

**CITY OF TROY, NEW YORK**

**Financial Statements – Statutory Basis  
as of and for December 31, 2011  
Together with  
Independent Auditors' Report  
and Required Reports  
under OMB Circular A-133**

**Bonadio & Co., LLP**  
Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

September 28, 2012

To the City Council of  
City of Troy, New York:

We have audited the accompanying balance sheet – all fund types and account groups – statutory basis of the City of Troy, New York, as of December 31, 2011, and the statements of revenues, expenditures and changes in fund balance – all governmental fund types and trust funds – statutory basis and revenues, expenditures and changes in fund balance – budget and actual – general, water and sewer funds- statutory basis for the year then ended. These financial statements are the responsibility of the City of Troy, New York's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A to the financial statements, the City prepared its financial statements using statutory accounting practices prescribed by the New York State Office of the State Comptroller for reporting to that office, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects of the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not readily determinable, are presumed to be material.

In our opinion, because of the significance of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Troy, New York, New York as of December 31, 2011, or the results of its operations for the year then ended

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Troy, New York as of December 31, 2011, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Water Fund, and Sewer Fund thereof for the year then ended on the basis of accounting described in Note A.

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## **INDEPENDENT AUDITORS' REPORT (Continued)**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the City of Troy, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Troy, New York's financial statements as a whole. The accompanying schedule of expenditures of federal awards is prepared under the statutory accounting practices prescribed by the New York State Office of the State Comptroller and 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 relate 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.

This report is intended solely for the information and use of the Mayor, members of the City Council, management, the New York State Office of the Comptroller and various Federal and New York State funding sources and is not intended to be and should not be used by anyone other than these specified parties.

City of Troy, New York

BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - STATUTORY BASIS  
December 31, 2011

	Governmental Funds						Fiduciary	Account Groups		
	Special Revenue Funds						Fund Types			
	General Fund	Special Grant Fund	Water Fund	Sewer Fund	Debt Service Fund	Capital Projects Fund	Trust and Agency Fund	Total	Non-current Governmental Assets	Non-current Governmental Liabilities
<b>ASSETS</b>										
Cash and cash equivalents	\$ 4,883,894	\$ 1,062,670	\$4,896,088	\$189,272	\$ 522	\$ 1,818,809	\$ 1,119,444	\$ 13,970,699	\$ -	\$ -
Cash with fiscal agent	8,932,088	-	-	-	3,213,047	1,831,812	-	13,976,947	-	-
Due from other governments	5,075,498	1,095,728	4,515,607	127,855	-	1,744,565	-	12,559,253	-	-
Taxes receivable, net	9,606,552	-	-	-	-	-	-	9,606,552	-	-
Other receivables	1,820,360	217,916	899,179	413,726	-	-	-	3,351,181	-	-
Due from other funds	1,393,010	584,719	4,145	-	-	102,871	10,004	2,094,749	-	-
Prepaid and other assets	40,117	-	-	-	-	-	36,339	76,456	-	-
Amounts to be provided for retirement of long-term debt	-	-	-	-	-	-	-	-	-	91,536,215
Fixed Assets	-	-	-	-	-	-	-	-	211,840,989	-
<b>Total assets</b>	<b>\$ 31,751,519</b>	<b>\$ 2,961,033</b>	<b>\$ 10,315,019</b>	<b>\$730,853</b>	<b>\$ 3,213,569</b>	<b>\$ 5,498,057</b>	<b>\$ 1,165,787</b>	<b>\$ 55,635,837</b>	<b>\$ 211,840,989</b>	<b>\$ 91,536,215</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES:</b>										
Accounts payable	\$ 2,273,946	\$ 132,647	\$ 307,631	\$ 86,128	\$ -	\$ 577,104	\$ 609,160	\$ 3,986,616	\$ -	\$ -
Accrued liabilities	1,368,360	-	159,368	42,040	-	-	-	1,569,768	-	-
Other liabilities	217,140	-	-	-	-	-	-	217,140	-	3,922,686
Due to other governments	7,072,372	87,000	-	-	-	-	-	7,159,372	-	5,719,380
Due to other funds	480,969	852,529	-	204,102	522	-	556,627	2,094,749	-	-
Bonds payable	-	-	41,365	-	-	-	-	41,365	-	7,760,058
Repayment agreements	-	-	-	-	-	-	-	-	-	48,706,065
Deferred revenues	6,544,832	985,411	633,085	-	-	1,320,476	-	9,483,804	-	-
Other post employment benefits	-	-	-	-	-	-	-	-	-	25,428,026
Investment in general fixed assets	-	-	-	-	-	-	-	-	211,840,989	-
<b>Total liabilities</b>	<b>17,957,619</b>	<b>2,057,587</b>	<b>1,141,449</b>	<b>332,270</b>	<b>522</b>	<b>1,897,580</b>	<b>1,165,787</b>	<b>24,552,814</b>	<b>211,840,989</b>	<b>91,536,215</b>
<b>FUND BALANCES:</b>										
<b>Nonspendable</b>										
Prepays	40,117	-	-	-	-	-	-	40,117	-	-
<b>Restricted</b>										
Special reserves	4,365,438	-	-	-	-	-	-	4,365,438	-	-
Debt service reserve	8,316,476	-	-	-	3,213,047	-	-	11,529,523	-	-
Appropriated for subsequent year expenditures	(1,782,200)	-	-	-	-	-	-	(1,782,200)	-	-
<b>Total Restricted</b>	<b>10,899,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,213,047</b>	<b>-</b>	<b>-</b>	<b>14,112,761</b>	<b>-</b>	<b>-</b>
<b>Assigned</b>										
Assigned unappropriated	144,353	381,213	873,981	746,091	-	2,563,426	-	4,709,064	-	-
Appropriated for subsequent year expenditures	1,782,200	-	-	-	-	-	-	1,782,200	-	-
<b>Total Assigned</b>	<b>1,926,553</b>	<b>381,213</b>	<b>873,981</b>	<b>746,091</b>	<b>-</b>	<b>2,563,426</b>	<b>-</b>	<b>6,491,264</b>	<b>-</b>	<b>-</b>
<b>Unassigned</b>										
	927,516	522,233	8,299,589	(347,508)	-	1,037,051	-	10,438,881	-	-
<b>Total Fund Balance</b>	<b>13,793,900</b>	<b>903,446</b>	<b>9,173,570</b>	<b>398,583</b>	<b>3,213,047</b>	<b>3,600,477</b>	<b>-</b>	<b>31,083,023</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>31,751,519</b>	<b>2,961,033</b>	<b>10,315,019</b>	<b>730,853</b>	<b>3,213,569</b>	<b>5,498,057</b>	<b>1,165,787</b>	<b>55,635,837</b>	<b>211,840,989</b>	<b>91,536,215</b>

City of Troy, New York

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUND TYPES - STATUTORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types						Total
	General Fund	Special Grant Fund	Water Fund	Sewer Fund	Debt Service Fund	Capital Projects Fund	
<b>REVENUES:</b>							
Real property taxes and tax items	\$ 20,518,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,518,228
Nonproperty tax items	15,897,473	-	-	-	-	-	15,897,473
Departmental income	5,114,556	317,252	11,172,502	2,171,120	-	-	18,775,430
Intergovernmental charges	37,130	-	-	-	-	-	37,130
Use of money and property	304,049	-	212,161	758	224,848	212	742,028
Licenses and permits	506,694	-	11,365	-	-	-	518,059
Fines and forfeitures	1,286,584	92,053	-	-	-	-	1,378,637
Interfund revenue	1,755,653	-	327,000	-	-	-	2,082,653
Sale of property and compensation for loss	717,362	-	105,168	-	-	-	822,530
Miscellaneous	528,037	-	16,661	19,382	-	2,599,521	3,163,601
State aid	14,427,392	92,181	97,106	-	-	312,784	14,929,463
Federal aid	547,486	3,794,804	291,317	-	-	1,862,574	6,496,181
<b>Total revenues</b>	<b>61,640,644</b>	<b>4,296,290</b>	<b>12,233,280</b>	<b>2,191,260</b>	<b>224,848</b>	<b>4,775,091</b>	<b>85,361,413</b>
<b>EXPENDITURES:</b>							
General governmental support	8,046,877	-	583,025	-	5,647	-	8,635,549
Public safety	31,962,160	-	-	-	-	-	31,962,160
Public health	165,783	-	-	-	-	-	165,783
Transportation	4,148,728	-	-	-	-	-	4,148,728
Culture and recreation	2,381,240	-	-	-	-	-	2,381,240
Home and community services	4,516,129	4,456,987	8,719,585	2,444,362	-	-	20,137,063
Employee benefits	4,910,833	-	-	-	-	-	4,910,833
<b>CAPITAL EXPENDITURES:</b>							
General governmental support	843,942	-	160,498	-	-	1,362,463	2,366,903
Public safety	340,884	-	-	-	-	-	340,884
Transportation	78,350	-	-	-	-	2,748,572	2,826,922
Economic assistance and opportunity	-	-	-	-	-	609,740	609,740
Culture and recreation	30,825	-	-	-	-	291,019	321,844
Home and community services	108,049	-	-	-	-	131,567	239,616
<b>DEBT SERVICE:</b>							
Principal	3,673,109	-	288,396	41,840	-	-	4,003,345
Interest	2,724,206	-	205,394	32,235	-	-	2,961,835
<b>Total expenditures</b>	<b>63,931,115</b>	<b>4,456,987</b>	<b>9,956,898</b>	<b>2,518,437</b>	<b>5,647</b>	<b>5,143,361</b>	<b>86,012,445</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,290,471)</b>	<b>(160,697)</b>	<b>2,276,382</b>	<b>(327,177)</b>	<b>219,201</b>	<b>(368,270)</b>	<b>(651,032)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Proceeds from issuance of long term debt	-	-	-	-	401,557	-	401,557
Operating transfers - in	2,608,759	22,403	-	-	-	2,687,246	5,318,408
Operating transfers - out	(2,709,648)	-	(1,972,000)	-	(636,548)	(212)	(5,318,408)
<b>Total other financing sources and uses</b>	<b>(100,889)</b>	<b>22,403</b>	<b>(1,972,000)</b>	<b>-</b>	<b>(234,991)</b>	<b>2,687,034</b>	<b>401,557</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(2,391,360)</b>	<b>(138,294)</b>	<b>304,382</b>	<b>(327,177)</b>	<b>(15,790)</b>	<b>2,318,764</b>	<b>(249,475)</b>
<b>FUND BALANCE - beginning of year</b>	<b>16,185,260</b>	<b>1,041,740</b>	<b>8,869,188</b>	<b>725,760</b>	<b>3,228,837</b>	<b>1,281,713</b>	<b>31,332,498</b>
<b>FUND BALANCE - end of year</b>	<b>13,793,900</b>	<b>903,446</b>	<b>9,173,570</b>	<b>398,583</b>	<b>3,213,047</b>	<b>3,600,477</b>	<b>31,083,023</b>

