclosure Information

The schedule of funding progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the matter of cost-sharing between the employer and plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Other Postemployment Benefits (OPEB) – Continued**

	Fiscal Year Ending December 31, 2011
<u>Annual OPEB Cost</u>	
Normal cost	\$ 1,172,808
Amortization of unfunded actuarial accrued liability	2,024,530
Interest	127,894
	<hr/>
Annual Required Contribution (ARC)	3,325,232
Interest on OPEB obligation	240,581
Adjustments to ARC	(347,821)
	<hr/>
OPEB expense	<u>\$ 3,217,992</u>

<u>Reconciliation of Net OPEB Obligations</u>	Fiscal Year Ending December 31, 2009	Fiscal Year Ending December 31, 2010	Fiscal Year Ending December 31, 2011
Net OPEB obligation at the beginning of the year	\$ 1,985,249	\$ 4,003,056	\$ 6,014,530
OPEB expense	2,889,351	3,123,840	3,217,992
Net OPEB contributions made during the fiscal year*	<u>(871,544)</u>	<u>(1,112,366)</u>	<u>(1,256,000)</u>
Net OPEB obligation at the end of the year	<u>\$ 4,003,056</u>	<u>\$ 6,014,530</u>	<u>\$ 7,976,522</u>
Percentage of expense contributed	30.2%	35.6%	39.0%

Of the net OPEB obligation, \$7,441,180 has been recorded in the statement of net assets as a non-current liability due in more than one year in the governmental activities column and \$535,342 has been recorded as a non-current liability due in more than one year in the Transit Fund shown in the business-type activity column.

\*estimated

	Actuarial Valuation Date January 01, 2011
<u>Schedule of Funding Progress</u>	
Currently retired liability	\$ 16,184,195
Actives eligible to retire	4,812,461
Actives not yet eligible	15,411,890
	<hr/>
Actuarial accrued liability	36,408,546
Actuarial value of assets	<hr/> -
Unfunded actuarial accrued liability	<u>\$ 36,408,546</u>
Funded Ratio (Act. accrued liability/Act. value of assets)	0%

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Other Postemployment Benefits (OPEB) – Continued**

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverages are “community-rated” and annual premiums for community-rated coverages were used as a proxy for claims without age adjustment. 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.

As of January 1, 2011, the most recent (updated) actuarial valuation, the liabilities were computed using the projected unit credit method with a thirty year amortization. The actuarial assumptions utilized a 4% discount rate. The valuation assumes a variable healthcare cost trend inflation rate ranging from 10% down to 5% and a postretirement benefit increase of 0% for contract migration.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and, consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

**Detail Notes to Discretely Presented Component Units**

Industrial Development Agency

Business Activity

The Agency was created in 1976 by the Common Council of the City of Glens Falls, New York to operate independently for the purpose of encouraging economic growth within the City of Glens Falls.

Income Taxes

The Agency, although established by the Common Council of the City of Glens Falls, operates as an independent entity and is exempt from federal, state and local income taxes.

Basis of Accounting

The accounts of the Agency are maintained on the accrual basis of accounting.

Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the City. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. At December 31, 2011 the original issue value on bonds issued aggregated \$24,125,000 and the outstanding balance thereon was \$21,660,000.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2011

**Detail Notes to Discretely Presented Component Units – Continued**

Industrial Development Agency - Continued

Investment Policy

The Agency's investment policies are governed by statutes of the State. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the state. The Treasurer of the Agency is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury, and obligations of the State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States of America and its agencies and obligations of the State and its municipalities and school districts.

Greater Glens Falls Local Development Agency (LDC)

Business Activity

The LDC was created in 1989 to make revolving loans for the purpose of enhancing the redevelopment and further development of the central business district of the City of Glens Falls. Its funding sources consist of repayment of previous U.D.A.G. and Community Development loans, payments in lieu of taxes and interest earned on certificates of deposit.

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code.

