

CITY OF BINGHAMTON

Binghamton, New York

FINANCIAL REPORT

December 31, 2011

CITY OF BINGHAMTON, NEW YORK
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FOR THE YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Binghamton
Binghamton, New York

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Binghamton (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City'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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Binghamton, as of December 31, 2011, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2011 the City implemented Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued a report dated August 12, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

- 1 -

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 3k and 43 through 44a be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were 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.

Cianchi, D'Andrea, Little, Middleman, & Company, LLP

August 12, 2013
Ithaca, New York

CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Our discussion and analysis of the City of Binghamton's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the City's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, which requires the reporting of the liability for other postemployment health benefits, as of December 31, 2008. The liability at December 31, 2011 is \$24,604,123. This liability is expected to grow each year as there is no legal mechanism in New York State to fund it.
- Assets of the City's governmental activities exceeded liabilities at the close of the most recent fiscal year by \$207,850,690 (net assets). Of this amount, \$(15,350,316) is unrestricted. Liabilities of the City's Business-Type Activities exceeded assets by \$(1,570,932).
- The City's expenses were \$1,523,324 less than the \$91,977,359 generated in tax and other revenues for all governmental program activities. Expenses of the Business-Type Activities were \$140,712, and there were no revenues.
- The General Fund recorded an operating increase of \$3,168,278 in 2011 and had a fund balance of \$9,589,008 at year-end.
- The City's long-term debt (including lease obligations) decreased by \$6,890,585, while other long-term liabilities increased by \$4,187,110.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Assets and Statement of Activities (pages 4 through 5) provide information about the City as a whole and present a longer-term view of the City's finances. Governmental Fund financial statements start on page 6. These statements, for Governmental Activities, tell how services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the City's operations in more detail than the Government-wide financial statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information essential to a full understanding of the data provided in the financial statements.

In addition to basic financial statements, the annual report contains other information in the form of budgetary comparison schedules for the General Fund and Sewer Fund, as well as combining statements for funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 4, with the Government-wide financial statements. The Statement of Net Assets and Statement of Activities report information about the City and about its activities in a way that helps answer the question of whether the City, as a whole, is better or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of current year revenues and expenses are taken into account regardless of when the cash is received or paid.

CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

These two statements report the City's net assets and changes in them. One can think of the City's net assets, the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other nonfinancial factors however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net Assets and Statement of Activities, all of the City's activities which are governmental in nature are reported in one column including general governmental support, public safety, transportation, economic assistance and opportunity, culture and recreation, home and community services and interest on long-term debt. Property and sales taxes, and state and federal grants finance most of these activities.

Reporting the City's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the City's Major Funds begins on page 6. The Governmental Fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: All of the City's services are reported in the Governmental Funds, which focus on how money flows in and out of those funds, and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund financial statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. The relationship (or differences) between Governmental Activities (reported in the Government-wide financial statements) and Governmental Funds is explained in a reconciliation following the Governmental Fund financial statements.

Proprietary Funds: When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's Enterprise Funds (a component of Proprietary Funds) are the same as the Business-type Activities we report in the Government-wide financial statements but provide more detail and additional information, such as cash flows, for Proprietary Funds.

The City as Trustee: The City is the trustee, or fiduciary, for other assets held on behalf of others. All of the City's Fiduciary Activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring the assets reported in this fund are used for their intended purposes.

THE CITY AS A WHOLE

A portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

An additional portion of the City's net assets represents resources subject to external restrictions on how they may be used and are reported as restricted net assets. The remaining category of total net assets is unrestricted net assets (deficit). Included in unrestricted net assets is the City's equity interest in two joint ventures. The remaining portion of unrestricted net assets may be used to meet the City's ongoing obligations and services to creditors and citizens.

Our analysis below focuses on the net assets (Figure 1) and changes in net assets (Figure 2) of the City's Governmental Activities.

Figure 1
Net Assets

	Governmental Activities		Dollar Change	Percent Change
	Restated 2010	2011	2010 - 2011	2010 - 2011
<i>Current assets</i>	\$ 40,750,009	\$ 30,400,801	\$ (10,628,761)	(26%)
<i>Noncurrent assets</i>	10,719,314	20,437,350	9,718,036	91%
<i>Capital assets, net</i>	323,105,996	315,013,404	(8,092,592)	(3%)
Total assets	374,575,319	365,851,555	(9,003,317)	(2%)
<i>Current liabilities</i>	61,113,784	54,587,715	(7,713,006)	(13%)
<i>Noncurrent liabilities</i>	107,134,169	103,413,150	(3,721,019)	(3%)
Total liabilities	168,247,953	158,000,865	(11,434,025)	(7%)
<i>Invested in capital assets, net of debt</i>	199,235,935	208,555,583	9,319,648	5%
<i>Restricted</i>	13,135,273	14,645,423	1,510,150	11%
<i>Unrestricted</i>	(6,043,842)	(15,350,316)	(8,399,090)	(134%)
Total net assets	\$ 206,327,366	\$ 207,850,690	\$ 2,430,708	1%

Current assets consist largely of \$15,384,793 in unrestricted cash, and receivables of \$12,040,009. Noncurrent assets consist of the long-term portion of loans receivable of \$9,697,729 and the City's equity interest in joint ventures of \$10,739,621. Capital assets, net of accumulated depreciation, decreased as a result of current depreciation exceeding the City's investment in buildings and infrastructure.

Included in current liabilities are Bond Anticipation Notes (BANs) payable of \$34,328,143, the current portion of long-term liabilities of \$6,674,367 and various payables of \$13,305,652. Noncurrent liabilities consist of bonds payable of \$74,525,000, compensated absences of \$3,477,040, other postemployment benefits payable of \$24,604,123 and lease obligations of \$806,987. The decrease in current liabilities is primarily due to the reduction of accrued liabilities in the General and Sewer funds. Noncurrent liabilities decreased as a result of the scheduled payment of debt offset by the increase in the liability for other postemployment benefits.

The amount invested in capital assets, net of related debt increased overall due to the change in capital assets offset by a decrease in the amount of debt incurred to fund capital projects. Restricted net assets consist of \$60,900 for debt service and \$14,584,523 for home and community service programs as of December 31, 2011.

CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Figure 2 demonstrates the operations of the City's activities.

Figure 2
Changes in Net Assets

Changes in Net Assets	Governmental Activities		Dollar Change 2010 - 2011	Percent Change 2010 - 2011
	2010	2011		
REVENUES				
<i>Program Revenues:</i>				
Charges for services	\$ 22,169,660	\$ 16,048,565	\$ (5,213,711)	(24%)
Operating grants	5,529,276	7,993,148	2,463,872	45%
Capital grants	5,115,669	2,887,512	(2,228,157)	(44%)
<i>General Revenues:</i>				
Property taxes and tax items	31,140,116	34,609,108	3,468,992	11%
Nonproperty taxes	10,440,339	10,498,558	58,219	1%
State sources	9,957,769	9,576,489	(381,280)	(4%)
Use of money and property	895,034	735,981	(159,053)	(18%)
Change in equity interest in joint venture	-0-	6,425,769	6,425,769	100%
Other	3,133,108	3,202,229	69,121	2%
Total Revenues	88,380,971	91,977,359	4,503,772	5%
PROGRAM EXPENSES				
General government	9,643,692	9,267,044	(376,648)	(4%)
Public safety	35,756,053	35,505,312	(250,741)	(1%)
Public health	875,792	884,924	9,132	1%
Transportation	4,543,553	8,564,678	4,021,125	89%
Economic assistance and opportunity	-0-	746,361	746,361	N/A
Culture and recreation	4,167,679	4,203,020	35,341	1%
Home and community services	22,061,901	27,159,842	5,097,941	23%
Interest on long-term debt	4,117,508	4,122,854	5,346	0%
Total Expenses	81,166,378	90,454,035	9,287,657	11%
Change in Net Assets	7,214,593	1,523,324	(4,783,885)	(66%)

Governmental Activities

The net assets of the City's activities increased from the restated beginning balance by a lower amount than the prior year's increase, due mainly to increased depreciation expense on infrastructure assets. Charges for services were down due mainly to decreased water and sewer revenue. Operating grants were up as a result of increased funding from HUD for the year, while capital grants were down in funding for transportation and water and sewer system improvements. Operating and capital grants fluctuate from year to year depending on the types of grants the City has applied for and received.

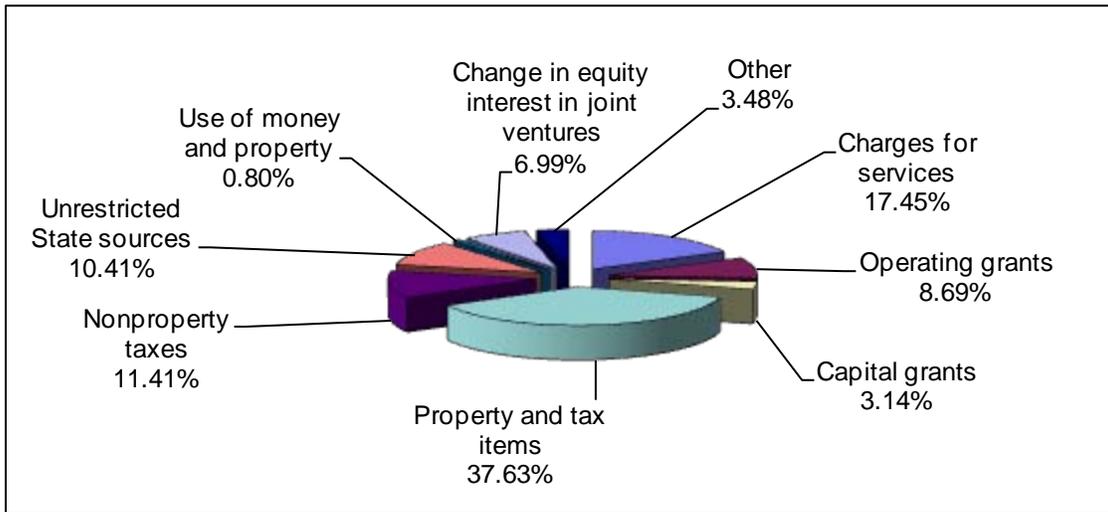
Property tax and tax items increased 11% in 2011 reflecting an increase in the tax levy of 6.65%, as well as changes in assessed value and other property tax items. Nonproperty taxes were up 1% in 2011 as compared to 2010. Lower interest rates, and cash and investment balances resulted in lower interest earnings. The change in the City's equity interest in joint ventures is dependent on those entity's yearly operating results. See Note 4 for more information about the City's joint ventures.

State aid general revenue decreased by \$(381,280) in 2011. This is related to the overall budgeted decreases from New York State.

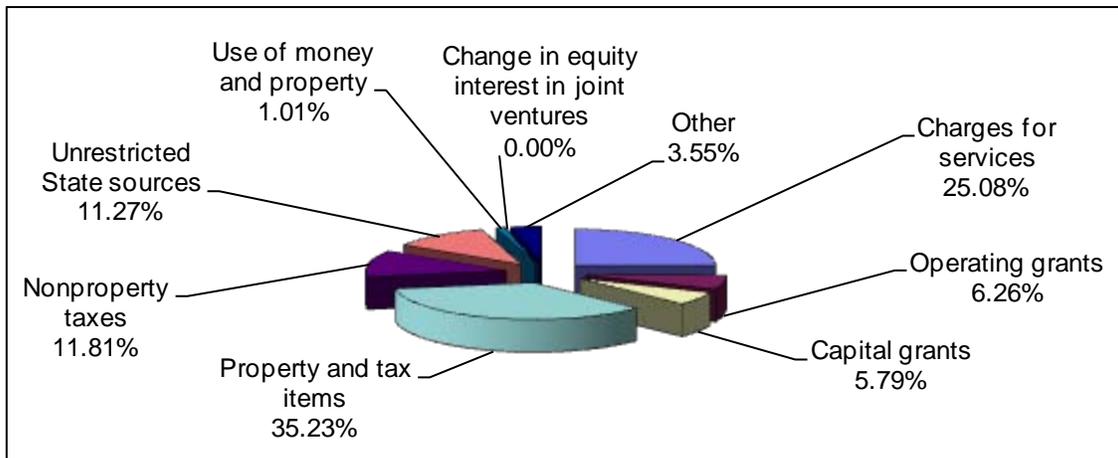
CITY OF BINGHAMTON
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

Expenses increased considerably due to depreciating the infrastructure assets that were not reported in previous years. Depreciation expense on these new assets totaled \$2,074,021 in transportation expenses and \$5,767,809 in home and community services.