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
 STATUTORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<i>Final Budget</i> <u>Variance with Budgetary Actual</u>
<b>REVENUE:</b>					
Real property taxes and tax items	\$ 20,603,341	\$ 20,603,341	\$ 20,518,228	\$ -	\$ (85,113)
Nonproperty tax items	14,525,000	14,525,000	15,897,473	-	1,372,473
Departmental income	5,255,898	5,290,842	5,114,556	-	(176,286)
Intergovernmental charges	37,130	37,130	37,130	-	-
Miscellaneous local sources	434,184	434,184	528,037	-	93,853
Use of money and property	185,000	220,000	304,049	-	84,049
Licenses and permits	489,250	489,250	506,694	-	17,444
Fines and forfeitures	1,297,000	1,297,000	1,286,584	-	(10,416)
Sale of property and compensation for loss	1,075,000	1,075,000	717,362	-	(357,638)
Interfund activity	2,009,741	2,009,741	1,755,653	-	(254,088)
State aid	14,256,459	14,846,467	14,427,392	-	(419,075)
Federal aid	501,427	593,427	547,486	-	(45,941)
Total revenue	<u>60,669,430</u>	<u>61,421,382</u>	<u>61,640,644</u>	<u>-</u>	<u>219,262</u>
<b>EXPENDITURES:</b>					
General governmental support	\$ 8,918,197	\$ 9,014,587	\$ 8,890,819	\$ 12,587	\$ 111,181
Public safety	32,535,268	33,319,906	32,303,043	128,747	888,116
Public Health	155,175	155,175	165,783	-	(10,608)
Transportation	3,694,974	3,775,330	4,227,078	-	(451,748)
Culture and recreation	2,333,442	2,372,554	2,412,065	2,560	(42,071)
Home and community services	4,397,372	4,696,976	4,624,178	459	72,339
Employee benefits	5,044,481	5,044,481	4,910,833	-	133,648
Debt service - principal	3,673,109	3,673,109	3,673,109	-	-
Debt service - interest	<u>2,466,762</u>	<u>2,466,762</u>	<u>2,724,206</u>	<u>-</u>	<u>(257,444)</u>
Total expenditures	<u>63,218,780</u>	<u>64,518,880</u>	<u>63,931,114</u>	<u>144,353</u>	<u>443,413</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Appropriated fund balance	504,850	3,402,853	-	-	(3,402,853)
Operating transfers in	2,044,500	2,044,500	2,608,759	-	564,259
Operating transfers out	<u>-</u>	<u>(2,349,855)</u>	<u>(2,709,649)</u>	<u>-</u>	<u>(359,794)</u>
Total other financing sources (uses)	<u>2,549,350</u>	<u>3,097,498</u>	<u>(100,890)</u>	<u>-</u>	<u>(3,198,388)</u>
NET CHANGE IN FUND BALANCES	-	-	(2,391,360)	(144,353)	(2,535,713)
FUND BALANCE - beginning of year	<u>16,185,260</u>	<u>16,185,260</u>	<u>16,185,260</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 16,185,260</u>	<u>\$ 16,185,260</u>	<u>\$ 13,793,900</u>	<u>\$ (144,353)</u>	<u>\$ (2,535,713)</u>

The accompanying notes are an integral part of these statements.

**CITY OF TROY, NEW YORK**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - WATER FUND  
 STATUTORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Final Budget Variance with Budgetary Actual</i>
<b>REVENUE:</b>					
Use of money and property	\$ 250,000	\$ 250,000	\$ 212,161	\$ -	\$ (37,839)
Intergovernmental charges	-	-	-	-	-
Departmental income	11,419,950	11,419,950	11,172,502	-	(247,448)
Licenses and permits	14,000	14,000	11,365	-	(2,635)
Fines and forfeitures	500	500	-	-	(500)
Sale of property and compensation for loss	120,500	120,500	105,168	-	(15,332)
Interfund activity	327,000	327,000	327,000	-	-
Miscellaneous local sources	9,592	9,592	16,661	-	7,069
Emergency disaster assistance	-	-	97,106	-	97,106
Federal aid	-	-	291,317	-	291,317
<b>Total revenue</b>	<b>12,141,542</b>	<b>12,141,542</b>	<b>12,233,280</b>	<b>-</b>	<b>91,738</b>
<b>EXPENDITURES:</b>					
General governmental support	\$ 471,359	\$ 1,023,359	\$ 743,523	\$ 342,536	\$ (62,700)
Home and community services	9,205,113	10,359,240	8,719,585	531,445	1,108,210
Debt service - principal	288,396	288,396	288,396	-	-
Debt service - interest	204,674	204,674	205,394	-	(720)
<b>Total expenditures</b>	<b>10,169,542</b>	<b>11,875,669</b>	<b>9,956,898</b>	<b>873,981</b>	<b>1,044,790</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Appropriated fund balance	-	1,706,127	-	-	1,706,127
Operating transfers in	-	-	-	-	-
Operating transfers out	(1,972,000)	(1,972,000)	(1,972,000)	-	-
<b>Total other financing sources (uses)</b>	<b>(1,972,000)</b>	<b>(265,873)</b>	<b>(1,972,000)</b>	<b>-</b>	<b>1,706,127</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>304,382</b>	<b>(873,981)</b>	<b>2,842,655</b>
<b>FUND BALANCE - beginning of year</b>	<b>8,869,188</b>	<b>8,869,188</b>	<b>8,869,188</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - end of year</b>	<b>\$ 8,869,188</b>	<b>\$ 8,869,188</b>	<b>\$ 9,173,570</b>	<b>\$ (873,981)</b>	<b>\$ 2,842,655</b>

The accompanying notes are an integral part of these statements.



**CITY OF TROY, NEW YORK**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SEWER FUND  
 STATUTORY BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUE:</b>					
Departmental income	\$ 2,549,833	\$ 2,549,833	\$ 2,171,120	\$ -	\$ 378,713
Use of money and property	18,500	18,500	758	-	17,742
Miscellaneous local sources	15,300	15,300	19,382	-	(4,082)
Interfund activity	-	-	-	-	-
<b>Total revenue</b>	<u>2,583,633</u>	<u>2,583,633</u>	<u>2,191,260</u>	<u>-</u>	<u>392,373</u>
<b>EXPENDITURES:</b>					
Home and community services	\$ 2,509,556	\$ 3,320,000	\$ 2,444,362	\$ 746,091	\$ 129,547
Debt service - principal	41,840	41,840	41,840	-	-
Debt service - interest	32,237	32,237	32,235	-	2
<b>Total expenditures</b>	<u>2,583,633</u>	<u>3,394,077</u>	<u>2,518,437</u>	<u>746,091</u>	<u>129,549</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Appropriated fund balance	-	810,444	-	-	810,444
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(327,177)	(746,091)	1,073,268
<b>FUND BALANCE - beginning of year</b>	<u>725,760</u>	<u>725,760</u>	<u>725,760</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - end of year</b>	<u>\$ 725,760</u>	<u>\$ 725,760</u>	<u>\$ 398,583</u>	<u>\$ -</u>	<u>\$ 1,073,268</u>

The accompanying notes are an integral part of these statements.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Troy, New York (City) has elected to prepare its financial statements on the statutory basis required by the New York State Office of the State Comptroller for annual reports to that office. This statutory basis is another comprehensive basis which varies from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The statutory basis under the New York State Office of the Comptroller uses the modified accrual basis of accounting for governmental funds and fiduciary funds; accrual basis accounting is used for the account groups. This basis differs from GAAP primarily in that no government wide financial statements are prepared, nor is a Management's Discussion and Analysis prepared.