Basis of Accounting

The LDC maintains its accounts on the accrual basis of accounting.

Related Party Transactions

Since the Corporation has been financially dependent on the City of Glens Falls' assignment of loans receivable and "P.I.L.O.T." agreements, it is included as a component unit of the City's financial statements. Also, the LDC has transferred funds to other City funds or agencies to make certain debt payments on behalf of the City. The LDC is provided rental space and certain personnel for its operations at no cost to the organization.

Contingent Loss

The LDC owns "Brownfield" property with a cost of \$329,961 part of which was covered by federal and state grants. It was appraised for only \$115,000 in 2011; thus the LDC may incur a loss upon sale.

**Subsequent Events**

The City has evaluated all events through September 14, 2012, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure, except for a settlement noted in the lawsuit footnote on page 47.

## CITY OF GLENS FALLS, NEW YORK

## Schedule of Funding Progress for Other Postemployment Benefits

Year Ended December 31, 2011

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2011	December 31, 2011	\$ -	\$36,408,456	\$36,408,456	0%	9,575,828	380%
January 1, 2010	December 31, 2010	-	34,971,492	34,971,492	0%	9,677,994	361%
January 1, 2009	December 31, 2009	-	30,108,715	30,108,715	0%	9,838,317	306%

See Independent Auditors' Report and Notes

## CITY OF GLENS FALLS, NEW YORK

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2011

Federal Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	
<u>U.S. Department of Housing and Urban Development:</u>			
CDBG Entitlement Grants Cluster:			
Entitlement Grants	14.218	\$ 469,855	
ARRA Entitlement Grants (CDBG-R)	ARRA-14.253	<u>81,105</u>	
Total CDBG Entitlement Grants Cluster			550,960
Community Challenge Planning Grants	14.704		2,082
Passed Through New York State:			
Home Investment Partnerships Program	14.239		<u>193,938</u>
Total U.S. Department of Housing and Urban Development			746,980
<u>U.S. Department of Transportation:</u>			
Federal Transit Cluster:			
Federal Transit Formula Grants:			
Capital Assistance	20.507	15,198	
ARRA-FTA Capital Assistance	ARRA-20.507	832,499	
Operating Assistance	20.507	<u>334,645</u>	
Total Federal Transit Cluster			1,182,342
Passed Through New York State Department of Transportation:			
Highway Planning and Construction	20.205		<u>866,141</u>
Total U.S. Department of Transportation			2,048,483
<u>U.S. Environmental Protection Agency:</u>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		<u>104,555</u>
Total U.S. Environmental Protection Agency			104,555
<u>U.S. Department of Homeland Security:</u>			
Assistance to Firefighters Grants	97.044		<u>37,625</u>
Total U.S. Department of Homeland Security			<u>37,625</u>
Total			<u>\$ 2,937,643</u>

Grants noted above are direct unless specifically noted as passthrough grants.

See Independent Auditors' Report and Notes



CITY OF GLENS FALLS, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2011

**General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the City of Glens Falls, New York. The City's reporting entity is defined in the notes to the general purpose financial statements. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies are included on the schedule.

**Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in the notes to the City's basic financial statements. The non-federal share of expenditures, if any, is excluded from the Schedule.

**Sub-Recipients**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided Subrecipients</u>
Community Development Block Grant Entitlement Grants:	14.218	
Servants of the Lord dba Open Door		\$ 15,514
Greater Glens Falls Senior Citizens		19,701
Glens Falls Youth Center		24,500
Warren Hamilton Community Action Agency		10,505
Literacy NENY		7,000
Glens Falls Family YMCA		16,800
		<hr/>
Total		<u>\$ 94,020</u>



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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 Glens Falls, New York