Figure 3
Revenue by Source
2011



2010

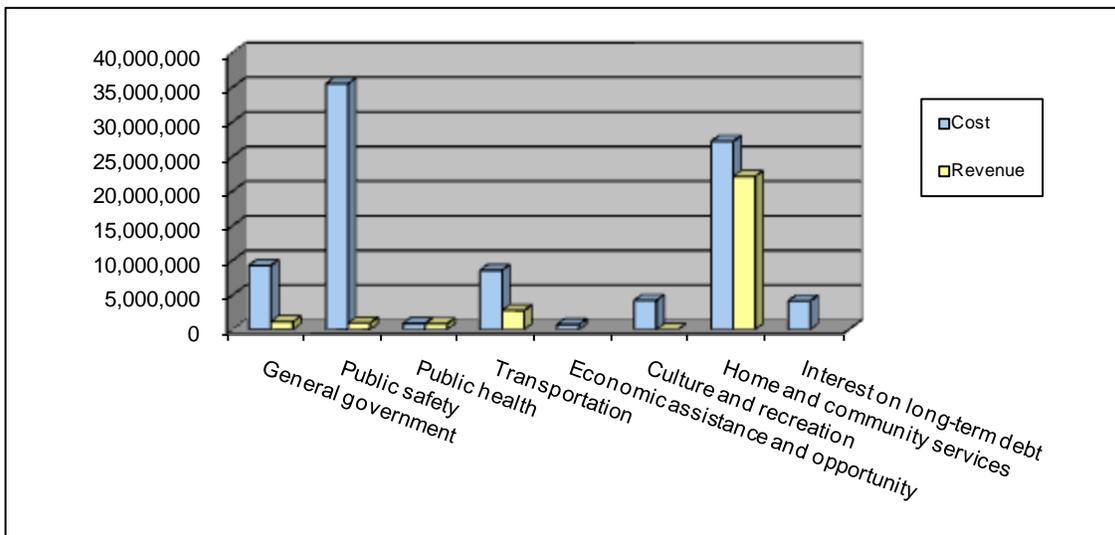


The cost of all Governmental Activities in 2011 in the Statement of Activities was \$90,454,035. However, as shown in the Statement of Activities the amount ultimately financed for these activities through City property and payments in lieu of taxes was \$63,524,810, because some of the cost was paid by those who directly benefited from the programs \$(16,048,565) or by other governments and organizations that subsidized certain programs with grants and contributions \$(10,880,660). Overall, City governmental program revenues, including fees for services and grants, were \$26,929,225. The City paid for the remaining "public benefit" portion of Governmental Activities with \$65,048,134 in taxes and other revenues, such as interest and general entitlements.

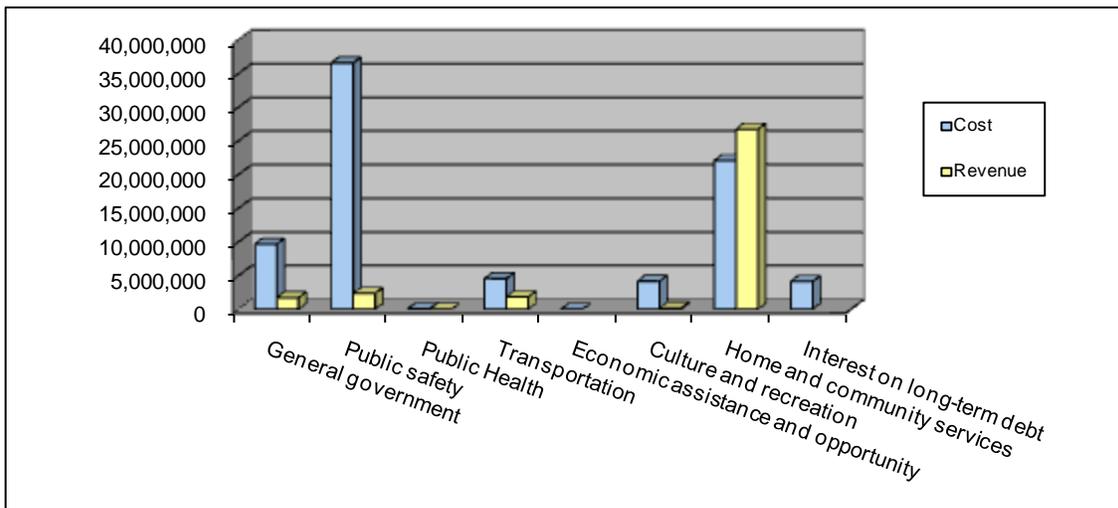
CITY OF BINGHAMTON
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

Total cost and revenue comparison of the Governmental Activities for each of the City's largest programs is presented below. Note that the City's home and community service activities which provide water and sewer services include debt service costs in their fee structures. Because debt service costs are not expenses of this function, excess revenue generated by these activities is used to make debt principal and interest payments.

Figure 4
Program Cost and Revenue Comparison
Governmental Activities
2011



2010



CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

BUSINESS-TYPE ACTIVITIES

The City's Business-Type Activities represent the remaining activity of the Binghamton Regency Hotel. The Hotel was sold in December 2010, and the City is continuing to collect on loans from the buyer, and pay outstanding loans to the U.S. Department of Housing and Urban Development (HUD).

Figure 5 shows the assets, liabilities, and net deficit of the Business-Type Activities:

Figure 5
Business-Type Activities
Net Assets

			<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2010</i>	<i>2011</i>	<i>2010 - 2011</i>	<i>2010 - 2011</i>
<i>Current assets</i>	\$ 1,093,802	\$ 517,875	\$ (575,927)	(53%)
<i>Noncurrent assets</i>	2,071,375	1,553,500	(517,875)	(25%)
Total assets	3,165,177	2,071,375	(1,093,802)	(35%)
<i>Current liabilities</i>	1,288,397	1,421,307	132,910	(13%)
<i>Noncurrent liabilities</i>	3,307,000	2,221,000	(1,086,000)	(33%)
Total liabilities	4,595,397	3,642,307	(953,090)	(21%)
<i>Unrestricted</i>	(1,430,220)	(1,570,932)	(140,712)	(10%)
Total net assets	\$ (1,430,220)	\$ (1,570,932)	\$ (140,712)	(10%)

Decreases in assets reflect the repayment by the Hotel's buyer, and changes in interfund assets. Changes in liabilities reflect the payment by the City to HUD. The net assets changed by the interest expense recorded during the year.

THE CITY'S FUNDS

As the City completed the year, its Governmental Funds, as presented in the balance sheets on pages 6-6a, reported a combined fund balance of \$(15,109,509), which is lower than last year's restated total of \$(13,520,310). The General Fund showed a 49% increase in fund balance, and ended the year with an overall fund balance of \$9,589,008. The increase in the General Fund was primarily due to significant restraints on spending for employee benefits; expenditures were \$3,575,175 less than appropriations. The Sewer Fund reported a decrease of \$(2,238,667) due primarily to significant reductions in revenue as a result of the 2011 flood.

The Capital Projects Fund experience a \$(2,122,186) decrease in fund balance due to capital outlay expended from short-term financing; the negative fund balance in the Capital Projects Fund will be eliminated as short-term debt is converted to long-term financing.

CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Figure 6 shows changes in fund balance for the year for the City's funds.

Figure 6
Governmental Funds
Fund Balance at Year Ending December 31,

Governmental Fund Balances	Restated		Dollar Change	Percent Change
	2010	2011	2010 - 2011	2010 - 2011
General Fund	\$ 6,420,730	\$ 9,589,008	\$ 3,168,278	49%
Sewer Fund	857,039	(1,381,628)	(2,238,667)	(261%)
Special Grant Fund	413,080	1,373,520	960,440	233%
Capital Projects Fund	(22,564,601)	(24,686,787)	(2,122,186)	(9%)
<i>Non-Major Funds:</i>				
Refuse and Garbage Fund	(97,291)	(63,756)	33,535	34%
Water Fund	1,155,035	573,682	(581,353)	(50%)
Section Eight Housing Assistance Fund	941,979	193,843	(748,136)	(79%)
Golf Fund	(489,870)	(472,971)	16,899	3%
Parking Ramps Fund	(156,411)	(234,420)	(78,009)	(50%)
Totals	\$ (13,520,310)	\$ (15,109,509)	\$ (1,589,199)	(12%)

General Fund Budgetary Highlights

Over the course of the year, the City Council as well as the management of the City revised the City General Fund budget several times. These budget amendments consist of transfers between functions, encumbrances from the prior fiscal year and acceptance of grant awards.

Resources available for appropriation were below the final budgeted amount by \$(690,376). The actual charges to appropriations (expenditures) were below the final budget amounts by \$4,476,176.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2011, the City had \$315,013,404, net of accumulated depreciation of \$182,254,291, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. This amount represents a net decrease (including additions of \$5,895,627 and depreciation expense of \$9,674,367) of \$(3,778,740) over 2010, as restated.

Figure 7
Capital Assets, Net of Depreciation

	Governmental Activities		Dollar Change	Percent Change
	Restated 2010	2011	2010 - 2011	2010 - 2011
Land	\$ 4,279,869	\$ 4,279,869	\$ -0-	0%
Buildings and improvements	12,794,941	12,169,397	(625,544)	(5%)
Construction in progress	3,792,869	2,166,161	(1,626,708)	(43%)
Equipment	8,923,484	10,123,377	1,199,893	13%
Infrastructure	289,000,981	286,274,600	(2,726,381)	(11%)
Totals	\$ 318,792,144	\$ 315,013,404	\$ (3,778,740)	(1%)

CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Debt Administration

Debt (bonds, BANs, and lease obligations payable), considered a liability of Governmental Activities, decreased overall by \$(6,890,585). Accrued compensated absences increased by \$313,793 while the liability for other postemployment benefits increased \$3,873,317, bringing total debt and long-term liabilities to \$144,415,660 as of December 31, 2011, as shown in Figure 7. Of the amount of bonds and BANs outstanding, \$59,286,088 is subject to the constitutional debt limit and represented 69% of the City's statutory debt limit. The City's bond rating was assigned an A2 by Moody's. More detailed information about the City's liabilities is presented in Notes 3.B.2 and 3 to the financial statements.

Figure 8
Outstanding Debt and Long-term Liabilities at Year Ending December 31,

	Governmental Activities and Total Government		Dollar Change	Percent Change
	Restated 2010	2011	2010 - 2011	2010 - 2011
BANs	\$ 35,148,298	\$ 34,328,143	\$ (820,155)	(2%)
Serial Bonds	86,574,412	80,655,000	(5,919,412)	(7%)
Compensated absences	3,549,585	3,863,378	313,793	9%
Other postemployment benefits payable	20,730,806	24,604,123	3,873,317	19%
Lease obligation payable	1,116,034	965,016	(151,018)	(14%)
Totals	\$ 147,119,135	\$ 144,415,660	\$ (2,703,475)	(2%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

According to the New York State Department of Labor the unemployment rate for the City of Binghamton was 9.9% in August of 2012, up from 9.6% in January 2011 and down from 10.0% in January of 2010.

The City has instituted an aggressive approach to develop and expand the commercial and industrial base within the City and is continuing to establish its central business district as a major retailing, cultural, convention and entertainment center. Today, the business district is thriving during both the day and evening hours. Downtown has also become an entertainment center and a place where thousands of residents and visitors come to socialize following the end of the workday and on weekends. The urban core currently hosts a variety of restaurants, coffeehouses, hotels and taverns that attract people from throughout the region.

On December 15, 2011, The Farmers Insurance Group of Companies announced the Binghamton metropolitan area as the fifth most secure place to live among mid-size U.S. cities. The rankings, compiled by Best Places expert Bert Sperling took into consideration crime statistics, extreme weather, risk of natural disasters, housing depreciation, foreclosures, air quality, terrorist threats, environmental hazards, life expectancy, mortality rates from cancer and motor vehicle accidents, and job loss numbers in 379 U.S. municipalities. The study divided the communities into three groups: large metropolitan areas, mid-size cities and small towns.

Construction has been completed on Binghamton University's new \$29 million University Downtown Center. As result of Binghamton University's new University Downtown Center, three downtown student housing projects began receiving students and have been well received by local restaurateurs and vendors. These projects together represent more than \$50 million in private investment and promise to bring in more than 670 new residents, who in turn will support local shops and businesses.

CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

In 2012 building permits were issued for 18 commercial development projects in the city totaling \$25,425,186. Two major luxury student housing projects opened in 2012 bringing in nearly 600 new Binghamton University and Broome Community College students to live in downtown. Several additional mixed use projects are in the development stage. Loan programs of the Binghamton Local Development Corporation (the "BLDC") have issued \$569,000 in loans over the last two years resulting in an additional private investment of \$1,998,537. The BLDC managed a \$500,000 NYS Housing & Community Development Grant that leveraged an additional \$459,972 in private investment to enhance mixed use development and façade improvement in targeted historic districts. The BLDC was just awarded another NYS HCD Main Street grant for \$250,000.

In 2012 Lourdes Hospital completed the third phase of a five phase, \$70 million construction project to update and expand its medical complex in the City. The project consists of an expanded emergency department, a new open MRI facility, two new surgical suites, a flood wall, an ambulatory care building, a two-story main entrance connecting the ambulatory building to the main hospital, an expanded radiology department, and a multi-story parking garage.

The newly planned 33 acre Charles Street Business Park has attracted its first tenant. Emerson Network Power, a world class leader in power surge suppression devices and electrical line filtering equipment. Emerson has opened its new \$4 million, 40,000 square foot headquarters in the Park, becoming an anchor tenant, creating new job opportunities, and retaining approximately 56 manufacturing, engineering, marketing and administrative jobs in the Southern Tier.

The trend of converting commercial buildings into urban homes and lofts has gained momentum and has quickly spread to multiple areas downtown. In addition to the loft living that is taking place downtown; an "Arts District" is also being formed. Many artists continue to purchase buildings to use as residences, personal studios and art galleries. Area residents recognize the significant artistic talent that exists in the community and the "First Friday Art Walk" which highlights a range of quality artistic shops, galleries, and live entertainment has continued to grow and increase traffic for local businesses. These artists could locate anywhere in the world, but have all chosen the City as a base for their artistic venues.