### *Use of Estimates*

In preparing the financial statements in conformity with the accounting principles described above, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying basic financial statements follows.

### *1. Financial Reporting Entity*

The City was established during 1789 within the County of Rensselaer (County); was incorporated during 1816; and is governed by its Charter, the General City Law, other general laws of the State of New York, and various local laws. The Mayor is responsible for overall operations and serves as Chief Executive Officer. The City Comptroller serves as Chief Fiscal Officer. All legislative power of the City is vested in the City Council, whose powers are specified in Section 2.08 of the City Charter.

The City provides several services, including general government support, police and fire protection, refuse and garbage collection, water and sewer service, and recreation services.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 1. *Financial Reporting Entity* - Continued

Based on the application of these criteria, a brief review of each potential component unit addressed in defining the City's reporting entity follows:

#### Excluded From the Reporting Entity

Although the following organizations, functions, or activities are related to the City, they are not included in the City reporting entity for the reasons noted:

#### Municipal Assistance Corporation for the City of Troy

The Municipal Assistance Corporation for the City of Troy (MAC) was created during 1995 under the provisions of Section 3053 of the Financial Control Act (see Note I). The MAC is an authority of the State of New York. The members of the authority have complete responsibility for managing the MAC and are not presumed to be a component unit of the City. The enabling legislation creating the MAC was amended June 29, 1995, with an effective date of July 19, 1995, and was again amended August 5, 1996.

#### City of Troy Supervisory Board

Per the provision of Chapter 721 of the Laws of 1994 as amended by Chapters 187 and 188 of the Laws of 1995 and Chapters 444 and 445 of the Laws of 1996 (see Note I), the State Legislature created the City of Troy Supervisory Board. Per the legislation, the City is to establish a general debt service fund to be overseen by the New York State Office of the State Comptroller. The City does not have any oversight responsibility over the Supervisory Board.

#### Troy Industrial Development Authority

The Troy Industrial Development Authority (IDA) is a Public Benefit Corporation created by the State Legislature to promote the economic welfare, recreation opportunities, and prosperity of City inhabitants. Members of the IDA are appointed by the Mayor and confirmed by the City Council, but the City exercises no oversight responsibility. IDA members have complete responsibility for management of the IDA and accountability for fiscal matters. The City is not liable for IDA bonds or notes.

#### Troy Local Development Corporation

The Troy Local Development Corporation (LDC) was incorporated in the State of New York in November 1988. The LDC's primary purpose is to maintain and develop the economic climate of the City through the promotion of employment and attraction of new businesses. Effective for the year ended December 31, 2008, the LDC is required to have an annual independent audit completed of their financial statements.

The LDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is classified as a private foundation under Sections 507(d) and 4940 of the Internal Revenue Code and qualifies for the charitable contribution deduction for individual donors.

#### Troy Capital Resource Corporation (CRC)

The Troy Capital Resource Corporation was established pursuant to Article 8, Title 11 of the Public Authorities Law of the State of New York, as a public benefit corporation of the State with purposes as set forth within the Act.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 1. *Financial Reporting Entity - Continued*

#### Excluded From the Reporting Entity - Continued

Members of the CRC are appointed by the Mayor and confirmed by the City Council, but the City exercises no oversight responsibility. CRC members have complete responsibility for management of the CRC and accountability for fiscal matters. The City is not liable for CRC bonds or notes.

#### Troy City and Lansingburgh Central School Districts

The Troy City and Lansingburgh Central School Districts (School Districts) were created by State legislation, which designated the School Boards as the governing authorities. School Board members are elected by the qualified voters of the School Districts. The Boards designate management and exercise complete responsibility for all fiscal matters. The City Council exercises no oversight over the School Districts' operations.

#### Troy Housing Authority

The Troy Housing Authority (Authority) was created during 1957 by the State Legislature. The governing board of the Authority is appointed by the Chief Executive Officer of the City. The City provides no subsidy to the Authority nor is it responsible for debt or operating deficits of the Authority. The Authority's debt is essentially supported by operating revenues of the Authority and is not guaranteed by the City. The City does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff. The City has no oversight responsibility for funds of the Authority.

### 2. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on the modified accrual basis using a current financial resources focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, governmental fund revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably determined, and "available" means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year-end. Property taxes determined to be collectible after the 60-day period are recorded as deferred revenues. The City uses a 120-day availability period for other significant governmental revenue sources. In addition to property taxes, governmental revenues susceptible to accrual include sales tax, state and federal aid, and certain other significant revenues. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received. For state and federal grants, if reimbursement of expenditures is the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* - Continued  
The City also reports deferred revenue for certain revenues other than property taxes. Deferred revenues arise when potential revenue does not meet both of the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combining balance sheet and revenue is recognized.

Governmental fund expenditures are recorded when the fund liability is incurred except that:

- Payment of prepaid expenses and purchase of inventory type items are recorded as expenditures when the related amounts are due and payable. This method is generally referred to as the “purchase” method, as opposed to the “consumption” method used in the government-wide financial statements.
- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensation time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the leave credits are used by employees.
- Current pension costs payable to the New York State Retirement Systems are recorded as expenditures when billed by the Systems.
- Costs of acquiring fixed assets are recorded as expenditures when the related acquisition amounts are due and payable.

### 3. *Fund Accounting*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The activities of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The City’s fund types and account groups are as follows:

#### Fund Types

Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The City’s governmental fund types are as follows:

- a. General Fund is the principal operating fund of the City and accounts for the general tax revenues, miscellaneous receipts not allocated by law or contractual agreement to another fund, risk retention operations, and general operating expenditures. This fund operates within the financial limits of an annual budget adopted by the City Council.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3. *Fund Accounting* – Continued

- b. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the City include the following:

Special Grant Fund is used principally to account for the use of federal monies received under Community Development and other Department of Housing and Urban Development Funds.

Water Fund is used to report operations of the City's water treatment and supply facilities that provide drinking water to all City residents, as well as to certain other local communities outside the City's corporate boundaries.

Sewer Fund is used to report operations of the City's wastewater treatment facilities and sanitary sewer system that is provided to all City residents.

- c. Debt Service Fund is used to account for the accumulation of resources reserved for future MAC debt payments. Unexpended balances of proceeds and earnings on proceeds of borrowings for capital projects are transferred from the Capital Projects Fund and held until appropriated.
- d. Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets for governmental activities. Financing is generally provided from proceeds of bonds, notes, federal and state grants, and transfers from other governmental funds.

Fiduciary Funds are used to report resources that are held by the City in a trustee or agency capacity for others and cannot be used to support the City's own programs. Fiduciary funds include pension and other employee benefit trust funds, investment trust funds, private purpose trust funds, and agency funds. The City does not maintain any investment or private purpose trust funds, but does maintain the following Fiduciary Funds:

- a. Agency Funds are used to account for monies and property held by the City as agent for others pending disposition to the applicable parties.

In addition to the various funds, the City maintains schedules of non-current governmental assets and non-current governmental liabilities. Non-current governmental assets include capital assets used in governmental activities, and non-current governmental liabilities include bonds, state loans, and other long-term debt used to finance governmental activities.

### 4. *Budgets*

The City's procedures for establishing the budgetary data reflected in the accompanying financial statements are as follows:

- a. Not later than October 1, the City Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1.
- b. The operating budget includes proposed expenditures and the means of financing them.
- c. Public hearings are conducted to obtain taxpayer comments.

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **4. Budgets - Continued**

- d. Not later than December 1, the budget is legally enacted through the passage of a legislative resolution.
- e. Total expenditures for each object may not legally exceed the total appropriations for that object.

Budgetary controls for certain special grants are established in accordance with the applicable grant agreements, which may cover a period other than the City's fiscal year.

The Mayor is authorized to approve all budget transfer requests not exceeding \$500 between the major fund codes within individual departments. Additionally, the Mayor may authorize all budget transfers within major fund codes within individual departments. All other modifications to the budget must be approved by the City Council.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgeting control purposes to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are recorded as reservations of fund balances since the commitments do not constitute expenditures or liabilities. Open encumbrances, after review by the City Council, are added to the subsequent year's budget to provide the modified budget presented in the combining financial statements. Expenditures for such commitments are recorded in the period in which the liability is incurred.

The budget is developed on a basis generally consistent with accounting principles generally accepted in the United States of America. The only significant difference is that the budget treats encumbrances as expenditures, whereas accounting principles generally accepted in the United States of America treat them as reservations of fund balances.

Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreements, which cover periods different from the City's fiscal year. The Troy Urban Renewal Agency does not operate on an annual budget due to its limited activity. Accordingly, these funds have not been included in statements comparing budget estimates to actual transactions.

### **5. Cash and Cash Equivalents**

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies, repurchase agreements, and obligations of New York State or its localities.

All deposits shall be fully secured by insurance of the FDIC or by obligations of New York State, or obligations of federal agencies, the principal and interest of which is guaranteed by the United States or obligations of New York State local governments.