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Glens Falls, New York, as of and for the year ended December 31, 2011, which collectively comprise the City of Glens Falls, New York's basic financial statements and have issued our report thereon dated September 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Other auditors audited the financial statements of Greater Glens Falls Transit System, an enterprise fund of the City of Glens Falls, New York, the Glens Falls Urban Renewal Agency, a blended component unit included in the non-major funds, and the City of Glens Falls Industrial Development Agency and the Greater Glens Falls Local Development Corporation, which are component units, as described in our report on City of Glens Falls, New York's financial statements. The audit of the Glens Falls Urban Renewal Agency was not performed in accordance with Government Auditing Standards. In addition, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors for the audits of the Greater Glens Falls Transit System, City of Glens Falls Industrial Development Agency and the Greater Glens Falls Local Development Corporation.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2011-03 and 2011-04).

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Glens Falls, 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 two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items (2011-01 and 2011-02).

We noted one other matter that we reported in a separate letter dated September 14, 2012.

City of Glens Falls, New York's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, the Common Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP

September 14, 2012



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REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To The Mayor and Common Council  
City of Glens Falls, New York

Compliance

We have audited the compliance of the City of Glens Falls, New York with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Glens Falls, New York's major federal programs for the year ended December 31, 2011. The City of Glens Falls, New York's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Glens Falls, New York's management. Our responsibility is to express an opinion on the City of Glens Falls, New York's compliance based on our audit.

City of Glens Falls, New York's basic financial statements include the operations of Greater Glens Falls Transit System, an enterprise fund of the City of Glens Falls, New York, the Glens Falls Urban Renewal Agency, City of Glens Falls Industrial Development Agency and the Greater Glens Falls Local Development Corporation, which are component units of the City of Glens Falls, New York. The expenditures of federal awards of the Greater Glens Falls Transit System are included in the Schedule of Expenditures of Federal Awards on page 53, based upon amounts included in a Schedule of Expenditures of Federal Awards contained in financial statements audited by other auditors. One or more of the remaining entities may have received federal awards. Such awards, if any, were not included in the Schedule of Expenditures of Federal Awards for the City of Glens Falls, New York for the year ended December 31, 2011 because the entities engaged other auditors for the year ended December 31, 2011.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The other auditors of the financial statements of the Glens Falls Urban Renewal Agency conducted their audit in accordance with Auditing Standards Generally Accepted in the United States of America, but not in accordance with Government Audit Standards. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Glens Falls, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Glens Falls, New York's compliance with those requirements.

In our opinion, the City of Glens Falls, New York complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

#### Internal Control Over Compliance

The management of the City of Glens Falls, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Glens Falls, New York's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Glens Falls, New York's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. However, we identified one deficiency in internal control over compliance that we consider to be a material weakness as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-03.

City of Glens Falls, New York's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit City of Glens Falls, New York's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, the Common Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP

September 14, 2012

Schedule of Findings and Questioned Costs

December 31, 2011

Section I - Summary of Auditor's Results

I. Financial Statements

- A. Type of auditor's report issued:
  - 1. Unqualified with explanatory language relating the fact that we did not audit the financial statements of the Greater Glens Falls Transit System, Glens Falls Urban Renewal Agency, City of Glens Falls Industrial Development Agency and Greater Glens Falls Local Development Corporation. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.
- B. Internal control over financial reporting:
  - 1. Two material weaknesses were identified. (#2011-03 and #2011-04).
  - 2. No significant deficiencies were reported that were not considered to be material weaknesses.
- C. Two instances of noncompliance not material to the financial statements were noted. (#2011-01 and #2011-02)

II. Federal Awards

- A. Internal control over major programs:
  - 1. One material weakness was identified. (#2011-03)
  - 2. No significant deficiencies were identified.
- B. Type of auditor's report issued on compliance for major programs:
  - 1. An unqualified opinion has been issued on the City of Glens Falls, New York's compliance for major programs.
- C. One audit finding was disclosed that is required to be reported in accordance with Section 510(a) of Circular A-133. (#2011-03)
- D. Identification of major programs:

<u>**CFDA Numbers</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction
20.507	FTA Operating and Capital Assistance
ARRA 20.507	ARRA – FTA Capital Assistance

- E. The dollar threshold used to distinguish Type A and Type B programs is \$300,000.
- F. The auditee does not qualify as a low-risk auditee.