The City's economic development success is not limited to downtown, but is taking place Citywide as businesses continue to take advantage of the positive economic momentum that has developed and the increased customer base that has been generated. Over the past decade the City helped facilitate major developments and expansion projects including Monadnock Paper, Horizon's Federal Credit Union, Team World, F.E. Jones Construction, Manley's Mighty Mart and Orthopedic Associates who have all invested millions of dollars establishing their businesses in the City.

Since 2006, more than 40 new businesses opened in the City. William H. Lane Incorporated, a construction company, returned to the City after a 40 year absence. New eateries such as Remlik's Grille & Oyster Bar, Amici Pub & Pizzeria, and Burger Mondays Bar & Grill have opened. Binghamton Bag Company, On the Town Dress Boutique, and Sassy Boutique Dress Shop have opened for retail shopping. One of our City's largest hotels, the 207 unit Binghamton Riverwalk Hotel and Conference Center, was just accepted as a Double Tree (Hilton) facility.

In the spring of 2012 the City broke ground on the \$ 3.0 Million Court Street Gateway Project. This project will provide full-depth reconstruction of Court Street in downtown Binghamton water/sewer upgrades, full repaving, streetscape changes, a roundabout, pedestrian & bicycle accommodations, and changes in parking and traffic signal upgrades. 95% of the cost of this project will be reimbursed by the State Department of Transportation.

The City government continues to improve its infrastructure by investing approximately \$4 million in capital improvements annually. Additional projects to upgrade and rehabilitate the City's gateways and bridges are currently underway in the amount of \$5 million. These projects are the direct result of the City's successful partnership with the State Department of Transportation, which is contributing 95% of the costs of each of these projects. Over the last ten years this partnership has resulted in a combined \$85 million being spent on a diverse range of local roadway and bridge projects.

CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The City is the recipient of three Restore New York Program grants for the removal and/or reconstruction of blighted properties. The City has removed/reconstructed over 120 blighted buildings using more than \$6.5 Million in state grants.

The City has secured state grants to redevelop brownfields in the First Ward and on the North Side of the City, and is partnering with Broome County on a grant aimed at overhauling another set of brownfields in the Brandywine Corridor of the City.

The City's River Park Project has evolved significantly over the last few years. From Confluence Park, built on the area where the Chenango River flows into the Susquehanna River, City residents are now able to walk, bike or skate along the riverbank to the Cheri Lindsey Park, including a cutting edge skateboard facility which provides the highest caliber facility for children of all ages. New lighting, walkways, bicycle paths and landscaping is being installed, which is paid from State and Federal funds. Kennedy Park was reconstructed in 2010 at a cost of approximately \$500,000. As a result of the City's revitalization of Binghamton's waterways, the New York Upstate Chapter of American Society of Landscape Architects presented the City with a Merit Award for excellence in Public Landscape design for Confluence Park. The City now has a second river crawl where residents meet and walk on river trails from downtown to the south side.

Three breweries have opened in Binghamton since 2011, bringing increased foot traffic, consumer spending, community revitalization and increasing the tourist appeal of the city. The new breweries in Binghamton are expected to "provide a substantial tour loop consisting of 11 microbreweries between Binghamton, Syracuse, Cortland and Ithaca."

The City is dedicated to providing vital services to residents and businesses in the most efficient manner possible. The City made significant cost reductions by consolidating emergency dispatch services and tax collection with Broome County, and sharing the services of the City Police Chief and Assistant Chiefs with the Village of Johnson City. The City has joined a new energy and gas alliance and has completed an energy performance project for energy efficiency improvements at City Hall with a total annual savings of approximately \$100,000.

Other Potentially Significant Matters

Due to flooding that occurred in the entire Broome County area from September 7 to September 11, 2011, the City incurred related damages. The City has submitted a request for Public Assistance (PA) from the Federal Emergency Management Agency (FEMA). City Departments continue to coordinate with FEMA in recapturing costs resulting from flood response and damage, and in mitigating improvements to lessen future storm impacts. Current estimates show approximately \$4 Million in damages to City infrastructure and assets. 100% of eligible project costs will be recovered through State and Federal Assistance. In addition, the City received from New York State Environmental Facilities Corporation (EFC) a \$1 million no-interest loan for critical assessment and repair to damaged drinking water and wastewater treatment facilities through EFC's Hurricane Emergency Loan Program (HELP). 12

The sewage treatment plant that is jointly owned by the City and the Village of Johnson City (the "Village") also suffered damage. Plant employees, Board members, and the City Engineer have worked with its insurer and FEMA to identify all damages, and are in the process of repair and mitigation to rebuild facility damage and improve resistance to future flood events. 100% of eligible project costs will be recovered through State and Federal Assistance. In addition, the City, on behalf of the City and the Village, has applied to EFC for approximately \$12 million in loans from the State Clean Water Revolving Loan Fund to address this situation. (See "Utilities & Services" herein).

CITY OF BINGHAMTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The above items were all taken into account when adopting the General Fund Budget for the fiscal year ending December 31, 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Charles L. Pearsall, City Comptroller, City Hall, 38 Hawley Street, Binghamton, NY 13901.

CITY OF BINGHAMTON
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities	Business-Type Activities	Component Units		Total
			Binghamton LDC August 31, 2011	Binghamton Urban Renewal Agency	
<u>ASSETS</u>					
Current Assets:					
Cash and cash equivalents	\$ 15,384,793	\$	\$ 1,118,021	\$ 24,047	\$ 16,526,861
Due from state and federal governments	1,533,687				1,533,687
Due from other governments	2,029,885				2,029,885
Other receivables, net	7,374,081		29,000		7,403,081
Loans receivable, short-term portion	1,102,356	517,875	196,111		1,816,342
Inventories	41,485				41,485
Prepaid expenses	2,755,680				2,755,680
Internal balances	178,834	(178,834)			-0-
Total Current Assets	30,400,801	339,041	1,343,132	24,047	32,107,021
Noncurrent Assets:					
Restricted investments			136,954		136,954
Loans receivable, long-term portion	9,697,729	1,553,500	1,553,113		12,804,342
Equity interest in joint ventures	10,739,621				10,739,621
Capital Assets:					
Land and construction in progress	6,446,030		68,000	446,632	6,960,662
Depreciable capital assets, net	308,567,374				308,567,374
Total Noncurrent Assets	335,450,754	1,553,500	1,758,067	446,632	339,208,953
 Total Assets	 \$ 365,851,555	 \$ 1,892,541	 \$ 3,101,199	 \$ 470,679	 \$ 371,315,974
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts payable	\$ 4,176,791	\$ 152,770	\$ 242	\$	\$ 4,329,803
Accrued liabilities	5,416,977				5,416,977
Due to other governments	118,364				118,364
Due to fiduciary funds	279,553				279,553
Due to retirement systems	1,483,752				1,483,752
Bond Anticipation Notes payable	34,328,143				34,328,143
Deferred revenue	410,584				410,584
Accrued interest payable	1,500,194	3,703			1,503,897
Other	198,990				198,990
Current Portion of Long-term Liabilities:					
Bonds payable	6,130,000	1,086,000			7,216,000
Lease obligations payable	158,029				158,029
Compensated absences	386,338				386,338
Total Current Liabilities	54,587,715	1,242,473	242		55,830,430
Long-term Liabilities:					
Bonds payable	74,525,000	2,221,000			76,746,000
Lease obligations payable	806,987				806,987
Other postemployment benefits payable	24,604,123				24,604,123
Compensated absences	3,477,040				3,477,040
Total Long-term Liabilities	103,413,150	2,221,000			105,634,150
 Total Liabilities	 158,000,865	 3,463,473	 242		 161,464,580

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON
STATEMENT OF NET ASSETS
(CONTINUED)
DECEMBER 31, 2011

	Primary Government	Business-Type Activities	Component Units		Total
			Binghamton LDC August 31, 2011	Binghamton Urban Renewal Agency	
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	\$ 208,555,583	\$ _____	\$ _____	\$ 446,632	\$ 209,002,215
Restricted, expendable, for home and community services	13,412,798	_____	2,888,689	20,000	16,321,487
Restricted, expendable, for debt	60,900	_____	_____	_____	60,900
Restricted, nonexpendable, for home and community services	1,171,725	_____	204,954	_____	1,376,679
Unrestricted	(15,350,316)	(1,570,932)	7,314	4,047	(16,909,887)
 Total Net Assets (Deficit)	 \$ 207,850,690	 \$ (1,570,932)	 \$ 3,100,957	 \$ 470,679	 \$ 209,851,394

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General governmental support	\$ 9,267,044	\$ 153,291	\$ 989,147	\$
Public safety	<u>35,505,312</u>	<u>753,523</u>	<u>184,898</u>	<u>26,768</u>
Public health	<u>884,924</u>	<u>823,337</u>		
Transportation	<u>8,564,678</u>	<u>1,151,956</u>	<u>234,489</u>	<u>1,370,982</u>
Economic assistance and opportunity	<u>746,361</u>			
Culture and recreation	<u>4,203,020</u>	<u>(897,906)</u>	<u>39,096</u>	
Home and community services	<u>27,159,842</u>	<u>14,064,364</u>	<u>6,545,518</u>	<u>1,489,762</u>
Interest on long-term debt	<u>4,122,854</u>			
Total Governmental Activities	<u>\$ 90,454,035</u>	<u>\$ 16,048,565</u>	<u>\$ 7,993,148</u>	<u>\$ 2,887,512</u>
Business-Type Activities:				
Proprietary funds	<u>140,712</u>			
Component Units:				
Binghamton Local Development Corp. - August 31, 2011	<u>621,464</u>	<u>10,083</u>	<u>650,505</u>	
Binghamton Urban Renewal Agency	<u>60,983</u>	<u>24,200</u>	<u>40,818</u>	
Total Primary Government	<u>\$ 91,216,211</u>	<u>\$ 16,058,648</u>	<u>\$ 8,643,653</u>	<u>\$ 2,887,512</u>

GENERAL REVENUES

Real property taxes
Real property tax items
Nonproperty tax items
Use of money and property
Sale of property and compensation for loss
Miscellaneous local sources
State sources
Change in equity interest in joint ventures

Total General Revenues and Contributions

Change in Net Assets

Net Assets (Deficit) - Beginning, as restated

Net Assets (Deficit) - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>	<u>Total</u>
\$ (8,124,606)	\$ _____	\$ _____	\$ (8,124,606)
<u>(34,540,123)</u>	_____	_____	<u>(34,540,123)</u>
<u>(61,587)</u>	_____	_____	<u>(61,587)</u>
<u>(5,807,251)</u>	_____	_____	<u>(5,807,251)</u>
<u>(746,361)</u>	_____	_____	<u>(746,361)</u>
<u>(5,061,830)</u>	_____	_____	<u>(5,061,830)</u>
<u>(5,060,198)</u>	_____	_____	<u>(5,060,198)</u>
<u>(4,122,854)</u>	_____	_____	<u>(4,122,854)</u>
<u>(63,524,810)</u>	_____	_____	<u>(63,524,810)</u>
_____	<u>(140,712)</u>	_____	<u>(140,712)</u>
_____	_____	39,124	39,124
_____	_____	4,035	4,035
<u>(63,524,810)</u>	<u>(140,712)</u>	<u>43,159</u>	<u>(63,622,363)</u>
<u>34,285,737</u>	_____	_____	<u>34,285,737</u>
<u>323,371</u>	_____	_____	<u>323,371</u>
<u>10,498,558</u>	_____	_____	<u>10,498,558</u>
<u>735,981</u>	_____	70,794	<u>806,775</u>
<u>267,527</u>	_____	9,037	<u>276,564</u>
<u>2,934,702</u>	_____	7,940	<u>2,942,642</u>
<u>9,576,489</u>	_____	_____	<u>9,576,489</u>
<u>6,425,769</u>	_____	_____	<u>6,425,769</u>
<u>65,048,134</u>	<u>-0-</u>	<u>87,771</u>	<u>65,135,905</u>
<u>1,523,324</u>	<u>(140,712)</u>	<u>130,930</u>	<u>1,513,542</u>
<u>206,327,366</u>	<u>(1,430,220)</u>	<u>3,440,706</u>	<u>208,337,852</u>
<u>\$ 207,850,690</u>	<u>\$ (1,570,932)</u>	<u>\$ 3,571,636</u>	<u>\$ 209,851,394</u>

CITY OF BINGHAMTON
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Major Funds		
	General Fund	Special Grant Fund	Sewer Fund
<u>ASSETS</u>			
Assets:			
Cash and cash equivalents - Unrestricted	\$ 5,432,787	\$ 62,228	\$ 1,917,693
Taxes receivable, net	_____	_____	_____
Due from other funds	1,803,725	_____	1,225
Due from state and federal governments	2,660	1,531,027	_____
Due from other governments	2,028,123	_____	_____
Other receivables, net	1,795,422	_____	3,308,982
Inventory	41,485	_____	_____
Prepaid expenses	1,238,193	_____	_____
Restricted investments	_____	102,356	_____
Loans receivable, net	_____	10,697,729	_____
 Total Assets	 \$ 12,342,395	 \$ 12,393,340	 \$ 5,227,900
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 150,505	\$ 17,845	\$ 3,520,322
Accrued liabilities	484,066	_____	1,543,785
Due to other funds	518,336	164,401	_____
Due to other governments	85,560	27,191	_____
Due to employees' retirement system	1,156,379	_____	_____
Bond Anticipation Notes payable	_____	_____	_____
Compensated absences	344,803	10,298	9,101
Other liabilities	1,893	_____	96,091
Deferred revenues	11,845	10,800,085	1,440,229
 Total Liabilities	 2,753,387	 11,019,820	 6,609,528
Fund Balances:			
Nonspendable	1,279,678	_____	_____
Restricted	1,198,481	1,373,520	2,286
Assigned	975,996	_____	_____
Unassigned	6,134,853	_____	(1,383,914)
 Total Fund Balances	 9,589,008	 1,373,520	 (1,381,628)
 Total Liabilities and Fund Balances	 \$ 12,342,395	 \$ 12,393,340	 \$ 5,227,900