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### *5. Cash and Cash Equivalents (Continued)*

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities shall be valued to market at periodic intervals by the City Comptroller or his/her designee.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

### *6. Interfund Transactions*

During the course of operations, the City processes several transactions that affect more than one fund and other transactions between the various funds. Interfund services provided and used are accounted for as revenues in the provider funds and expenditures or expenses in the user funds. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Advances or loans from one fund to another are recorded as receivables in the remitting fund and payables in the receiving fund. Other interfund transactions generally represent transfers of resources from one fund to be utilized in another fund and are reported as transfers. Interfund transactions that are unpaid between funds are recorded in the financial statements as due from other funds (receivables) and due to other funds (payables).

### *7. Fixed Assets*

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the schedule of non-current governmental assets.

Accounting principles under the statutory basis require that all purchased fixed assets be valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fixed assets are not depreciated nor has interest on construction in progress been capitalized.

### *8. Compensated Absences*

During 2011, accumulated vacation for General, Water, and Sewer Fund personnel totaled \$4,823,037, \$226,887, and \$61,456, respectively. The amounts of vested accumulated vacation leave and compensation time are recorded in the schedule of non-current governmental liabilities in other liabilities. No liability is recorded for nonvesting accumulated rights to receive sick and personal pay benefits.



## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 9. *Post-Retirement Benefits*

The City provides health insurance coverage and survivors' benefits for retired employees and their survivors. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors' benefits are provided through a self-insurance program or insurance company contracts with premiums based on the benefits paid during the year. The City recognizes the cost of providing benefits by recording total costs as expenditures during the year paid. The retirees' premium contributions are reported as revenue received during the year.

During the year, approximately \$5.2 million of pooled funds was paid on behalf of approximately 399 retirees and survivors and recorded as expenditures in the General Fund. During the year, \$110,444 was collected for premiums from these retirees and survivors and recorded as revenue of the General Fund. See Note H for additional disclosures pertaining to retiree postemployment benefits other than pensions.

### 10. *Fund Balance*

The City elected to implement GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011 (GASB 54). In the fund financial statement, governmental funds report the following classifications of fund balance:

Nonspendable fund balance – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts report as nonspendable at December 31, 2011, by the City are nonspendable in form.

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The following are the restricted fund balance amounts at December 31, 2011:

General Fund	
Special reserves	\$ 4,365,438
Debt reserve	8,316,476
Appropriated for subsequent years	(1,782,200)
Debt Service	
Debt reserve	<u>3,213,047</u>
	<u>\$ 14,112,761</u>

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, i.e., the City Council. The City has no committed fund balances as of December 31, 2011.

Assigned fund balance – Includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Amounts that are assigned include those appropriated for the purpose of reduction in taxes.

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the City.

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Order of Fund Balance Spending Policy**

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

Reserves represent those portions of fund balance not available for appropriation or legally segregated for a future use. Designated fund balances represent tentative plans for future use of financial resources.

Unrestricted fund balance represents fund balance of the City not restricted for any project or other purpose.

The following reserve funds are utilized by the City. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

#### Workers' Compensation Reserve

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

#### Unemployment Insurance Reserve

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### Insurance Reserve

Insurance reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000, or 5%, of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

### Snow and Ice Removal Reserve

Snow and ice removal reserve (GML §6-f) issued to finance the costs of removal of snow and ice from public thoroughfares and for the repair and maintenance of roadways damaged by the removal of snow and ice.

### Capital Reserve

Capital reserve (GML §6-c) is used for the purpose to finance the cost of the purchase of equipment, vehicles, apparatus or other capital assets for the use of the City and the reconstruction, rehabilitation or renovation of City owned buildings and facilities.

### Reserve for Debt Service

Reserve for debt was established for the purpose of paying MAC. debt service becoming due in the current fiscal year and subsequent fiscal years as required pursuant to the agreement of the Corporation made with the holders of the bonds or notes issued pursuant to section three thousand fifty three of the Financial Control Act.

### Reserve for Encumbrances

Reserve for encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

## NOTE B - CASH AND CASH EQUIVALENTS

It is the City's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the FDIC insurance. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1

Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2

Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3

Uncollateralized.

Bank	Category			Carrying Amount
	<u>Balance</u>	<u>1</u>	<u>2</u>	
<u>Pooled Deposits</u>				
Pooled cash and cash equivalents	\$ 7,954,212		\$ 7,954,212	\$ 6,704,853
<u>Non-Pooled Deposits</u>				
Non-Pooled cash and cash equivalents				
General Fund	3,128,619	-	3,125,619	3,130,526
Special Revenue Funds	1,108,061	-	1,108,061	1,021,021
Capital Projects	2,048,859	-	2,048,859	2,012,082
Trust and Agency	1,277,522	-	1,277,522	1,095,695
Debt Service	522	-	522	522
Petty Cash	6,000	-	-	6,000
	<u>\$ 15,523,795</u>	<u>\$ -</u>	<u>\$ 15,514,795</u>	<u>\$ 13,970,699</u>

As a provision of certain financing arrangements, certain Capital Projects Fund cash is restricted for related construction purposes. Reserved fund balance includes the excess of assets over certain liabilities reserved according to donor restrictions, reserved for debt service on bonded debt, and reserved for capital projects.

Cash with fiscal agent represents amounts held by the fiscal agent for payment of principal and interest on outstanding obligations held by the MAC in the General and Debt Service Funds.

## **NOTE C - PROPERTY TAXES**

The City's property taxes are levied annually on January 1. The annual City tax levy consists of taxes levied for City purposes based on City budget requirements, County taxes levied within the City for County budget requirements, and relieved unpaid water rents and sewer rents and recycling container charges. Taxes are due and payable in bi-annual installments on January 1 and July 1. Taxes become delinquent on February 1 and August 1. On November 1, unpaid City and County taxes are enforced through tax liens. Effective January 1, 1995, the City adopted a foreclosure process in accordance with Article 11 of the Real Property Tax Law, as amended by Chapter 602 of the Laws of 1993 and Chapter 532 of the Laws of 1994, whereby unpaid property taxes are allowed to be processed through In-Rem and formal foreclosure proceedings.

The City has established a \$500,000 allowance for doubtful accounts based on collection history and a review of accounts by management.

In addition to the City tax levy, the City is responsible for collecting the School Districts' taxes levied on property within the City that has been certified as being uncollected by School District authorities.

The School Districts are paid annually by the City for their portion of school taxes which are more than two years old. The General Fund annually reimburses the Water and Sewer Special Revenue Funds in full for uncollected rents. The City only reimburses the County for taxes collected. In the event the City sells any property it has acquired as a result of the nonpayment of taxes in accordance with the Charter of the City, the City will share with the County all losses and gains proportionately to the liens outstanding.

Also, on the 21<sup>st</sup> day of May 2009, the New York State Legislature amended chapter 672 of the laws of 1993, amending the Public Authorities Law relating to the construction and financing of facilities for certain public libraries including the Troy public Library within the provisions of the chapter. In addition, pursuant to said amendment, taxes voted on and approved for the support of the library shall be levied in the calendar year directly preceding the Library's fiscal year and shall be included in the tax bills issued during December of the calendar year preceding the fiscal year. The City of Troy implemented the provisions of the amendment as forth in Legislative Bill A-11189 and began collecting library taxes in January 2010 for the 2010 fiscal year. The City has agreed to certify and pay to the Troy Public Library, all library taxes collected by the City of Troy on a monthly basis commencing with January 2010 collections 45 days after the first of every month.

On July 9, 2009 per Article 19-A of New York State Consolidated General Municipal Law the Troy City Council passed Local Law No. 3 approving the establishment of the Business Improvement District (BID). The Act became effective after compliance with Section 980 (g) of the General Municipal Law.

The BID Assessment rate of 5% multiplied by the City taxes is permanently capped and cannot be changed or modified. The City of Troy implemented the provisions set forth and began collecting the BID taxes in January, 2011 for the 2011 fiscal year. As with the Library tax, the City has agreed to certify and pay to the Business Improvement District all BID taxes collected by the City on a monthly basis commencing with the January 2011 collections.

## NOTE C - PROPERTY TAXES (Continued)

As described above, City taxes receivable consist in part of City tax revenues and in part of taxes levied for the purposes of other local governments over which the City exercises no fiscal control.

Taxes are calculated using assessments prepared by the City Assessor as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The taxable assessed value of real property included in the levy of 2011 is approximately \$254.7 million. The effective tax rate on this value is approximately \$76.08 per thousand. The statutory maximum tax rate is 2% of the five-year average of the equalized assessment. The 2011 levy represents approximately 46% of the maximum statutory levy.

## NOTE D - FIXED ASSETS

The following schedule identifies changes in the City's fixed assets for the year ended December 31, 2011:

	January 1, 2011 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	December 31, 2011 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,313,405	\$ -	\$ -	\$ 1,313,405
Buildings and land improvements	47,697,407	81,000	3,406,857	44,371,550
Machinery and equipment	15,822,148	1,628,298	-	17,450,446
Infrastructure	<u>148,705,588</u>	<u>-</u>	<u>-</u>	<u>148,705,588</u>
	<u>\$ 213,538,548</u>	<u>\$ 1,709,298</u>	<u>\$ 3,406,857</u>	<u>\$ 211,840,989</u>

The City has assessed the value of their infrastructure and has elected to record it even though it is not required under the accounting principles prescribed by the New York State Office of the State Comptroller.