\*\* CFDA numbers and determination of clusters based upon OMB Circular A-133 Compliance Supplement dated June 2011.

## Schedule of Findings and Questioned Costs

December 31, 2011

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Costs</u>
<u>Section II – Financial Statement Findings</u>		
2011-01	<p data-bbox="380 436 1044 468"><u>Criteria</u> – Proper fiscal management for Capital Projects.</p> <p data-bbox="380 499 1211 678"><u>Condition</u> – Capital Project HJ-1999 Financial Software was established without a Council resolution. Additionally, the project is complete but has not been closed due to insufficient funding. Currently the fund has a negative cash balance of approximately \$87,500 and owes the General Fund an additional \$29,000. This is a repeat finding from 2006 through 2010.</p> <p data-bbox="380 709 1044 741"><u>Cause of Condition</u> – Overexpenditure of project budget.</p> <p data-bbox="380 772 1190 835"><u>Effect</u> – Municipal Law has not been followed in regards to managing this project.</p> <p data-bbox="380 867 1157 930"><u>Recommendation</u> – Through Council resolution, properly fund and close the capital project during 2012.</p> <p data-bbox="380 961 1157 1014"><u>Management Response</u> – The City will propose a resolution to the Common Council to fund and close the project.</p>	N/A
2011-02	<p data-bbox="380 1045 1227 1108"><u>Criteria</u> – Per General Municipal Law, expected purchases over \$10,000 that are not subject to a New York State contract must be put out to bid.</p> <p data-bbox="380 1140 1239 1203"><u>Condition</u> – Upon audit testing, it was determined that three purchases in excess of \$10,000 were not put out to bid.</p> <p data-bbox="380 1234 1190 1297"><u>Cause of Condition</u> – Failure to bid these contracts appears to be an oversight.</p> <p data-bbox="380 1329 1271 1360"><u>Effect</u> – The City may have paid more for the contracts than was necessary.</p> <p data-bbox="380 1392 1255 1476"><u>Recommendation</u> – All contracts with vendors that are expected to exceed \$10,000 should first be compared to the state list of contractors. If they are not included, a request for bid proposals should be issued.</p> <p data-bbox="380 1507 1230 1591"><u>Management Response</u> – One of the vendors involved had a state contract in the past and the purchasing department was not aware of the change. The remaining two were merely oversights.</p>	N/A
2011-03	<p data-bbox="380 1623 1182 1686"><u>Criteria</u> – Section 300(d) of OMB Circular A-133 requires the auditee to prepare the Schedule of Expenditures of Federal Awards (SEFA).</p> <p data-bbox="380 1717 1271 1831"><u>Condition</u> – Auditors did not receive a complete listing of federal revenue and expenditures again in 2011. For one transportation grant, expenditures were made during 2011, but no reimbursement was requested. This resulted in the need to record an account receivable and related revenue</p>	N/A