See Independent Auditor's Report and Notes to Financial Statements

<u>Major Funds</u>	<u>Total</u>	<u>Total</u>
<u>Capital Projects</u>	<u>Non-Major</u>	<u>Governmental</u>
<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
\$ 8,281,516	\$ (309,431)	\$ 15,384,793
		-0-
528,164	12,700	2,345,814
		1,533,687
2,340		2,030,463
41,431	2,227,479	7,373,314
		41,485
1,517,487		2,755,680
		102,356
		10,697,729
<u>\$ 10,370,938</u>	<u>\$ 1,930,748</u>	<u>\$ 42,265,321</u>
\$ 122,083	\$ 348,778	\$ 4,159,533
		2,027,851
	2,490	685,227
3,560	2,053	118,364
	214,320	1,370,699
34,328,143		34,328,143
	22,136	386,338
193,355	20,704	312,043
410,584	1,323,889	13,986,632
35,057,725	1,934,370	57,374,830
		1,279,678
	193,843	2,768,130
	573,682	1,549,678
(24,686,787)	(771,147)	(20,706,995)
(24,686,787)	(3,622)	(15,109,509)
<u>\$ 10,370,938</u>	<u>\$ 1,930,748</u>	<u>\$ 42,265,321</u>

CITY OF BINGHAMTON
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total Governmental Fund Balances \$ (15,109,509)

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 497,267,695	
Accumulated depreciation	<u>(182,254,291)</u>	315,013,404

Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources. These are the investments in the City's joint ventures. 10,739,621

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 13,576,048

Internal Service Funds are used by management to charge the costs of certain activities, such as health and workers' compensation insurance. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Assets. (5,167,501)

Certain accrued expenses reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable	\$ (1,500,194)	
Other postemployment benefits payable	(24,604,123)	
Compensated absences	<u>(3,477,040)</u>	(29,581,357)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (80,655,000)

Lease obligations payable are not due and payable in the current period and, therefore, are not reported in the funds. (965,016)

Net Assets of Governmental Activities \$ 207,850,690

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Major Funds			
	General Fund	Special Revenue Funds		Capital Projects Fund
		Special Grant Fund	Sewer Fund	
<u>REVENUES</u>				
Real property taxes	\$ 34,285,737	\$	\$	\$
Real property tax items	323,371			
Nonproperty tax items	10,498,558			
Departmental income	1,286,652	213,294	6,272,653	
Intergovernmental charges	253,778	293,451		
Use of money and property	70,195	162	471,898	15,809
Licenses and permits	183,371			
Fines and forfeitures	494,362			
Sale of property and compensation for loss	270,229			26,345
Miscellaneous local sources	228,915	60	8,614	41,591
Interfund revenues	529,450			
State sources	9,672,113			2,679,586
Federal sources		4,717,148		1,557,536
Total Revenues	<u>58,096,731</u>	<u>5,224,115</u>	<u>6,753,165</u>	<u>4,320,867</u>
<u>EXPENDITURES</u>				
Current:				
General governmental support	5,568,129		76,180	
Public safety	19,741,576			
Public health	28,820			
Transportation	2,598,213			
Economic assistance and opportunity	38,233	541,307		
Culture and recreation	2,508,983	49,184		
Home and community services	1,781,102	3,673,184	5,022,524	
Employee benefits	16,461,823		701,151	
Debt Service:				
Principal	4,471,090		1,538,447	
Interest	1,580,657		1,353,530	
Capital outlay				8,908,601
Total Expenditures	<u>54,778,626</u>	<u>4,263,675</u>	<u>8,691,832</u>	<u>8,908,601</u>
Excess of Revenues (Expenditures)	3,318,105	960,440	(1,938,667)	(4,587,734)
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers in				779,250
Interfund transfers (out)	(149,827)		(300,000)	
BANs redeemed from appropriations				1,686,298
Total Other Financing Sources (Uses)	<u>(149,827)</u>		<u>(300,000)</u>	<u>2,465,548</u>
Net Changes in Fund Balances	<u>3,168,278</u>	<u>960,440</u>	<u>(2,238,667)</u>	<u>(2,122,186)</u>
Fund Balances, Beginning, as Restated	<u>6,420,730</u>	<u>413,080</u>	<u>857,039</u>	<u>(22,564,601)</u>
Fund Balances, Ending	<u>\$ 9,589,008</u>	<u>\$ 1,373,520</u>	<u>\$ (1,381,628)</u>	<u>\$ (24,686,787)</u>

See Independent Auditor's Report and Notes to Financial Statements

Total Non-Major Governmental Funds	Total Governmental Funds
\$ _____	\$ 34,285,737
_____	323,371
_____	10,498,558
8,134,405	15,907,004
37,750	584,979
245,670	803,734
_____	183,371
_____	494,362
_____	296,574
42,875	322,055
127,399	656,849
_____	12,351,699
1,497,169	7,771,853
10,085,268	84,480,146
_____	_____
76,180	5,720,489
_____	19,741,576
_____	28,820
620,120	3,218,333
_____	579,540
23,008	2,581,175
6,163,097	16,639,907
1,473,592	18,636,566
_____	_____
1,747,191	7,756,728
1,009,721	3,943,908
_____	8,908,601
11,112,909	87,755,643
(1,027,641)	(3,275,497)
_____	_____
27,577	806,827
(357,000)	(806,827)
_____	1,686,298
(329,423)	1,686,298
_____	_____
(1,357,064)	(1,589,199)
_____	_____
1,353,442	(13,520,310)
\$ (3,622)	\$ (15,109,509)

CITY OF BINGHAMTON
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (1,589,199)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the sale of capital assets increase financial resources.

Capital outlay	\$ 5,895,627	
Depreciation expense	<u>(9,674,367)</u>	(3,778,740)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (904,849)

Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources. This is the change in the investments in the City's joint ventures. 6,425,769

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which the repayment of debt principal exceeded issuance of new debt and BANs redeemed.

BANs redeemed	\$ (1,686,298)	
Principal payments	<u>7,756,728</u>	6,070,430

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Change in accrued interest payable	\$ (178,946)	
Change in compensated absences	(248,964)	
Change in other postemployment benefits payable	<u>(3,873,317)</u>	(4,301,227)

Internal Service Funds are used by management to charge the costs of certain activities, such as workers compensation and insurance, to individual funds. The net (expense) of the Internal Service Fund is reported with Governmental Activities. (398,860)

Change in Net Assets of Governmental Activities \$ 1,523,324

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ _____	\$ _____
Accounts receivable		<u>189</u>
Loans receivable - current	<u>517,875</u>	
Total Current Assets	<u>517,875</u>	<u>189</u>
Noncurrent Assets:		
Loans receivable, long-term portion	<u>1,553,500</u>	
Total Assets	<u>2,071,375</u>	<u>189</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	<u>152,770</u>	<u>17,258</u>
Accrued Liabilities		<u>3,389,126</u>
Accrued interest payable	<u>3,703</u>	
Due to other funds	<u>178,834</u>	<u>1,761,306</u>
Loans payable, current	<u>1,086,000</u>	
Total Current Liabilities	<u>1,421,307</u>	<u>5,167,690</u>
Noncurrent Liabilities:		
Loans payable, long-term portion	<u>2,221,000</u>	
Total Liabilities	<u>3,642,307</u>	<u>5,167,690</u>
<u>NET ASSETS</u>		
Unrestricted	<u>(1,570,932)</u>	<u>(5,167,501)</u>
Net Assets	<u>\$ (1,570,932)</u>	<u>\$ (5,167,501)</u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
<u>OPERATING REVENUES</u>		
Interfund transfers	\$ <u> </u>	\$ 1,778,972
Other operating revenues	<u> </u>	<u>197,321</u>
Total Operating Revenues	<u> -0-</u>	<u>1,976,293</u>
<u>OPERATING EXPENSES</u>		
Contractual services	<u> </u>	<u>363,755</u>
Workers compensation claims	<u> </u>	<u>2,011,398</u>
Total Operating Expenses	<u> -0-</u>	<u>2,375,153</u>
 (Loss) from Operations	 <u> -0-</u>	 <u> (398,860)</u>
<u>NONOPERATING (EXPENSES)</u>		
Interest expense	<u>140,712</u>	<u> </u>
Total Nonoperating (Expenses)	<u>140,712</u>	<u> </u>
 Net (Expense) Before Transfers	 <u> (140,712)</u>	 <u> (398,860)</u>
 Change in Net Assets	 <u> (140,712)</u>	 <u> (398,860)</u>
Total Net Assets, Beginning	<u> (1,430,220)</u>	<u> (4,768,641)</u>
Total Net Assets, Ending	<u>\$ <u> (1,570,932)</u></u>	<u>\$ <u> (5,167,501)</u></u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from other funds	\$ <u> </u>	\$ <u> 2,110,941</u>
Cash payments - Suppliers	<u> </u>	<u> (364,226)</u>
Cash payments - Judgments and claims	<u> </u>	<u> (2,011,398)</u>
Refund of prior year expenditures	<u> </u>	<u> 264,683</u>
Net Cash (Used) by Operating Activities	<u> -0-</u>	<u> -0-</u>
Cash Flows from Non-capital Financing Activities:		
Interfund transfer	<u> 703,837</u>	<u> </u>
Net Cash Provided by Non-capital Financing Activities	<u> 703,837</u>	<u> -0-</u>
Cash Flows from Capital and Related Financing Activities:		
Bond payments	<u> (1,081,000)</u>	<u> </u>
Interest expense	<u> (140,712)</u>	<u> </u>
Net Cash (Used) by Capital and Related Financing Activities	<u> (1,221,712)</u>	<u> -0-</u>
Cash Flows from Investing Activities:		
Loan payments received	<u> 517,875</u>	<u> </u>
Net Cash Provided by Investing Activities	<u> 517,875</u>	<u> -0-</u>
NET (DECREASE) IN CASH EQUIVALENTS	<u> -0-</u>	<u> -0-</u>
Cash and Cash Equivalents, January 1, 2011	<u> -0-</u>	<u> -0-</u>
Cash and Cash Equivalents, December 31, 2011	\$ <u><u> -0-</u></u>	\$ <u><u> -0-</u></u>
Reconciliation of Income from Operations to Net Cash (Used) by Operating Activities:		
(Loss) from operations	\$ <u> </u>	\$ <u> (398,860)</u>
Decrease in accounts receivable	<u> </u>	<u> 63,127</u>
Decrease in amounts due from other funds	<u> </u>	<u> 4,235</u>
Increase in due to governmental funds	<u> </u>	<u> 331,969</u>
(Decrease) in accounts payable	<u> </u>	<u> (471)</u>
Net Cash (Used) by Operating Activities	\$ <u><u> -0-</u></u>	\$ <u><u> -0-</u></u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Agency Fund	Private Purpose Trust Fund
<u>ASSETS</u>		
Cash and cash equivalents - Unrestricted	\$ 2,886,541	\$ 9,527
Accounts receivable	271,215	
Due from governmental funds	193,092	
Due from proprietary funds	178,834	
 Total Assets	 \$ 3,529,682	 \$ 9,527
 <u>LIABILITIES</u>		
Due to governmental funds	\$ 92,373	\$
Agency liabilities	3,437,309	
 Total Liabilities	 \$ 3,529,682	 \$ -0-
 <u>NET ASSETS</u>		
Restricted		\$ 9,527
 Total Net Assets		 \$ 9,527

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

		<u>Private Purpose Trust Fund</u>
	<u>ADDITIONS</u>	
Other revenue		\$ <u>26,000</u>
Total Additions		<u>26,000</u>
	<u>DEDUCTIONS</u>	
Employee benefits		<u>18,401</u>
Change in Net Assets		7,599
Net Assets - Beginning of Year		<u>1,928</u>
Net Assets - End of Year		\$ <u><u>9,527</u></u>

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Binghamton (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The City, which was established in 1867, is governed by its Charter, General City Law and other general laws of the State of New York and various local laws. The Common Council is the legislative body responsible for overall operations; the Mayor serves as chief executive officer, and the Comptroller serves as the chief fiscal officer.

The following basic services are provided: public safety (police and fire), highways and streets, sanitation, health, culture and recreation, parking facilities, economic and community development, planning and zoning, and general administration.

All Governmental Activities and functions performed for the City are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of the following, as defined by GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units."

- a. The primary government, which is the City,
- b. Organizations for which the primary government is financially accountable, and;
- c. Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB Statement Number 14, as amended by GASB Statement Number 39, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following has been included in the City's reporting entity, and are discretely reported.