## NOTE E - OTHER RECEIVABLES

Other receivables include:

### 1. General Fund

The City was owed \$2,310 of assessments receivable, and \$1,818,050 of accounts receivable as of December 31, 2011.

### 2. Special Grant Fund

The City has made loans to various companies and individuals under the United States Department of Housing and Urban Development programs. The total of commercial and residential rehabilitation loans receivable is \$333,863 as of December 31, 2011. At year-end, the City had \$115,947 reserved in the Allowance for Receivables.

## NOTE E - OTHER RECEIVABLES (Continued)

### 3. Water and Sewer Funds

Other receivables in these funds are comprised of water and sewer rents receivable totaling \$916,847 and \$404,897, respectively, and accounts receivable of \$65,141 and \$8,829, respectively, as of December 31, 2011.

The Water Fund also had \$4,515,607 for water rents due from other governments. An allowance for receivables in the amount of \$82,809 has been set up in the Water Fund and \$618,633 has been recognized as deferred revenue as of December 31, 2011.

## NOTE F - INDEBTEDNESS

### 1. Short-Term Debt

Liabilities for Bond Anticipation Notes (BANs) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The City had no BANs outstanding at December 31, 2011.

### 2. Bonds Payable

A summary of the City's bonds payable as reported in non-current liabilities is as follows:

	<u>Original Date Issued</u>	<u>Original Balance</u>	<u>Interest Rate %</u>	<u>Final Maturity</u>	<u>December 31, 2011</u>
<u>General Fund</u>					
General obligation	07/09	500,000	2.010%	07/14	\$ 300,000
General obligation	05/10	1,000,000	VAR	05/15	<u>815,000</u>
					1,115,000
<u>Water Fund</u>					
General Obligation	09/99	855,297	0.000%	12/19	370,000
General Obligation	12/01	3,390,000	3.250%	12/22	2,136,578
General Obligation	07/07	3,136,180	4.633%	09/36	<u>2,805,000</u>
					5,311,578
<u>Sewer Fund</u>					
General Obligation	09/04	1,625,890	2.380%	04/34	<u>1,333,480</u>
					<u>Total general obligation bonds payable</u>
					<u>\$ 7,760,058</u>

Water and sewer debt issuances are essential to continued operations of those activities. Consequently, the City recognizes interest on the related debt as a direct operating expense of the water and sewer activities.

## NOTE F – INDEBTEDNESS (Continued)

### 3. Repayment Agreements

The repayment agreements between the City and the MAC represent the 1996 capital appreciation bonds refinancing of the 1992 Lease Revenue Bonds in the original amount of \$55,589,262, the 1997 refinancing of the 1990 Installment Purchase Debt (Certificate of Participation) in the original amount of \$3,425,000, the 1999 issuance for the closing of the City's landfill in the original amount of \$5,364,156 (Series 1999A), and the 1999 issuance to provide funds to repay the City's bond anticipation notes to meet the debt service fund requirement and to pay certain costs of issuance in the original amount of \$5,205,000 (Series 1999B).

During November 2010, the MAC refunded the Series 1996A Bonds and Series 1999B Bonds with Series 2010A General Resolution Bonds in the principal amount of \$15.62 million. The Series 2010A bonds were issued at a premium of \$640,444. Substantially all of the net proceeds together with other monies of the MAC were used to refund \$14.080 million and \$1.955 million of those issues. The sale will generate budgetary savings totaling \$831,125 over the life of the refunding bonds, which will be passed on to the City.

During May 2010, the MAC revised the Project Financing and Loan Agreement with the EFC as a result of refinancing the \$2.685 million remaining balance interest rate savings from the refunding of corresponding bonds that the EFC sold to the public. The refinancing generated \$181,756 of budgetary savings over the remaining life of the loan, which will be passed on to the City.

The outstanding balances of the repayment agreements for the 2010A, 1996A, 1996B and 1996C, the 1996A, and the 1996B are \$15,562,000, \$13,229,614, \$2,415,000, and \$0 at December 31, 2011, respectively.

### 4. State Clean Water Program

The City has entered into loan agreements with the New York State Environmental Facilities Corporation (EFC) to finance the cost of improvements to the City's sewer system which were necessary to eliminate the discharge of untreated sewage into the Hudson River. The general obligation serial bonds shown above under the Sewer Fund represent the unpaid balance of these bonds at December 31, 2011.

### 5. State Drinking Water Program

The City has also entered into loan agreements with EFC to help finance recent improvements to the City's water system. The general obligation serial bonds shown above under Water Fund represent the unpaid balance of these bonds at December 31, 2011.

### 6. Maturity Information

The annual debt service requirements to maturity, including principal and interest, for the City's general obligation bonds as of December 31, 2011, are as follows:

	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	<u>Fiscal Year Ending December 31,</u>
\$	873,559	\$ 246,895	\$ 626,664	2012
	880,594	232,293	648,301	2013
	881,715	216,572	665,143	2014
	777,259	200,042	577,217	2015
	561,755	187,236	374,519	2016
	2,692,933	762,214	1,930,719	2017-2021
	1,552,182	480,917	1,071,265	2022-2026
	1,255,202	301,202	954,000	2027-2031
	<u>1,021,016</u>	<u>108,786</u>	<u>912,230</u>	2032-2036
\$	<u>10,496,215</u>	<u>2,736,157</u>	<u>7,760,058</u>	



## NOTE F - INDEBTEDNESS (Continued)

The annual debt service requirements to maturity, including principal and interest, for the City's repayment agreements as of December 31, 2011, are as follows:

<u>Total</u>	<u>Interest</u>	<u>Principal</u>	<u>Fiscal Year Ending December 31,</u>
\$ 5,813,382	\$ 753,382	\$ 5,060,000	2012
5,832,316	627,316	5,205,000	2013
5,723,225	568,225	5,155,000	2014
5,982,889	502,889	5,480,000	2015
5,979,761	414,761	5,565,000	2016
<u>35,218,871</u>	<u>828,871</u>	<u>34,390,000</u>	2017-2022
<u>\$ 64,550,444</u>	<u>\$ 3,695,444</u>	<u>\$ 60,855,000</u>	Liability as of December 31, 2011

Repayment agreements include accretion on Capital Appreciation Bonds of \$17,441,451.

Of the total outstanding principal indebtedness of the City in the sum of \$39,024,672, \$1,300,000 was subject to the statutory debt limit and represented 1.02% of the City's \$126,245,800 statutory debt limit.

### 7. Non-Current Governmental Liabilities

The following is a summary of the City's non-current governmental liabilities:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retirement / Adjustments</u>	<u>Ending Balance</u>
Government activities				
Bonds and notes payable:				
General obligation debt:				
Serial bonds payable - Water Fund	\$ 415,000	\$ -	\$ 45,000	\$ 370,000
Serial bonds payable - Water Fund	2,294,974	-	158,396	2,136,578
Serial bonds payable - Water Fund	2,890,000	-	85,000	2,805,000
Serial bonds payable - Sewer Fund	1,375,320	-	41,840	1,333,480
Serial bonds payable - Sewer Fund	400,000	-	100,000	300,000
Serial bonds payable - Capital Projects	<u>1,000,000</u>	<u>-</u>	<u>185,000</u>	<u>815,000</u>
Total bonds and other debt	8,375,294	-	615,236	7,760,058
Repayment agreements (d)	68,193,256	-	19,487,191	48,706,065
Other liabilities:				
Due to County (a)	66,000	-	16,500	49,500
Judgments and claims payable	144,000	-	16,000	128,000
Landfill closure	510,000	-	30,000	480,000
Retirement debt (b)	361,045	-	361,045	-
Retirement debt (c)	2,270,454	-	434,556	1,835,898
Retirement debt (f)	471,018	1,603,718	37,448	2,037,288
Compensated absences	5,243,728	-	132,348	5,111,380
Post employment benefits (e)	<u>20,645,706</u>	<u>4,782,320</u>	<u>-</u>	<u>25,428,026</u>
Total other liabilities	29,711,951	6,386,038	1,027,897	35,070,092
Total long-term liabilities	<u>\$ 106,280,501</u>	<u>\$ 6,386,038</u>	<u>\$ 21,130,324</u>	<u>\$ 91,536,215</u>

## NOTE F - INDEBTEDNESS (Continued)

- (a) \$16,500 adjustment was reclassified as a current liability in General Fund and was paid in the first quarter of 2011.
- (b) Represents debt for the 2002 incentive and §443 plans for police and fire. See Note G.
- (c) Represents debt for the 2004 amortization covering the period April 1, 2004 to December 31, 2004; 2005 amortization covering the period April 1, 2005 to December 31, 2005; 2006 amortization covering the period April 1, 2006 to December 31, 2006; 2007 amortization covering the period April 1, 2007 to December 31, 2007; 2008 amortization covering the period April 1, 2007 to December 31, 2008. See Note G.
- (d) Repayment agreements include accreted interest of \$80,582 decreased during 2011 and \$17,441,451 to date.
- (e) Postemployment health insurance liability at December 31, 2011, has been adjusted to actuarial computations as prescribed under GASB No. 45. See Note H.
- (f) Represents debt for 2010 (2011) and 2011 (2012) amortization for participation in the 2010 Contribution Stabilization Program.