## Schedule of Findings and Questioned Costs

December 31, 2011

Number	Finding/Non Compliance	Questioned Costs
<u>Section II – Financial Statement Findings – Continued</u>		
	<p>in the amount of \$866,141. The listing was revised upon audit. In addition, the audit team was not provided federal revenue and expenditures of Federal Awards for the Transit System until the other auditor completed a draft financial statement.</p> <p><u>Cause of Condition</u> – Oversight as well as lack of communication between department supervisors and the City Controller’s Office. While the Controller’s Office is generally aware that the department supervisors are requesting grant funding, they are not always given the funding source (whether state, federal or pass through federal funds), the exact name of the grant and the CFDA number.</p> <p><u>Effect</u> – Possible unreported Federal expenditures on the SEFA and Data Collection Form. Also, the audit was delayed because the audit team had to return and perform major program testing after fieldwork was completed.</p> <p><u>Recommendation</u> – A means of communication between department supervisors and the Controller’s Office needs to be established and supported by the Mayor. Because the Mayor is generally required to sign grant documents, he is aware of all of the origins of grant funding and could be a good resource to the Controller’s Office. At least once a year prior to the year end audit the department supervisors should be required to submit to the Controller’s Office a listing of all federal projects (including those passed through another organization) with the CFDA number, federal funding agency, the pass through agency, the project period, and the amount of federal expenditures and revenue for the year (even if the federal funds have not yet been requested). All departments should be contacted, including those with a separate set of bookkeeping records, such as the transit system and the community development fund. A sample form has been provided to the Controller’s Office by the auditor for this purpose. The completed form should be supplied to the auditors prior to the beginning of fieldwork to allow for them to effectively plan the audit.</p> <p><u>Management Response</u> – The mayor’s office will issue a memorandum to all department heads to provide a copy of all grant documents to the Controller’s office.</p>	
2011-04	<p><u>Criteria</u> – Pursuant to Government Accounting Standards Board Statement 54, a nonspendable, restricted, committed or assigned governmental fund balance cannot be negative.</p> <p><u>Condition</u> – The City’s Sewer Fund trial balance showed a negative restricted (previously entitled reserved) fund balance of \$894,464. In addition, the fund maintained restricted cash balances in the amount of \$557,171 at December 31, 2011. Adjustments were made to correct the balances upon audit.</p>	N/A



## Schedule of Findings and Questioned Costs

December 31, 2011

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Costs</u>
<u>Section II – Financial Statement Findings – Continued</u>		
	<p><u>Cause of Condition</u> – It appears that the fund balance (deficit) was caused as a result of the City Controller’s office not being familiar with the new pronouncement.</p>	
	<p><u>Effect</u> – As a result of the error, the assigned fund balance was overstated and restricted fund balance was understated.</p>	
	<p><u>Recommendation</u> – The New York State Comptroller’s Office issued a memo detailing the requirements of GASB 54 and the nature of the new fund balances. We suggest that this memo be reviewed and the new account titles be entered on the general ledger.</p>	
	<p><u>Management Response</u> – The City Controller is now aware that the reserve for debt account should not have a negative balance and she will adjust it in the future, if necessary.</p>	

Section III – Federal Awards Findings

See above finding #2011-03.

## Schedule of Status of Findings and Questioned Costs

From 2010 Report

<u>Number</u>	<u>Finding/Non Compliance</u>
<u>Financial Statement Findings</u>	
2010-1	<p><u>Fiscal Management Over Capital Projects</u> – Capital Project HJ-1999 Financial Software was established without a Council resolution. The project also has not been closed due to insufficient funding.</p> <p><u>Status:</u> Repeat finding. City management intends to propose a funding solution to the Common Council to fund and close the project.</p>
2010-2	<p><u>Controls Over Payroll Procedures</u> – Employees were being credited for vacation time on their anniversary dated instead of January 1<sup>st</sup> as required by the CSEA contract.</p> <p><u>Status:</u> The vacation accruals were properly recorded for 2011.</p>
2010-3	<p><u>OMB Circular A-133 requires the auditee to prepare the Schedule of Expenditures of Federal Awards (SEFA).</u> – The auditors did not receive a complete listing of expenditures of federal awards prior to the start of the audit, which required a significant audit adjustment and additional audit time.</p> <p><u>Status:</u> This is a repeat finding for 2011. Again, one federal program was not included in the listing of expenditures of federal awards given the auditors which resulted in additional audit time and a significant adjusting entry. The audit team also did not receive the total federal revenue and expenditures for the transit system until their auditor completed a draft financial statement.</p>

Federal Awards Findings

See finding 2010-3 above. It is a repeat finding for 2011.