1. Component Units

a. Binghamton Urban Renewal Agency

The Binghamton Urban Renewal Agency (BURA) was created in 1963 pursuant to an act of the State Legislature (General Municipal Law Article 572). The members of the Agency consist of the Mayor, Comptroller, Corporation Counsel, City Engineer, Commissioner of Public Works, and two members of Common Council. Because of local grants in aid, municipal expenditures on behalf of BURA and municipal debt for BURA purposes, BURA provides benefits and creates burdens for the City.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

b. Binghamton Local Development Corporation

The Binghamton Local Development Corporation (BLDC) was incorporated in 1982 under the not for profit corporation law. BLDC is governed by a Board of Directors consisting of the Mayor, Corporation Counsel, Director of the Economic Development Department, Comptroller, and several members at large. BLDC is fiscally dependent on the City because its operations are substantially funded by grants received from the City under the Federal Community Development Block Grant and Urban Development Action Grant programs. BLDC has a fiscal year end of August 31; the information included in the financial statements is for the year ended August 31, 2011.

Financial statements for BURA and BLDC are both available from the City Department of Economic Development.

2. Joint Venture

a. Binghamton-Johnson City Joint Sewage and Waste Water Treatment Plant

The City jointly operated a sewage treatment operation with the Village of Johnson City. The operation is jointly controlled and the City has an ongoing financial responsibility for and an equity interest in the joint venture. The equity interest in the joint venture has been reflected in the Statement of Net Assets.

3. Related Organization

a. Binghamton Housing Authority

The Binghamton Housing Authority was created in 1957 pursuant to an act of the State Legislature. It is governed by seven members, five of whom are appointed by the Mayor. The Authority designates management and exercises complete responsibility for all fiscal matters.

B. Basic Financial Statements

The City's basic financial statements include both Government-wide (reporting the City as a whole) and Governmental Fund financial statements (reporting the City's Major Funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either governmental or business-type. The City's general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. The remaining activities of the Binghamton Regency Hotel is classified as Business-Type Activities.

1. Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of activities for the primary government. Government-wide financial statements do not include the activities reported in the Fiduciary Funds. This Government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

In the Government-wide Statement of Net Assets, the Governmental Activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities reports both the gross and net cost for each of the City's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions - that are restricted to meeting the program or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the City.

The City does not allocate indirect costs. Indirect costs are reported in the function entitled "general government."

2. Governmental Fund Financial Statements

The financial transactions of the City are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The City records its transactions in the funds described below:

a. Governmental Funds

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 measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position.

The following are the City's Governmental Funds:

1) Major Funds

General Fund - Principal operating fund; includes all operations not required to be recorded in other funds.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Capital Projects Fund - Accounts for financial resources to be used for the acquisition, construction, or renovation of major capital facilities, or equipment.

a) Special Revenue Funds

Sewer Fund - Accounts for revenues derived from charges for sewer usage and benefited assessments, and the application of such revenues toward related operating expenses and debt retirement.

Special Grant Fund - Accounts for Community Development Block Grant activities and other federal revenue sources.

2) Non-Major Funds

a) Special Revenue Funds

Water Fund - Accounts for revenues derived from charges for water consumption and the application of such revenues toward related operating expenses and debt retirement.

Refuse and Garbage Fund - Accounts for revenues derived from charges for garbage, refuse, and recycling consumption, and the application of such revenues toward related operating expenses.

Parking Ramp Fund - Accounts for funds collected from parking garage receipts, and related expenditures.

Golf Fund - Accounts for the rental revenue received from operators of the City-owned, and remaining debt service and benefit payments related to the previous operation of the facility.

Section 8 Housing Assistance – Accounts for the federal Section 8 Housing Assistance program including rental assistance and payments to lessors.

b. Proprietary Fund Types

The Proprietary Funds are used to account for activities which are similar to those often found in the private sector. The cost of providing goods or services to the general public are financed or recovered primarily through user fees. The measurement focus is upon determination of operating income, changes in net assets, financial position, and cash flows. The following Proprietary Funds are utilized:

Enterprise Fund - Accounts for the remaining activity associated with the Binghamton Regency Hotel. The City sold the property in December 2010; the Enterprise Fund accounts for remaining activity.

Internal Service Fund - Accounts for special activities or services provided by one department to other departments or to other governments on a cost-reimbursement basis, and for insurance coverage when the Board has decided to have a self-insurance program on an actuarial basis. The reimbursements and premiums are treated as operating revenues of the Internal Service Fund and as expenditures/expenses of the reimbursing or insured fund. Included is the following:

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Self-Insurance Funds for Workers' Compensation - Accounts for the accumulation of resources for payment of compensation, assessments, and other obligations under the Workers' Compensation Law, Article 5.

c. Fiduciary Fund Types

Fiduciary Fund Types are used to account for assets held by the local government in a trustee or custodial capacity. The following is the City's Fiduciary Funds:

Agency Fund - Accounts for money and/or property received and held in the capacity of trustee, custodian or agent.

Private Purpose Fund - Accounts for local pension funds.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

1. Accrual Basis - The Government-wide financial statements, Proprietary Fund Types and Fiduciary Fund financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.
2. Modified Accrual Basis - Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The City considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

D. Deferred Revenues

The City reports deferred revenues on its Statement of Net Assets and its balance sheet. On the Statement of Net Assets, deferred revenue arises when resources are received by the City before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the City has legal claim to resources, the liability for deferred revenue is removed and revenue is recognized. On the balance sheet, deferred revenue arises when potential revenue does not also meet the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized in the Governmental Fund financial statements.

E. Inventory

Inventory is valued at cost utilizing the first-in, first-out method for the General Fund. The cost of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

F. Property Taxes

Real property taxes are levied annually by the City no later than December 31, and become a lien on January 1. City taxes are collected in two installments, the first due January 31 and the second due July 31.

Effective September 1, 2006, the City signed an intermunicipal agreement with Broome County (County) for the purposes of tax billing, collection, and enforcement of property taxes for the City and the Binghamton City School District. As part of this agreement, the City turned over outstanding delinquent taxes, in rem agreements, Payment in Lieu of Tax Agreements, and foreclosures. The County paid the City \$3,000,000 and agreed to pay the City for amounts collected that exceed that amount. The County pays the City on or before February 15th (for the January 31st installment) and August 15th (for the July 31st installment).

G. Receivables

Amounts due from state and federal governments represent amounts owed to the City to reimburse it for expenditures incurred pursuant to state and federally funded programs. Other receivables represent amounts owed to the City including sewer rents, water rents, rehabilitation loans, and assessments. Provisions have been made for uncollectible accounts as considered appropriate by management. All receivables net of estimated allowances for uncollectible amounts are expected to be collected within the subsequent fiscal year.

H. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with initial maturities of three months or less are considered cash equivalents.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

I. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of over \$5,000, and having a useful life of greater than three years are capitalized. The estimated useful lives for governmental capital assets are as follows:

Buildings	30 - 60 years
Improvements other than buildings	10-20 years
Machinery and equipment	6 - 15 years
Infrastructure	5 - 60 years
Water System	65 years

No interest on construction in progress has been capitalized.

J. Insurance

The City assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

K. Vacation and Sick Leave and Compensatory Absences

The City recognizes a liability for vacation leave and other compensated absences with similar characteristics and additional salary-related payments as the benefits are earned by the employees, based on the rendering of past service and the probability the employees will be compensated for the benefits through paid time off or some other means. This includes vacation leave and other compensated absences with similar characteristics earned but not used during the current or prior periods and for which employees can receive compensation in a future period. Amounts do not include leave expected to lapse and do include leave that (new) employees will (eventually) qualify for.

In addition, the City recognizes a liability for vesting sick leave and other compensated absences with similar characteristics and additional salary-related payments as employees earn benefits and to the extent it's probable that the City will compensate the employees for the benefits through cash payments (which may be conditioned on the employees' termination or retirement), rather than be taken as absences due to illness or other contingencies.

The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the Governmental Funds inasmuch as it will be funded from current financial resources. The Statement of Net Assets records this current portion, as well as amounts to be paid from future financial resources.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

L. Other Postretirement Benefits

In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with employment contracts. 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 an insurance company whose premiums are based on the benefits paid during the year. The City recognizes the cost of providing benefits in accordance with GASB Statement No. 45, as discussed in Note 3.B.4.

M. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

N. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond and note sales can only be used for the stated purpose of the borrowing. Community Development Block Grant Funds must be used only for approved programs.

O. Equity Classifications

1. Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Invested in Capital Assets, Net of Related Debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- Restricted Net Assets - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

2. Governmental Fund Financial Statements

During the year ended December 31, 2011, the City implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable**
Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted**
Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.
- **Committed**
Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, which requires the same level of formal action to remove said constraint.
- **Assigned**
Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- **Unassigned**
Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

P. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 2 - Stewardship, Compliance, Accountability

A. Deficit Fund Balances

The Sewer Fund had a deficit fund balance of \$(1,381,628) due to expenditures in the current year exceeding revenues, which is significantly affected by the expenditures incurred to operate the Binghamton-Johnson City Joint Sewage and Waste Water Treatment Plant.

The Capital Projects Fund had a deficit fund balance of \$(24,686,787), as the City's Bond Anticipation Notes are accounted for as short-term debt in the Fund. The deficit fund balance will be eliminated as the Bond Anticipation Notes are converted to long-term debt.

The Golf Fund had a deficit fund balance of \$(472,971) due to the previous years' excess of expenditures over revenue. Current year revenues exceeded expenditures; and expenditures are expected to decrease as the City no longer pays operating costs at the facility.

The Parking Ramps Fund had a deficit fund balance of \$(234,420) due to the current and previous years excess of expenditures over revenues. A flat \$1 increase in parking fee was implemented in 2011 for late night and event parking, and a further 20% hourly validation rate increase was implemented in 2012. Other methods of subsidizing the parking ramps for benefit to the community in excess of fees collected are being explored.

The Refuse and Garbage Fund had a deficit fund balance of \$(63,756) due to the current and previous years' excess of expenditures over revenue. The City increased its fee for trash bags and instituted a trash sticker system, which will enhance revenues.

The Internal Service Fund had a deficit fund balance of \$(5,167,501) due to the current and previous years' excess of expenditures over revenue. This fund captures the combined Workers Compensation run-out claims, General Municipal Law 207c claims, for all city employees as well as stop-loss coverage and the expenses associated with being self-insured. The City recognizes \$2,805,934 as a reserve for the Workers Compensation run-out claims. The accrued liabilities of the fund are based on actuarially determined liabilities, and are not funded.

The Enterprise Fund had a deficit fund balance of \$(1,570,932) as a result of the sale of the property. The City is negotiating the retirement of the liabilities.

Note 3 - Detailed Notes

A. Assets

1. Cash and Investments

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 Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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 must have a market value of at least the cost of the repurchase agreement.

Deposits and investments are valued at cost or cost plus interest. Total financial institution (bank) balances at December 31, 2011, per the banks, were \$20,178,765, which were insured, and collateral, where required, was held by the City's agent in the City's name.

2. Other Receivables

Other receivables at December 31, 2011 are as follows:

Major Funds:

General Fund:

Accounts receivable	\$ <u>1,795,422</u>
Total General Fund	<u>1,795,422</u>

Special Revenue Funds:

Sewer Fund:

Sewer rents receivable	<u>3,308,982</u>
Total Sewer Fund	<u>3,308,982</u>

Capital Projects Fund:

Accounts receivable	<u>41,431</u>
Total Capital Projects Fund	<u>41,431</u>

Non-Major Funds:

Special Revenue Funds:

Section 8 Housing Fund - Accounts Receivable	<u>60</u>
Golf Fund - Accounts Receivable	<u>1,110</u>
Parking Ramps Fund - Accounts Receivable	<u>25,000</u>
Water Fund - Water rents receivable	1,960,244
Other receivables	1,946
Allowance for doubtful accounts	<u>(540)</u>
Total Water Fund	<u>1,961,650</u>
Refuse and Garbage Fund - Fees	<u>239,659</u>
Total Non-Major Funds	<u>2,227,479</u>

Total Other Receivables - Government Activities	<u>\$ 7,373,314</u>
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CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

3. Sales Taxes and Collection

Broome County imposes a 4% sales tax on sales within the County. The County imposed tax is administered and collected by the State Tax Commission in the same manner as that relating to the State imposed 4% (June 1, 2005) sales and compensating use tax. The County turns a portion of sales tax collected to local municipalities, including the City.

Net collections, meaning monies collected after deducting expenses of administration and collections and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the State to the County, respectively. In 2011, payments from the County to the City aggregated \$9,390,150.

4. Property and Equipment

A summary of changes in capital assets at December 31, 2011 follows:

	Balance at 12/31/10 Restated	Additions	Deletions	Balance at 12/31/11
<u>Governmental Activities:</u>				
Non-depreciable Capital Assets:				
Land	\$ 4,279,869	\$	\$	\$ 4,279,869
Construction in progress	3,792,869	3,583,197	5,209,905	2,166,161
Total Non-depreciable Capital Assets	8,072,738	3,583,197	5,209,905	6,446,030
Depreciable Capital Assets:				
Buildings and improvements	32,940,888			32,940,888
Machinery and equipment	20,434,621	2,312,430		22,747,051
Infrastructure	429,923,821	5,209,905		435,133,726
Total Depreciable Capital Assets	483,299,330	7,522,335	-0-	490,821,665
Total Historical Cost	491,372,068	11,105,532	5,209,905	497,267,695
Less Accumulated Depreciation:				
Buildings and improvements	(20,145,947)	(625,544)		(20,771,491)
Machinery and equipment	(11,511,137)	(1,112,537)		(12,623,674)
Infrastructure	(140,922,840)	(7,936,286)		(148,859,126)
Total Accumulated Depreciation	(172,579,924)	(9,674,367)		(182,254,291)
Governmental Activities Capital Assets, Net	\$ 318,792,144	\$ 1,431,165	\$ 5,209,905	\$ 315,013,404

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General governmental support	\$ 873,306
Public safety	361,363
Transportation	2,207,993
Culture and recreation	148,388
Home and community services	6,083,317
Total Governmental Activities Depreciation Expense	\$ 9,674,367

CITY OF BINGHAMTON, NEW YORK
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

B. Liabilities

1. Pension Plans

a. NYS Sponsored Plans

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 defined benefit public employee 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 NYRSSL, 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, NY 12244.