## NOTE G - NEW YORK STATE RETIREMENT SYSTEMS

### 1. Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL).

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

### 2. Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, and prior to January 1, 2010, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2011	\$ 1,597,249	\$ 4,136,603
2010	1,317,851	3,937,965
2009	1,005,210	3,764,610

## **NOTE G - NEW YORK STATE RETIREMENT SYSTEMS (Continued)**

### *2. Funding Policy (Continued)*

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5 percent of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1<sup>st</sup> (e.g., billings due February 2009 would be based on the pension value as of March 31, 2008).

Chapter 260 of the Laws of 2004 of the State of New York was enacted and allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5% of employees' covered pensionable salaries.

The City also opted into the §443 plans for both police and fire personnel covered under the New York State Local Police and Fire Retirement System. The total past service costs for fire and police were \$1,652,837 and \$1,172,901, respectively, for a total of \$2,825,738. The City opted to pay for this program over a ten-year term with interest starting the second year at 8% per annum with final payment being made on December 15, 2011.

The years 2004-2006 the City amortized the allowable amounts of \$653,184 for the Employees and \$3,578,943 for the Police and Fire Retirement Systems. The portion of these amortized liabilities covering the nine-month period April 1, 2011 to December 31, 2011, \$243,711 and \$1,592,187, respectively, are included in the financial statements as non-current governmental liabilities.

## NOTE G - NEW YORK STATE RETIREMENT SYSTEMS (Continued)

### 2. Funding Policy (Continued)

The City of Troy has also elected to participate in the Employer Contribution Stabilization Program per Part II of Chapter 57, Laws of 2010, which was signed into law on August 11, 2010. This program gives localities the option to amortize a portion of their annual pension cost. The amortized will be paid in equal installments over a ten-year period and may be prepaid at any time. The portion of the retirement bill that the City has elected to amortize for 2010 (2011) \$156,607 for Employees and \$314,411 for the Police and Fire Retirement System with a current balance of \$144,156 and \$289,414, respectfully. The City for 2011 (2012) also elected to amortize \$964,234 for Employees and \$639,484 for the Police and Fire Systems. The amortization for 2010 (2011) and 2011 (2012) are included in the financial statements as Non-Current Governmental Liabilities.

## NOTE H - OTHER POSTEMPLOYMENT BENEFITS

*Plan Description.* The City administers a single-employer defined benefit healthcare plan (“the Plan”). The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of City subject to applicable collective bargaining and employment agreements. Employees covered include the employees of the CSEA, UFA, PBA, Command and non-represented employees. The plan is open to new entrants. The plan is subject to good faith collective bargaining between City and these covered employees. 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 obligations of the plan members, employers and other entities are established by action of 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 City. For the year ended December 31, 2011, the City contributed \$5,154,000 to the Plan. Some Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$110,444 for the year ended December 31, 2011.

*Annual OPEB Cost and Net OPEB Obligation.* The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Retiree Health Plan:

Annual required contributions and OPEB expense	\$ 9,936,320
Contributions made (expected)	<u>5,154,000</u>
Increase in net OPEB obligation	4,782,320
Net OPEB obligation, beginning of year	<u>20,645,706</u>
Net OPEB obligation, end of year	<u>\$ 25,428,026</u>

## NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended December 31, 2011, was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/11	\$ 9,936,320	51.9%	\$25,428,026

*Funded Status and Funding Progress.* As of December 31, 2011, the actuarial accrued liability for benefits was \$139,616,686, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$29,340,502, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 475.9%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group according to the NY State Retirement System schedule, active plan members were assumed to retire as early as age fifty-five.

*Marital status* - 80% of employees are assumed married. Females are assumed to be three years younger than males. Actual spouse coverage information was used for retirees where available.

*Mortality* - Life expectancies were based on RP 2000 mortality tables for healthy Male and Female employees and retirees.

*Turnover* - The Ultimate Turnover Rates from the Vaughn table was used as the basis for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on projections of the several insurance providers. A rate of 10% initially, reduced to an ultimate rate of 5% after four years, was used.

**NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Health insurance premiums* - 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 3.3% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 20X1 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll growth rate* - No salary increases were assumed since benefits are not based on compensation.

Based on the historical and expected returns of the City’s short-term investment portfolio, a discount rate of 4% was used. In addition, the projection unit credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2011, was thirty years.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b/a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b/a)/c)
12/31/11	\$0	\$139,616,686	\$139,616,686	0%	\$29,340,502	475.9%

**NOTE I - CITY AND STATE ACTIONS**

During 1994, State legislation (1994 Act) was adopted which allowed the City to sell notes or bonds for the purpose of liquidating cumulative and projected deficits in the City’s General Fund under certain conditions contained in the 1994 Act. The 1994 Act also created a Supervisory Board to review and make recommendations on certain financial practices of the City. The five-member Board is headed by the State Comptroller.

The State Legislature amended the 1994 Act (the 1994 Act, as amended during 1995, is referred to as the “Original Financial Control Act”) to provide the Supervisory Board with control over the City’s financial situation.

During July 1996, the State Legislature adopted Chapters 444 and 445 of the Laws of 1996, which further amended the Original Financial Control Act. The principal purposes of Chapters 444 and 445 were to allow the City to restructure its annual debt services requirements, to reinforce existing controls over the City’s authority to contract indebtedness or enter into other long-term financing arrangements, and to strengthen the credit of the MAC. The Original Financial Control Act, as amended by Chapters 444 and 445 of the Laws of 1996, is hereinafter referred to as the “Financial Control Act.”

During 1995, the State Legislature created the MAC.

1. The MAC is a corporate governmental agency and instrumentality of the state constituting a public benefit corporation. The MAC Board is made up of five members, three appointed by the Governor, one by the Senate Majority Leader, and one by the Speaker of the State Assembly.

## NOTE I - CITY AND STATE ACTIONS (Continued)

2. The MAC was established for the purpose of providing financing assistance and fiscal monitoring for the City. The Financial Control Act authorized the MAC to provide financing assistance to the City if the Mayor certified to the MAC that funds are required by the City to enable it (1) to pay for any item which is permitted by law to be included in the City's capital budget for the fiscal year for which such certification is made, including payments to reimburse the General Fund for monies advanced and expended for any such item, (2) to pay operating expenses, (3) to liquidate all or a portion of the City's deficits for the years 1993 through 1995, both inclusive, or to pay, at maturity, or on the redemption date, the principal of and interest on obligations of the City issued for such purposes, (4) to acquire, or cause to be acquired, all or a portion of the real or personal property leased by the City pursuant to one or more lease agreements between the City and the LDC, including the financing of the payment of any judgments or comprised or settled claims against the City relating to such real or personal property, (5) to pay at maturity, or on the redemption date, the principal and interest of obligations of the City previously issued to finance any item in the current or any prior fiscal year, and (6) to pay for the costs of the closure of the City's landfill. The Financial Control Act authorized the MAC to issue bonds and notes in an aggregate principal amount of up to \$71 million for the purposes set forth in items (1), (3), (4), (5), and (6) just mentioned.
3. The refinancing obligations will be general obligations of the MAC payable from the sources described below. Amounts will be subject to a lien including the following:
  - a. Amounts to be derived from the sales tax, after those amounts have been appropriated by the state from the Municipal Assistance Tax Fund where they are first deposited, and transferred to the MAC or a trustee;
  - b. Amounts to be derived from state aid, after those amounts have been appropriated by the state from the Municipal Assistance State Aid Fund (State Aid Fund) where they are first deposited, and transferred to the MAC or a trustee;
  - c. Amounts to be derived from payments made by the State for the purpose of providing a minimum debt coverage ratio of 1.5 to 1, after those amounts have been appropriated by the State from the State Aid Fund where they are first deposited, and transferred to the MAC or a trustee; and,
  - d. Any monies or securities held in the funds established under a general resolution (other than (i) the operating fund and (ii) the rebate fund).

The amounts described in a., b., and c. above are required to be paid to the MAC from two special funds established under the State Finance Law and held in the custody of the Comptroller, the Municipal Assistance Tax Fund, and the State Aid Fund. The Financial Control Act requires the Comptroller to make payments from those special funds to the MAC, in accordance with a schedule to be delivered by the MAC annually, as required under the Act and the General Resolution. That schedule, which may be revised from time to time, sets forth the MAC's cash requirements, including debt service payments and amounts required to meet the 1.5:1 debt-service-coverage requirement.

## NOTE J - LANDFILL

During November 1993, directives were issued by the state and federal governments ordering the City to discontinue receiving solid waste at their landfill facility. In addition to the stop order, the City was ordered to close the facility and initiate a program to both maintain and monitor the closed site for the following thirty years. The City utilized the services of the MAC to obtain the financing necessary to close the landfill (project) and fund the costs associated with the monitoring requirements. The project was completed during March 1999, and long-term financing has been disclosed under Note F7, repayment agreements.

As a means of recognizing the potential cost to the City for the monitoring of the landfill, the City has recorded a non-current governmental liability based on annual projections prepared by its consulting engineers. The amount currently projected is \$30,000 per year for the next sixteen years, for a total of \$480,000.