Funding Policy - The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Employees in the System more than 10 years are no longer required to contribute. Under the authority of the NYRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

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

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2011	\$ 1,978,336	\$ 4,998,085
2010	1,472,183	2,812,440
2009	859,580	2,649,611

The City's contributions made to the System were equal to 100% of the contributions required for each of the years. The System's pension relief legislation (New York State Chapter 620, Laws of 2004) was enacted to provide employers with relief in payment of their annual ERS cost. This legislation provides several options to employers, including delaying payments from December 15 to February 6 of the ensuing year, payment of a portion of their cost over an amortized period, and the means to issue serial bonds to provide funding for the employer's liability. In addition, the employer was given the option of making full payment on December 15 at a discounted amount. The City exercised its option of making payment on December 15, 2011, equal to 100% of the contributions required for the year.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

b. Locally Sponsored Plan

Plan Description - All of the City's full time Police and Fire employees hired between 1912 and 1935 became participants in the Police and Fire Pension Fund (PFPF), a single-employer, defined benefit pension plan. There is no employee payroll for these plans. Current membership in the PFPF is 2 retirees and beneficiaries in the Police Group and 3 retirees and beneficiaries in the Fire Group. Surviving widows of retirees are entitled to a uniform monthly benefit, which amounted to \$423 as of December 31, 2011. The City funded the plans with general fund contributions. There were no employee contributions. The funding was estimated using the projected unit credit method.

Annual Required Contribution and Net Pension Obligation - During the year ended December 31, 2011 no contributions were required or made. Significant actuarial assumptions used to compute past year's contributions were the same as those used to compute the net pension obligation. The actuarial value of the assets in the Fire Group exceeded the actuarial accrued liabilities at December 31, 2011. There was no net pension obligation. The actuarial value of the assets in the Police Group did not exceed the actuarial accrued liabilities at December 31, 2011 and the General Fund transfers funds as needed.

The City transferred \$26,000 from the General Fund to the Police Group of the PFPF during the year ended December 31, 2011; \$32,000 and \$30,000 were transferred in the years ended December 31, 2010 and 2009, respectively.

Plan Financial Statements - Statement of Plan Net Assets

	<u>Police Group</u>	<u>Fire Group</u>	<u>Total</u>
Assets			\$
Cash	\$ <u>18,834</u>	\$ <u>(9,307)</u>	<u>9,527</u>
Net Assets			\$ <u>9,527</u>

Plan Financial Statements - Statement of Changes in Plan Net Assets

Additions			
Transfer from General Fund			\$ <u>26,000</u>
Deductions			
Benefits			<u>18,401</u>
Net Change in Plan Net Assets			7,599
Net Assets, Beginning of Year			<u>1,928</u>
Net Assets, End of Year			\$ <u>9,527</u>

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

2. Short-term Debt

Liabilities for Bond Anticipation Notes are generally accounted for in the Capital Projects Fund to finance capital projects. Principal payments on BANs must be made annually.

State law requires BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made.

BANs payable at December 31, 2011 in the Capital Fund consisted of the following:

Description	Date Issued	Interest Rate	Maturity Date	Amount
Water Projects - EFC	2009	2.10%	02/03/12	\$ 2,005,000
Water Projects	2007	1.50%	02/03/12	2,585,000
Various Projects	2007	1.50%	02/03/12	6,468,000
Water Projects	2008	1.50%	02/03/12	3,848,570
Various Projects	2008	1.50%	02/03/12	980,000
Water Projects	2009	1.50%	02/03/12	2,970,000
Various Projects	2009	1.50%	02/03/12	3,466,500
Wastewater Projects	2010	0.00%	06/17/13	1,508,086
Water Projects	2010	1.50%	02/03/12	2,500,000
Various Projects	2010	1.50%	02/03/12	2,808,000
Water Projects	2011	1.50%	02/03/12	1,750,000
Various Projects	2011	1.50%	02/03/12	<u>3,438,987</u>
Total				<u>\$ 34,328,143</u>

Interest on short-term debt for the year ended December 31, 2011 was as follows:

Interest paid	\$ 348,124
Less: Interest accrued in the prior year	(218,420)
Plus: Interest accrued in the current year	<u>462,304</u>
Total Expense	<u>\$ 592,008</u>

3. Long-term Debt

At December 31, 2011, the total outstanding indebtedness of the City aggregated \$119,255,159. Of this amount, \$59,286,088 was subject to the constitutional debt limit and represented approximately 69% of its debt limit.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

a. Serial Bonds

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Statement of Net Assets. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others, for the liquidation of the long-term liabilities.

b. Other Long-term Debt and Liabilities

In addition to the above long-term debt, the City had the following non-current liabilities:

- **Compensated Absences** - Represents the unfunded value of the liability for compensated absences and is liquidated in the General, Parking Ramps, Water, Sewer, and Refuse and Garbage Funds.
- **Other Postemployment Benefits Payable** - Represents the liability for future health insurance benefits. See Note 3.B.4 for more information.
- **Lease Obligations Payable** - Represents the amount outstanding on a capital lease for energy improvements. The gross amount of assets in the Statement of Net Assets recorded under capital leases is \$2,140,690, which is recorded under buildings and the associated accumulated amortization of these assets, is \$1,175,674.

c. Changes in Indebtedness and Other Long-term Liabilities

The following is a summary of changes in the City's indebtedness and long-term liabilities for the period ended December 31, 2011:

<u>Description</u>	<u>Balance 12/31/10 Restated</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>Balance 12/31/11</u>	<u>Due Within One Year</u>
General obligation debt	\$ 86,574,412	\$	\$ 5,919,412	\$ 80,655,000	\$ 6,130,000
Regency Hotel	4,388,000		1,081,000	3,307,000	1,086,000
	90,962,412		7,000,412	83,962,000	7,216,000
Bond Anticipation Notes	35,148,298	866,143	1,686,298	34,328,143	34,328,143
Lease obligations payable	1,116,034		151,018	965,016	158,029
Liability for other postemployment benefits	20,730,806	3,873,317		24,604,123	-0-
Compensated absences	3,549,585	313,793		3,863,378	386,338
Total	\$ 151,507,135	\$ 5,053,253	\$ 8,837,728	\$ 147,722,660	\$42,088,510

Additions and deletions to compensated absences are shown net, as it is impractical to determine these amounts separately.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

d. Debt Maturity Schedule

The following is a statement of serial bonds with corresponding maturity schedules.

Description	Date of Issue	Interest	Maturity Date	Outstanding
Water Projects	1992	6.00%	2012	\$ 143,117
Various Projects	1992	6.00%	2012	71,883
Water Projects	1995	5.50%	2012	170,744
Various Projects	1995	5.50%	2012	644,256
Water Projects	1999	5.13%	2017	1,114,011
Various Projects	1999	5.13%	2017	5,305,989
Wastewater Project	2000	3.80%	2019	1,550,000
Water Projects	2000	4.60%	2022	8,050,000
Combined Sewer Overflow	2003	4.54%	2031	4,270,000
Water Projects	2004	2.50%	2014	531,984
Various Projects	2004	2.50%	2014	2,148,016
Water Projects	2004	4.00%	2014	776,080
Various Projects	2004	4.00%	2014	4,373,920
Water Projects	2005	3.50%	2025	1,175,747
Various Projects	2005	3.50%	2025	7,959,253
Wastewater Projects	2005	3.00%	2034	16,280,000
Water Projects	2007	4.25%	2029	2,417,287
Various Projects	2007	4.25%	2029	18,752,713
Wastewater Projects	2010	4.11%	2039	<u>4,920,000</u>
Total				<u>\$ 80,655,000</u>

The following table summarizes the City's future debt service requirements as of December 31, 2011:

Year Ending December 31,	Bonds		Installment Purchase	
	Principal	Interest	Principal	Interest
2012	\$ 6,130,000	\$ 3,206,408	\$ 158,029	\$ 42,501
2013	5,270,000	3,005,850	165,366	35,164
2014	5,465,000	2,813,268	173,044	27,487
2015	4,690,000	2,626,527	181,077	19,454
2016	4,865,000	2,444,214	189,484	11,046
2017-2021	21,075,000	9,490,174	98,016	2,249
2022-2026	18,305,000	5,357,320		
2027-2031	10,785,000	1,969,185		
2032-2036	3,410,000	457,220		
2037-2039	<u>660,000</u>	<u>61,220</u>		
Total	<u>\$ 80,655,000</u>	<u>\$ 31,431,386</u>	<u>\$ 965,016</u>	<u>\$ 137,901</u>

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Interest on long-term debt for the year ended December 31, 2011 is as follows:

Interest paid	\$	3,595,784
Less: Interest accrued in the prior year		(1,102,828)
Plus: Interest accrued in the current year		<u>1,037,890</u>
 Total Expense	 \$	 <u>3,530,846</u>

4. Postemployment Benefits Other Than Pensions

In 2008, the City adopted GASB Statement Number 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” Prior to 2008, the City reported the cost of its retiree health care postretirement benefits on a “pay-as-you-go” basis. An actuarial valuation of the City Postretirement Health Care Plans (Plan) was performed as of January 1, 2010 for the fiscal years ending December 31, 2011 and 2010. The valuation of the Plan was performed using the entry age normal method.

Plan Description. The Plan is a single-employer, defined benefit healthcare plan administered by the City. The Plan consists of a traditional indemnity plan, a self insured PPO plan, and a community rated Medicare supplemental plan to eligible retirees and dependents. The Plan provides medical and prescription drug benefits to eligible retirees, spouses, and their covered dependents. Benefit provisions are established through negotiations between the City and bargaining units and are renegotiated each three-year period. The City assigns the authority to establish and amend benefit provisions to the City Council for non-bargaining unit employees. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The City Council has negotiated several collective bargaining agreements, which include obligations of Plan members and the City. The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and accumulate sufficient total accruals for all postretirement benefits when due.

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 City’s Plan:

Annual required contribution	\$	8,065,802
Interest on net OPEB obligation		829,232
Adjustment to annual required contribution		<u>(984,170)</u>
Total Annual OPEB Cost (Expense)		7,910,864
Contributions made (expected)		<u>(4,037,547)</u>
Increase in Net OPEB Obligation		3,873,317
 Net OPEB Obligation - January 1, 2011		 <u>20,730,806</u>
 Net OPEB Obligation - December 31, 2011	 \$	 <u>24,604,123</u>

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011, 2010 and 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2011	\$ <u>7,910,864</u>	51.0%	\$ <u>24,604,123</u>
12/31/2010	\$ <u>7,599,584</u>	46.2%	\$ <u>20,730,806</u>
12/31/2009	\$ <u>12,055,444</u>	30.5%	\$ <u>16,645,437</u>

Funded Status and Funding Progress - As of December 31, 2011, the Plan was not funded. Actuarial accrued liability for benefits was \$82,452,268; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$31,137,684 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 264.8%.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funded status of the Plan and 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.

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

In the January 1, 2010, Actuarial Valuation Report, the entry age normal method was used. The actuarial value of assets was determined as the accumulation of prior accruals, less benefits paid. Actuarial assumptions included an annual discount rate of 4%. Additional actuarial assumptions included an annual medical cost trend rate of 10% initially, decreased by decrements to a trend rate of 5% after 4 years.

C. Interfund Receivables and Payables

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources, primarily to provide services, which are routine annual events for the budget and accounting process.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Interfund receivables and payables at December 31, 2011 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expense
General Fund	\$ 1,803,725	\$ 518,336	\$	\$ 149,827
Special Grant Fund		164,401		
Sewer Fund	1,225			300,000
Capital Projects Fund	528,164		779,250	
Non-Major Funds	12,700	2,490	27,577	357,000
Total Governmental Funds	2,345,814	685,227	806,827	806,827
Internal Service Fund		1,761,306		
Enterprise Fund		178,834		
Agency Fund	371,926	92,373		
Total	\$ 2,717,740	\$ 2,717,740	\$ 806,827	\$ 806,827

D. Fund Equity

1. Reserves

Net assets include the following restricted fund balances:

<u>Purpose</u>	<u>Balance December 31, 2011</u>
General Fund - Restricted:	
Retirement Contribution	\$ 962,556
Retirement Benefits	180,464
Debt	55,461
Total	\$ 1,198,481
Special Grant Fund - Restricted:	
Grant activities	\$ 1,373,520
Sewer Fund - Restricted:	
Debt	\$ 2,286
Nonmajor Funds - Restricted:	
Housing Activities	\$ 193,843

Note 4 - Joint Ventures

The following is the activity undertaken jointly with another municipality. Except for their equity interest in the joint venture, this activity is excluded from the financial statements of the participating municipalities. Separate financial statements are issued for this joint venture and may be obtained from the City comptroller's office.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
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FOR THE YEAR ENDED DECEMBER 31, 2011

A sewage project is operated jointly with the Village of Johnson City (Village), under an agreement originally dated July 14, 1965 and most recently amended March 20, 2013. The agreement is for an indefinite period. A six member board constitutes the governing body; three members of the board are appointed by the City, and three by the Village. Ownership of the project, operational and capital costs are shared by the participants as follows: City - 54.8%; Village - 45.2%. The board of the project has established charges at rates intended to be self-sustaining to cover all operating costs and debt service. In addition to providing services for the City and Village, the project also provides services for several other municipalities; the charges that are established are the same for the other municipalities.