## NOTE K - COMMITMENTS AND CONTINGENCIES

### 1. *Sales and Use Tax*

On September 25, 2009, the City and County renewed their current agreement that was in effect for the period December 1, 2004 through November 30, 2009, whereby the City agreed to:

- a. Extend the term of the agreement from December 1, 2009 through February 28, 2015;
- b. Receive 18.07% of the local share of the 3% County-wide sales and use tax;
- c. Receive 24.37% of the local share of the additional 1% County-wide sales and use tax effective September 1, 1994, and
- d. Repay \$165,000 of the \$330,000 balance remaining with respect to the \$440,000 obligation due to the County by the City pursuant to the sales tax agreement between the parties dated November 23, 1982. The payment of \$165,000 was deducted by the County from the March 15, 2005, sales and use tax distribution due to the City. The remaining balance of \$165,000, after the March 15, 2005 payment, shall be paid by the City to the County without interest over a period of ten years at \$16,500 per year. Balance due County at December 31, 2011 is \$49,500.

### 2. *Due to Other Governments*

Due to other governments includes:

#### *General Fund*

- a. The City acts as a tax collection agent for delinquent school taxes for the two School Districts, as well as tax and sewer rents for the County. A liability of \$2,730,530 and \$4,219,679 respectively, represents the amount owed to these entities at December 31, 2011.
- b. The amount of uncollected 1985-2011 County taxes totaling \$3,643,891, and the amount of uncollected sewer rent at December 31, 2011, totaling \$575,788, will be paid only after they have been collected.



## **NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)**

- c. As with the School District and County, the City acts as a collection agent for taxes levied by the Troy Public Library. Also, as with the County, the Library will only be paid after their liens are collected. A liability of \$99,533 and \$5,588, respectfully, represents the amount owed at December 31, 2011.

### *Special Grant Fund*

- d. The balance of \$87,000 is due to other governments in relation to the Home Investment Partnership Program.
- e. Other miscellaneous items due to other governments totaling \$16,500 do not relate to (a), (b) and (c).

### *3. Self-Insurance*

The City has established self-insurance programs for workers' compensation, unemployment, health benefits, and personal injury. The purpose of establishing various self-insurance programs was to minimize the total insurance costs to the City. Management budgets the expenditures in the related funds to the extent they can be projected.

The City uses an outside administrator to process and pay claims made under the health insurance and workers' compensation programs. The health administrator receives \$33.68 per contract per month of claims and a \$48.53 pooling (stop loss) charge per contract per month for health and \$3.25 per contract per month for dental. The City also pays a fee of \$2,965 per month for medical consulting services and \$3,965 per month for workers' compensation consulting services. The health insurance program covers all eligible City employees and their covered dependents up to \$150,000 per year per covered individual.

As of December 31, 2011, the City has recognized a liability of approximately \$594,782 in the General, Water, and Sewer Funds, representing claims incurred prior to December 31, 2011, but disbursed by the administrator during 2012.

### *4. Lawsuits*

The City is a defendant in a number of lawsuits. The City has recognized an accrued non-current liability for judgments and claims of \$128,000 to allow for future claims on certain pending matters.

### *5. Grant Programs*

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

### *6. Housing Trust Fund Corporation*

The City has several program agreements with the State of New York Housing Trust Fund Corporation (HTFC). Under these program agreements, HTFC funds are awarded to the City on a conditional basis. The City and its subrecipients must satisfy certain conditions prior to HTFC granting a forgiveness of these conditional awards. Until HTFC grants this forgiveness, a contingent liability exists. The City believes that the conditions set forth in the program agreement will be satisfied, resulting in no significant adverse effects on the City's financial position or results of operations.

## **NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)**

### *7. Federal Loan Guarantee Program*

The City has obtained funds from the United States Department of Housing and Urban Development (HUD) under a federally-sponsored loan guarantee program. The City has loaned these funds for the purpose of community development activities and expects to receive repayment in the future. The City is responsible for repayment to HUD and has pledged future community development block grants to secure repayment.

### *8. City Hall Lease Agreement*

At a special City Council meeting on August 20, 2008, the City Council authorized the Mayor to negotiate and enter into a lease agreement with Judge Development Corporation for the lease of 1776 Sixth Avenue for use as an interim City Hall. On November 17, 2008 the City of Troy and 1666 Sixth Avenue, Troy, LLC for an initial three (3) year term at annual fixed rate of Three-Hundred-Thousand-Seven-Hundred-Twenty-eight Dollars (\$307,728) payable in equal monthly payments to be paid by the first day of every month. Additionally, the tenant (the City of Troy) shall as additional rent, pay and discharge punctually all Real estate taxes, assessments, payments in lieu of taxes, water and sewer rents, rates and charges and all other governmental impositions and charges of every kind. The terms of this lease expires December 31, 2011 assuming the City does not surrender the premises by December 31<sup>st</sup>, the rent shall increase to 125% of the current rent for the first 90 days during the holdover and 175% of the rate of fixed rent during the remaining holdover period. A full copy of the Lease Agreement shall be on file in the City of Troy Corporation Counsel's Office and the City Comptroller's Office.

### *9. Lease Purchase Agreement – Energy Performance Contracts*

One June 2, 2011 the City Council passed a resolution authorizing the City under Article 8 of the New York Energy Law which authorizes municipalities and school districts to enter into contracts ("Energy Performance Contracts") for the provisions of energy service, including but not limited to, electricity, heating, ventilation, cooling, steam or hot water, in which a person agrees to install, maintain or manage energy systems or equipment to improve efficiency of, or produce energy in connection with building or facility in exchange for a portion of the energy saving and revenues.

As per Section 9-103 of the Energy Law, the City has evaluated and executed two master agreements with Siemens Building Technologies to develop and implement a performance based energy savings and operation plan. Siemens will provide equipment, capital improvements, repairs, ongoing preventative maintenance and other service to improve the efficiency of various City buildings an to improve the efficiency of the Water Treatment Plan as described in the Energy Audit Report.

This master agreement (lease/purchase) for the City buildings indicates a principal payment of \$1,648,598 at an interest rate of 4.547% with yearly payments to commence on October 1, 2012 and end on July 1, 2029. The master agreement (lease/purchase) for the Water Treatment Plant calls for a principal payment of \$946,746 at an interest rate of 4.288% with yearly payments to, also, commence on October 1, 2012 and ending July 1, 2027.

## **NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)**

### *10. Lease Purchase Agreement – Purchase of Fire Equipment*

On December 1, 2011, the City Council passed a resolution authorizing the execution and delivery of a lease purchase agreement to finance the cost of the purchase of a new fire ladder truck for the City of Troy in the amount not to exceed \$888,648.

The purchase contract obligated the lessee to expend a \$150,000 down payment to be paid from the 2012 City Budget and to pay \$738,648 at an interest rate of 4.23% with repayments to commence on March 1, 2013 and end March 1, 2027.

### *11. Employee Union*

On December 18, 2009, the United Public Service Employees Union was certified as the exclusive representative of several positions previously non-covered by a bargaining unit. The titles included for exclusive representative include the Assessor, Assistant to the City Clerk, Assistant Operations Manager, City Water Plant Operator, City Auditor, City Engineer, Commissioner of Planning and Community Development, Deputy City Clerk, Deputy Comptroller for Financial Operations, Grants Writing Specialist, Personnel Associate, Recreation Director, and Superintendent of Water and Sewer in the City of Troy. As of May 2012, this newly formed UPSEU unit is currently conducting negotiations with City Management in anticipation of settling a retroactive agreement with an effective date of January 1, 2010. Presently, this UPSEU unit is the sole City union without a settled bargaining agreement.

The expiration status of the remaining City units include the UFA – December 31, 2010, PBA – December 31, 2010, UFCA – December 31, 2010, COATS – December 31, 2010, and CSEA – December 31, 2011.

## **NOTE L - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

During June 1999, GASB issued Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34). GASB No. 34 established new financial reporting requirements for state and local governments throughout the United States. If implemented, GASB No. 34 creates new information and restructures much of the information that governments have presented in the past. These new requirements were developed to make annual reports more comprehensive and easier to understand and use. GASB No. 34 was effective for the City as of January 1, 2003, but is not required by the New York State Office of the State Comptroller.

During June 2001, GASB issued Statement 38, *Certain Financial Statement Note Disclosures* (GASB No. 38). GASB No. 38 established and modified disclosure requirements related to the summary of significant accounting policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short-term debt, desegregations of receivable and payable balances, and interfund balances and transfers. GASB No. 38 applies to all state and local governments. GASB No. 38 was effective for the City as of January 1, 2003, but is not required by the New York State Office of the State Comptroller.

## **NOTE L - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED (Continued)**

GASB Statement No 51, *Accounting and Financial Reporting for Intangible Assets* (GASB No. 51), establishes accounting and financial reporting requirements for intangible assets in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. GASB No. 51 is effective for the City as of January 1, 2010.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This statement is effective for the City as of January 1, 2009.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement is effective for the City as of January 1, 2010.

Management is not able to estimate the extent of the potential impact of these Statements on the City's financial statements.

## **NOTE M - SUBSEQUENT EVENTS**

On January 12, 2012, the City Council passed an ordinance authorizing settlement of claim seeking to recover overtime payments, liquidated damages and attorney fees for various police department personnel.

On January 19, 2012, the City Council passed a resolution authorizing the Mayor of the City of Troy to opt into the benefits offered under Hurricane Irene and Tropical Storm Lee Assessment Relief Act.

On February 2, 2012, the City Council passed an ordinance authorizing the Mayor to execute and enter into an order on consent with the New York State Department of Environmental Conservation relating to violation of conditions of the City's NYSDEC state pollution discharge elimination system (SPDES) permit # NY-0099309 for 49 City combined sewer overflows.

On February 2, 2012, the City Council passed an ordinance authorizing settlement of a claim with respect to claimant serving as Executive Secretary of the Election Board in the amount not to exceed \$3,583.

## **NOTE M - SUBSEQUENT EVENTS (Continued)**

On February 2, 2012, the City Council passed an ordinance authorizing settlement of claim to wit: Media Alliance, Inc. and Stephen C. Perce v. Robert Mirch, Commissioner of Public Works, for the City of Troy, individually and in his official capacity and the City of Troy in an amount not to exceed \$5,000.

On March 1, 2012, the City Council passed an ordinance to transfer funds from contingency for the purpose of providing funding for the emergency declaration of the demolition of the Sperry Warehouse.

On April 5, 2015, the City Council passed an ordinance authorizing settlement of a claim to wit: Estate of Sulemana, Palintiff v. City of Troy for which the City will pay a total sum of \$525,000 with the first \$250,000 to be paid from the City insurance reserve and the balance from the City's insurance carrier.

On April 5, 2012, the City Council passed an ordinance appropriating fund for the issuance of a lease purchase and agreement for the purpose of the purchase of new fire ladder truck in the amount of \$738,648.

On April 5, 2012, the City Council passed an ordinance authorizing the appropriation from the City of Troy Water Fund Balance and amending the 2012 Water Fund Budget for the purpose of funding Phase II of the Department of Public Utilities Five Year Capital Plan in the amount of \$2,345,000.

On April 5, 2012, the City Council passed an ordinance amending the 2012 City Budget to accept funds from the U.S. Department of Justice Office of Violence against Women for the purpose of appropriating \$200,457 as defined in aforesaid grant agreement.

On April 5, 2012, the City Council passed an ordinance accepting \$38,229 in funds from the U.S. Department of Justice, Office of Justice Assistance, for the purpose of appropriating said funding as defined in the aforesaid grant agreement.

On April 5, 2012, the City Council passed a resolution authorizing application to the New York State Department of State Brownfield Opportunity Area program.

On May 3, 2012, the City Council passed an ordinance authorizing and approving the filing of the City of Troy's application for funding pursuant to Housing and Community Development Act of 1974, the McKinney Act Emergency Shelter Grant Program and the Home Investment Partnerships Program in the amount of \$1,596,533, \$161,851 and \$429,966, respectively.

On May 3, 2012, the City Council passed an ordinance amending the 2012 Special Revenue Budget to accept a New York State Homeland Security Grant in the amount of \$48,100 for the purpose of purchasing a canine vehicle and an explosive detection canine.

On June 7, 2012, the City Council passed an ordinance authorizing the Mayor to negotiate and enter into an agreement with First Columbia LLC for the lease of the Hedley Building for use as City Hall.

On June 7, 2012, the City Council passed an ordinance authorizing and ratifying the Employment Memorandum, a two (2) year agreement (1/1/11-12/31/12), between the City of Troy and the Troy Uniformed Firefighters Association said agreement included a 2% increase for 2011 and a zero (0) increase for 2012. It also, included a step increase for firemen who have 69 month of service or more. The step increase shall take effect January 1, 2012.

**REQUIRED REPORTS UNDER OMB CIRCULAR A-133**

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

September 28, 2012

To the City Council of  
City of Troy, New York:

We have audited the accompanying balance sheet – all fund types and account groups – statutory basis of the City of Troy, New York (the City), and the statements of revenues, expenditures and changes in fund balance – all governmental fund types and trust funds – statutory basis and revenues, expenditures and changes in fund balance – budget and actual – general, water and sewer funds- statutory basis as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2012. Our report on the financial statements was prepared in accordance with the statutory basis prescribed by the New York State Office of the State Comptroller. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Troy, New York is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Troy, 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 Troy, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Troy, New York's internal control over financial reporting.

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

(Continued)

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the City in a separate letter dated September 28, 2012.

This report is intended solely for the information and use of management, City 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.



**INDEPENDENT AUDITORS' 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**

September 28, 2012

To the City Council of  
City of Troy, New York:

Compliance

We have audited City of Troy, New York's (the City) compliance 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's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' 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's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Troy, 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.

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**INDEPENDENT AUDITORS' 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  
(Continued)**

**Internal Control Over Compliance**

Management of the City of Troy, New York is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Troy, New York's internal control over compliance with 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 Troy, 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, others within the entity, the City Council, 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.

**CITY OF TROY, NEW YORK**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Expenditures
Department of Housing and Urban Development/ CDBG - Entitlement Grants Cluster			
Community Development Block Grants - Entitlement Grant	14.218	B-00MC-36-0109	\$ <u>2,973,622</u>
Emergency Shelter Grants Program	14.231	S-00MC-36-0007	116,862
Neighborhood Stabilization Program	14.264	Project No2009-NSP1009	3,905
City of Schenectady/ HOME Investment Partnership Program	14.239	B-00MC-36-0510	909,551
Community Development Block Grants - Brownfield Economic Development Initiative - Section 108 Loan Guarantees	14.248	B-00MC-36-0109	<u>2,499,000</u>
Total Department of Housing and Urban Development/CDBG			<u>6,502,940</u>
Department of Justice/ New York State Department of Criminal Justice Services			
Edward Byrne memorial Formula Grant Program	16.579	C484125, C484065	280,288
Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0654	280,935
Bulletproof Vest Partnership Program	16.607	OMB#1121-0235	3,596
Edward Byrne Memorial Justice Assistant Grant Program	16.738	USMS Oblig # JLEO-11-0186	<u>30,230</u>
Total Department of Justice/ New York State Department of Criminal Justice Services			<u>595,049</u>
Department of Transportation/ New York State Department of Transportation/ Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	NYS-PIN-Various	<u>1,577,721</u>
Total Department of Transportation/ New York State Department of Transportation/ Highway Planning and Construction Cluster			<u>1,577,721</u>
Department of Homeland Security/ Assistance to Firefighters Grant	97.044	EMW-2009-FO06510	<u>286,697</u>
Department of Homeland Security/ Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.036	PA#0083-75484-00	<u>489,642</u>
Total Department of Homeland Security			<u>776,339</u>
US Department of Energy/ Energy Efficiency and Conservation Block Grant	81.128	DE-EE0002384	<u>14,657</u>
Total expenditures of federal awards			<u>\$ 9,466,706</u>

**CITY OF TROY, NEW YORK**

**NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011**

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**1. GENERAL**

The preceding schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City. The City's reporting entity is defined in the basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other governments, is included in the schedule.

**2. BASIS OF ACCOUNTING**

The preceding schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in the City's basic financial statements. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the preparation of the financial statements.

**3. OTHER DISCLOSURES**

No insurance is carried specifically to cover equipment purchased with federal awards. Any equipment purchased with federal funds has only a nominal value and is covered by the City's insurance policies.

**4. LOANS AND LOAN GUARANTEES**

The City had \$2,499,000 of loans outstanding to the Department of Housing and Urban Development related to the Brownfields Economic Development Initiative and Section 108 as of December 31, 2011.

**5. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule of expenditures of federal awards, the City provided federal awards to sub recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>		<u>Amount Provided to Sub recipient</u>
Emergency Shelter Grants Program	14.231	\$	116,862
Community Development Block Grants - Entitlement Grant	14.218		223,530

**CITY OF TROY, NEW YORK**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011**

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**Section I—Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_ Yes   X   No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_ Yes   X   No

Noncompliance material to financial statements noted? \_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_ Yes   X   No

Significant deficiencies identified not considered to be material weaknesses? \_\_\_ Yes   X   No

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? \_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnership Program
14.248	Community Development Block Grants – Brownsfield Economic Development Initiative – Section 108 Loan Guarantees
97.036	Presidential Declared Disaster Assistance to Individuals and Households
20.205	Highway Planning and Construction Cluster Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_X\_ Yes \_\_\_ No

**CITY OF TROY, NEW YORK**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
YEAR ENDED DECEMBER 31, 2011**

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**Section II—Financial Statement Findings**

None.

**Section III—Federal Award Findings and Questioned Costs**

There were no instances of material weaknesses, or noncompliance, including questioned costs that are required to be reported under OMB Circular A-133.

**Section IV - Status of Prior Year Comments**

There were no findings required to be reported under Government Auditing Standards or OMB Circular A-133 for the year ended December 31, 2010.

**CITY OF TROY, NEW YORK**

**CORRECTIVE ACTION PLAN  
YEAR ENDED DECEMBER 31, 2011**

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For the year ended December 31, 2011, there were no findings required to be reported under *Governmental Auditing Standards* or OMB Circular A-133. Accordingly, a corrective action plan is unnecessary.