The following is an unaudited summary of financial information included in financial statements for the joint venture:

	Year Ending 12/31/11
Total Assets	\$ 20,880,956
Total Liabilities	1,283,107
Joint Venture Equity	19,597,849
Total Revenues	18,769,039
Total Expenses	10,275,896

Note 5 - Public Entity Risk Pool

A. Risk Financing

The City's Corporation Counsel reviews all claims made against the City and estimates liabilities, if any, based on expertise and experience. All amounts reflected as an estimated liability are at present value with no discount. No annuity contracts have been purchased to satisfy claims.

Effective June 1, 1985, the City became self-insured for general liability exposure. A self-insurance fund was established as an internal service fund to administer the City's insurance program for general liability for all City departments and funds.

Effective July 1, 1995, the City became self-insured for workers' compensation insurance. The City annually appropriates funds for compensation pay awarded to disabled employees or surviving family. The City is negotiating premium costs related to claims incurred prior to July 1, 1995 with the insurance carrier in force at that time. Effective December 1, 1999 the City purchased stop loss insurance for workers compensation claims. City officials believe that annual appropriations, reserves and stop loss insurance are sufficient to liquidate the City's obligations.

Note 6 - Summary of Significant Commitments and Contingencies

A. General Information

The City is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

B. Judgments and Claims

The City and/or its agencies are named in several lawsuits, some of which are for substantial amounts. These claims are either adequately covered by insurance or, in the opinion of City officials, will not result in material judgments against the City or will not be pursued and, therefore, are not expected to have a material effect on the basic financial statements.

C. State and Federally Assisted Programs

The City receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory and/or contractual requirements. The City makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible that the City will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. City officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the basic financial statements.

D. Tax Certiorari Proceedings

Various tax certiorari proceedings pending against the City as of December 31, 2011 seek reductions in property tax assessments. The City's Assessment Rolls were changed to full market value in 1994, and are updated on a regular basis. Negotiations continue to settle open cases.

E. Hotel

In 1993 the City utilized a Section 108 loan in the amount of \$1,400,000 to provide permanent financing to a local hotel. The hotel was sold in December 1998. The collateral for the loan is secured by the personal guarantees of the former owners. The term of this loan is 20 years, and principal payments began in 1999. In 2008 the City refinanced its agreement with the U.S. Department of Housing and Urban Development (HUD) and has been paying interest at variable rates.

The City was not required to pledge its full faith and credit. The required security is limited to future federal grants under the Housing & Community Development Act of 1974, proceeds from foreclosure sale of the property, and if necessary, certain other funds generated by Federal Grant Programs. The City is negotiating with HUD to retire the remaining obligations.

F. Stadium

In 1992 the BURA agreed to make certain payments as an incentive for private investment in a municipal stadium development plan located on blighted railroad land. The obligations to Sterling Doubleday, L.P. as developer were satisfied in 1996. The other obligation is to the Binghamton Mets Baseball Club, Inc. for a repair, replacement annual payment. During 2011, \$50,000 was paid, and a final payment of \$50,000 is due in 2012.

Note 7 - Subsequent Events

On February 3, 2012, the City issued \$13,095,060 of Public Improvement Serial Bonds and \$24,229,857 in various purposes Bond Anticipation Notes. The proceeds of these Bonds and BANs refunds previous BANs.

In May 2012 the City refunded its 2004 and 2005 bonds at a more favorable interest rate, which will save \$779,324 in interest cost over the next 14 years.

CITY OF BINGHAMTON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 8 - Restatements of Net Assets/Fund Balances

During the year ended December 31, 2011, the City reviewed its previous reporting for Construction in Progress, and also reviewed historical information for the retroactive reporting of infrastructure assets. It was also determined the net assets of the Enterprise Fund should not be reported in Governmental Activities on the Statement of Net Assets. The previous balances for Bond Anticipation Notes were also incorrect; net assets on the Statement of Net Assets and fund balance of the Capital Projects Fund have been restated.

Net Assets of Governmental Activities as of December 31, 2010 have been restated as follows:

As originally reported	\$ 29,264,978
Reduction of Construction in Progress	(80,446,430)
Recording of retroactive infrastructure	257,594,427
Removal of Enterprise fund deficit	1,430,220
Correction of Bond Anticipation Note balance	<u>(1,515,829)</u>
As reported in the accompanying financial statements	<u>\$ 206,327,366</u>

Capital Project Fund Balances have been adjusted as follows:

As originally reported	\$ (21,048,772)
Correction of Bond Anticipation Note balance	<u>(1,515,829)</u>
As reported in the accompanying financial statements	<u>\$ (22,564,601)</u>

CITY OF BINGHAMTON
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - NON-GAAP BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav./(Unfav.)
<u>REVENUES</u>					
Real property taxes	\$ 34,282,041	\$ 34,282,041	\$ 34,285,737	\$	\$ 3,696
Real property tax items	392,948	392,948	323,371		(69,577)
Nonproperty tax items	10,196,000	10,196,000	10,498,558		302,558
Departmental income	1,348,500	1,348,500	1,286,652		(61,848)
Intergovernmental charges	272,011	272,011	253,778		(18,233)
Use of money and property	175,250	175,250	70,195		(105,055)
Licenses and permits	177,850	183,250	183,371		121
Fines and forfeitures	576,500	576,500	494,362		(82,138)
Sale of property and compensation for loss	112,500	124,774	270,229		145,455
Miscellaneous local sources	155,000	155,000	228,915		73,915
Interfund revenues	575,449	575,449	529,450		(45,999)
State sources	10,093,539	10,093,539	9,672,113		(421,426)
Federal sources	3,500	411,845			(411,845)
Total Revenues	<u>58,361,088</u>	<u>58,787,107</u>	<u>58,096,731</u>	-0-	<u>(690,376)</u>
<u>EXPENDITURES</u>					
Current:					
General governmental support	5,497,903	5,954,479	5,568,129		386,350
Public safety	19,766,068	19,995,417	19,741,576		253,841
Public health	32,983	33,066	28,820		4,246
Transportation	2,475,293	2,512,714	2,598,213		(85,499)
Economic assistance and opportunity	35,990	35,990	38,233		(2,243)
Culture and recreation	2,609,857	2,624,994	2,508,983		116,011
Home and community services	1,763,727	1,872,705	1,781,102		91,603
Employee benefits	20,115,001	20,036,998	16,461,823		3,575,175
Debt Service:					
Principal and Interest	6,188,439	6,188,439	6,051,747		136,692
Total Expenditures	<u>58,485,261</u>	<u>59,254,802</u>	<u>54,778,626</u>	-0-	<u>4,476,176</u>
Excess of (Expenditures) Revenues	<u>(124,173)</u>	<u>(467,695)</u>	<u>3,318,105</u>	-0-	<u>3,785,800</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Interfund transfers in					-0-
Interfund transfers (out)	(225,827)	(225,827)	(149,827)		76,000
Total Other Financing Sources	<u>(225,827)</u>	<u>(225,827)</u>	<u>(149,827)</u>	-0-	<u>76,000</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>(350,000)</u>	<u>(693,522)</u>	<u>3,168,278</u>	<u>\$ -0-</u>	<u>\$ 3,861,800</u>
Appropriated Fund Balances	<u>350,000</u>	<u>693,522</u>			
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>3,168,278</u>		
Fund Balance, Beginning			<u>6,420,730</u>		
Fund Balance, Ending			<u>\$ 9,589,008</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF BINGHAMTON
 BUDGETARY COMPARISON SCHEDULE
 BUDGETED MAJOR SPECIAL REVENUE FUNDS - NON-GAAP BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Sewer Fund				
	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav./(Unfav.)
<u>REVENUES</u>					
Departmental income	\$ 8,939,605	\$ 8,939,605	\$ 6,272,653	\$	\$ (2,666,952)
Use of money and property	546,000	546,000	471,898		(74,102)
Miscellaneous local sources			8,614		8,614
Federal sources		61,933			(61,933)
Total Revenues	<u>9,485,605</u>	<u>9,547,538</u>	<u>6,753,165</u>	<u>-0-</u>	<u>(2,794,373)</u>
<u>EXPENDITURES</u>					
Current:					
General governmental support	80,180	80,180	76,180		4,000
Home and community services	5,215,345	5,280,126	5,022,524		257,602
Employee benefits	603,091	603,091	701,151		(98,060)
Debt Service:					
Principal and interest	3,162,104	3,162,104	2,891,977		270,127
Total Expenditures	<u>9,060,720</u>	<u>9,125,501</u>	<u>8,691,832</u>	<u>-0-</u>	<u>433,669</u>
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	<u>424,885</u>	<u>422,037</u>	<u>(1,938,667)</u>	<u>-0-</u>	<u>(2,360,704)</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Interfund transfers in					-0-
Interfund transfers (out)	(300,000)	(300,000)	(300,000)		-0-
Total Other Financing (Uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-0-</u>	<u>-0-</u>
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	<u>124,885</u>	<u>122,037</u>	<u>(2,238,667)</u>	<u>\$ -0-</u>	<u>\$ (2,360,704)</u>
Appropriated Fund Balances	<u>(124,885)</u>	<u>(122,037)</u>			
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(2,238,667)</u>		
Fund Balance, Beginning			857,039		
Fund Balance, Ending			<u>\$ (1,381,628)</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF BINGHAMTON
 SCHEDULE OF FUNDING PROGRESS & ACTUARIAL INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2011

Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio
<u>POLICE FUND</u>				
12/31/2011	\$ <u>18,834</u>	\$ <u>83,171</u>	\$ <u>64,337</u>	29.27%
12/31/2010	\$ <u>(609)</u>	\$ <u>63,728</u>	\$ <u>64,337</u>	(0.96)%
12/31/2009	\$ <u>(22,457)</u>	\$ <u>41,880</u>	\$ <u>64,337</u>	(53.62)%
12/31/2008	\$ <u>(38,287)</u>	\$ <u>26,050</u>	\$ <u>64,337</u>	(146.98)%
12/31/2007	\$ <u>(22,368)</u>	\$ <u>41,969</u>	\$ <u>64,337</u>	(53.30)%
12/31/2006	\$ <u>3,013</u>	\$ <u>67,350</u>	\$ <u>64,337</u>	4.47%
<u>FIRE FUND</u>				
12/31/2011	\$ <u>(9,307)</u>	\$ <u>(14,785)</u>	\$ <u>(5,478)</u>	(169.90)%
12/31/2010	\$ <u>2,537</u>	\$ <u>(2,941)</u>	\$ <u>(5,478)</u>	(86.26)%
12/31/2009	\$ <u>17,765</u>	\$ <u>12,287</u>	\$ <u>(5,478)</u>	144.58%
12/31/2008	\$ <u>32,993</u>	\$ <u>27,515</u>	\$ <u>(5,478)</u>	119.91%
12/31/2007	\$ <u>48,222</u>	\$ <u>42,744</u>	\$ <u>(5,478)</u>	112.82%
12/31/2006	\$ <u>63,450</u>	\$ <u>57,972</u>	\$ <u>(5,478)</u>	109.45%

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF BINGHAMTON
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2011

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	1/1/2010	\$ <u>-0-</u>	\$ <u>82,452,268</u>	\$ <u>82,452,268</u>	0.0%	\$ <u>31,137,684</u>	264.8%
12/31/2010	1/1/2010	\$ <u>-0-</u>	\$ <u>130,997,882</u>	\$ <u>130,997,882</u>	0.0%	\$ <u>24,923,657</u>	525.6%
12/31/2009	1/1/2008	\$ <u>-0-</u>	\$ <u>130,997,882</u>	\$ <u>130,997,882</u>	0.0%	\$ <u>24,923,657</u>	525.6%

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF BINGHAMTON, NEW YORK
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Budgeting Policies

The budget policies are as follows:

1. No later than September 15, the budget officer submits a tentative budget to the Common Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
2. After public hearings are conducted to obtain taxpayer comments, no later than December 31, the governing board adopts the budget.
3. All modifications of the budget must be approved by the governing board. (However, the Comptroller is authorized to transfer certain budgeted amounts within departments.)

Note 2 - Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

An annual legal budget is not adopted for the Special Grant Fund, which is one of the Special Revenue Funds. Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreements. The Special Grant Fund also covers a period other than the City's fiscal year.

Note 3 - Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at December 31, 2011.

Note 4 - Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 5 - Overexpended Appropriations

Certain function areas were overexpended during 2011. Overexpended areas were as follows:

<u>Fund/Function</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund - Transportation	\$ 2,512,714	\$ 2,598,213	\$ (85,499)
General Fund - Economic Assistance and Opportunity	35,990	38,233	(2,243)
Sewer Fund - Employee Benefits	603,091	701,151	(98,060)

The transportation function was overexpended because flooding resulted in significant additional overtime; this additional expense will be recaptured with FEMA funding in 2012. The economic assistance and opportunity function was overexpended because wireless provider expenses exceeded estimates. The employee benefit function in the Sewer Fund was overexpended due to adjustments made to the actual balances after final budget adjustments were made.

CITY OF BINGHAMTON
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue Funds		
	Section Eight Housing Assistance Fund	Golf Fund	Parking Ramp Fund
<u>ASSETS</u>			
Assets:			
Cash and cash equivalents - Unrestricted	\$ 256,927	\$ (471,420)	\$ (128,460)
Due from other funds			9,250
Other receivables, net	60	1,110	25,000
 Total Assets	 <u>\$ 256,987</u>	 <u>\$ (470,310)</u>	 <u>\$ (94,210)</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 39,487	\$ 608	\$ 140,210
Due to other funds	2,490		
Due to other governments		2,053	
Due to employee retirement systems	19,383		
Compensated absences	1,784		
Other liabilities			
Deferred revenues			
 Total Liabilities	 <u>63,144</u>	 <u>2,661</u>	 <u>140,210</u>
Fund Balances:			
Restricted	193,843		
Assigned			
Unassigned		(472,971)	(234,420)
Total Fund Balances	<u>193,843</u>	<u>(472,971)</u>	<u>(234,420)</u>
 Total Liabilities and Fund Balances	 <u>\$ 256,987</u>	 <u>\$ (470,310)</u>	 <u>\$ (94,210)</u>

See Independent Auditor's Report

<u>Special Revenue Funds</u>		
<u>Water Fund</u>	<u>Refuse and Garbage Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 64,415	\$ (30,893)	\$ (309,431)
3,450		12,700
<u>1,961,650</u>	<u>239,659</u>	<u>2,227,479</u>
<u>\$ 2,029,515</u>	<u>\$ 208,766</u>	<u>\$ 1,930,748</u>
\$ 86,953	\$ 81,520	\$ 348,778
		2,490
		2,053
<u>194,937</u>		<u>214,320</u>
<u>18,845</u>	<u>1,507</u>	<u>22,136</u>
<u>4,987</u>	<u>15,717</u>	<u>20,704</u>
<u>1,150,111</u>	<u>173,778</u>	<u>1,323,889</u>
<u>1,455,833</u>	<u>272,522</u>	<u>1,934,370</u>
		193,843
<u>573,682</u>		<u>573,682</u>
	<u>(63,756)</u>	<u>(771,147)</u>
<u>573,682</u>	<u>(63,756)</u>	<u>(3,622)</u>
<u>\$ 2,029,515</u>	<u>\$ 208,766</u>	<u>\$ 1,930,748</u>

CITY OF BINGHAMTON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds		
	Section Eight Housing Assistance Fund	Golf Fund	Parking Ramp Fund
<u>REVENUES</u>			
Departmental income	\$ 188,811	\$	\$ 872,879
Intergovernmental charges			
Use of money and property	919	65,000	
Miscellaneous local sources	5,761	22,907	
Interfund revenues			
Federal sources	1,497,169		
Total Revenues	<u>1,692,660</u>	<u>87,907</u>	<u>872,879</u>
<u>EXPENDITURES</u>			
Current:			
General governmental support			
Transportation			620,120
Culture and recreation		23,008	
Home and community services	2,323,304		
Employee benefits	117,492	17,849	
Debt Service:			
Principal		45,494	175,159
Interest		12,234	150,609
Total Expenditures	<u>2,440,796</u>	<u>98,585</u>	<u>945,888</u>
Excess of (Expenditures) Revenues	<u>(748,136)</u>	<u>(10,678)</u>	<u>(73,009)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Interfund transfers in		27,577	
Interfund transfers (out)			(5,000)
Total Other Financing Sources	<u>-0-</u>	<u>27,577</u>	<u>(5,000)</u>
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	<u>(748,136)</u>	<u>16,899</u>	<u>(78,009)</u>
Fund Balances, Beginning	<u>941,979</u>	<u>(489,870)</u>	<u>(156,411)</u>
Fund Balances, Ending	<u>\$ 193,843</u>	<u>\$ (472,971)</u>	<u>\$ (234,420)</u>

See Independent Auditor's Report

<u>Special Revenue Funds</u>		
<u>Water Fund</u>	<u>Refuse and Garbage Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 6,119,107	\$ 953,608	\$ 8,134,405
	37,750	37,750
179,751		245,670
14,207		42,875
127,399		127,399
		1,497,169
6,440,464	991,358	10,085,268
76,180		76,180
		620,120
		23,008
2,958,539	881,254	6,163,097
1,261,682	76,569	1,473,592
1,526,538		1,747,191
846,878		1,009,721
6,669,817	957,823	11,112,909
(229,353)	33,535	(1,027,641)
		27,577
(352,000)		(357,000)
(352,000)	-0-	(329,423)
(581,353)	33,535	(1,357,064)
1,155,035	(97,291)	1,353,442
\$ 573,682	\$ (63,756)	\$ (3,622)

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

City Council
City of Binghamton
Binghamton, New York

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Binghamton (the City) 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 August 12, 2013. 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 Binghamton is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above and as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-02 and 2011-04. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2011-01.

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

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

Cianchi, Nutcracker, Little, Middleman, & Company, LLP

August 12, 2013
Ithaca, New York

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

Common Council
City of Binghamton
Binghamton, New York

Compliance

We have audited the compliance of the City of Binghamton (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City'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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

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

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our 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's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. 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 Common Council and management of the City of Binghamton, 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.

Cianchi, D'Andrea, Little, Middleman, & Company, LLP

August 12, 2013
Ithaca, New York

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

Federal Grantor/Pass - Through Grantor Program Title	Federal CFCA #	Pass - Through Grantor #	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant	14.218	N/A - direct	\$ 2,670,749
Community Development Block Grant - ARRA	14.218	N/A - direct	189,757
Section 8 Housing Choice Vouchers	14.871	N/A - direct	1,727,473
HOME Investments Partnership Program	14.239	N/A - direct	1,201,395
Homelessness Prevention and Rapid Re-Housing Programs - ARRA	14.257	N/A - direct	133,124
Emergency Shelter Grants Program	14.231	N/A - direct	<u>68,651</u>
Total U.S. Department of Housing and Urban Development			5,991,149
<u>U.S. Department of Homeland Security</u>			
Passed Through NYS Emergency Management Office Federal Emergency Management Agency - Disaster Grants	97.036	NY4031	<u>1,557,536</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,548,685</u></u>

(1) Denotes - Unable to Obtain from Pass-Through Entity

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

CITY OF BINGHAMTON, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the City, an entity as defined in Note 1 to City's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

CITY OF BINGHAMTON, NEW YORK
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

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 no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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 Section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant (ARRA and non-ARRA)
14.871	Section 8 Housing Choice Vouchers
97.036	Federal Emergency Management Agency - Disaster Grants

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

Auditee qualified as low-risk auditee: yes no

CITY OF BINGHAMTON, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Section II - **Financial Statement Findings:**

2011-01 Noncompliance with OMB Circular A-133

Late Filing of Single Audit Reporting Package

Condition:

The deadline for single audit reporting was not met on a timely basis for the years ended December 31, 2010 and 2011.

Criteria:

Under the Single Audit Act of 1996 and OMB Circular A-133, the City was required to file the Single Audit reporting package by the end of the 9th month following the end of the fiscal year.

Cause:

In 2010, the City experienced a turnover of key personnel involved in the preparation of the financial statements. Contributing factors included an audit with staff on site for 14 months conducted by the Office of the New York State Comptroller and the appointment of an external auditor late in the audit and financial statement process. The same factors affected the timing and completion of the Single Audit package for 2011.

Effect:

The above factors resulted in filing of the 2010 and 2011 audit reports in excess of the required nine month deadline.

Recommendation:

We recommend the requirements of OMB Circular A-133 be adhered to by striving to have all information required for the audit available on a timely basis. This will help to insure timely audit report issuance and compliance with the filing deadline. We recognize the efforts the City has made up to the date of this report in stabilizing and augmenting the staff in the Comptroller's Office to ensure future compliance with the filing deadlines required by OMB Circular A-133.

Views of Responsible Officials and Corrective Action Plan:

The financial software has been implemented, the NYS Comptroller's audit is complete, demands of responding to FEMA regarding the 2011 Disaster Recovery are trailing off, a new auditor has been retained for years 2011, 2012 and 2013, and qualified staff has been added to the Finance Department. The City plans to become much more proactive to reconciliations, internal audits and enforce correct accounting rather than allow errors or omissions to surface as corrective actions. A deputy comptroller was hired in October of 2012 which has strengthened the finance department's ability to meet deadlines. A staff accountant was added in July 2013 and has been tasked with grant tracking and general ledger account reconciliations.

2011-02 Audit Adjustments (2009-03)

Condition:

As a result of the 2010 audit, significant audit adjustments were made by the predecessor auditor. These were posted by City management. However, during our current year audit, we became aware the adjustments were posted improperly. As a result, we needed to propose audit adjustments in 2011 to correct those errors.

CITY OF BINGHAMTON, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 2011

Criteria:

Management is charged with maintaining fiscal integrity and stewardship. This includes reviewing journal entries to ensure they are properly posted and confirming the financial statements are accurately presented at any point in time.

Cause:

The journal entries that were posted were to affect 2010 activity, rather than 2011; this was not made clear to Finance Department staff. However, they were posted to 2011 by Finance Department staff. The errors were not detected by management.

Recommendation:

Subsequent to our field work, the City hired an accountant to enhance controls over year end procedures. We recommend the accountant be properly trained and supervised to ensure accurate and timely financial reporting.

Views of Responsible Officials and Corrective Action Plan:

Between February 2012 and October 2012 there was only the comptroller and one other management level employee (Information Services Coordinator) who had access to and functional understanding of the accounting process for the posting and approval of auditor provided entries. These entries were all approved by the comptroller. The addition of a deputy comptroller now allows proper oversight and posting approval of entries and the comptroller has approval only access. All entries require at least two individuals within the Finance Department for processing and posting. The new audit firm suggested entries were entered by the principal account clerk and posted by either the comptroller or deputy comptroller. The new audit firm reviewed the posted entries and found them to be posted appropriately.

There was no indication on the entries as drawn up and provided by the prior audit firm that they should be reversed and so some entries had to be corrected/reversed as part of the latest audit process under a new audit firm. There was also some confusion over corrective entries already entered but not posted by City accounting staff that duplicated entries listed by the new auditors. The convention of many years of prior audits was followed and in the future the City will clarify with the auditors which entries should be reversed.

2011-03 Bank Reconciliations (2009-01)

Condition:

Several bank reconciliations were not completed on a timely basis.

Criteria:

Bank statements should be reconciled to the general ledger accounting system monthly as a safeguarding of assets control. Posting to the general ledger daily and reconciling bank statements to the ledger monthly helps ensure that City departments and Council are receiving accurate and useful financial information and enables discrepancies to be resolved efficiently.

Cause:

Due to turnover in the Treasurer's position, the position remained vacant for several months.

CITY OF BINGHAMTON, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 2011

Effect:

The current Treasurer spent a great deal of time catching up and trying to resolve discrepancies from reconciliations performed previously. As a result, bank reconciliations through December 31, 2011 were not completed at the start of fieldwork in July 2012.

Recommendation:

We recommend bank reconciliations be performed monthly in a timely manner, usually within 15 days of receiving statements from the bank.

Views of Responsible Officials and Corrective Action Plan:

Ongoing directive to have treasurer's bank reconciliations kept current and periodically audited by the staff accountant with oversight of comptroller or deputy comptroller.

2011-04 Control Environment (2009-02, 2010-02)

Condition:

As noted in the prior year audit report, fraud was discovered in the Clerk's and Treasurer's offices. During our fieldwork, fraud was uncovered in the Adult Recreation and Parks Departments.

Criteria:

Internal control is the process by which the City ensures the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations. An effective control environment is one where people understand their responsibilities, the limits of their authority, are knowledgeable, mindful and committed to doing what is right and in the correct way.

Cause:

While the frauds noted above appear to be unrelated and perpetuated in isolation, because of the ongoing nature of fraud uncovered at the City, it appears not all employees are properly trained in appropriate, ethical behavior. It is sometimes assumed employees understand what constitutes unethical behavior, but that is not always the case.

In addition, it appears there has been insufficient oversight and monitoring as well as issues stemming from a lack of segregation of duties over various functions.

Effect:

Employees have made inappropriate decisions, resulting in fraudulent activities.

Recommendation:

We recommend the City work toward reviewing all departments and positions to ensure processes are designed to promote efficiency and effectiveness as well as providing adequate oversight and segregation of duties. We further recommend the City implement City-wide employee ethics training, including a review of the City's code of ethics and what constitutes ethical behavior in addition to how to handle situations which pose ethical dilemmas.

CITY OF BINGHAMTON, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
DECEMBER 31, 2011

Views of Responsible Officials and Corrective Action Plan:

Cross-department Committee on Financial Controls has been formed and is currently reviewing all departments and offices to catalog and standardize cash and payment processing within City Hall or outlying satellite offices. Except for minor 25¢ transactions for copier use and swimming pool access all cash payments must be transacted at a cashier's window in the central treasurer's office, city clerk's office, or police records personnel. Each department will log payments received and deliver checks or money orders to the treasurer for processing. Payer is encouraged by signs in each department to ask for a receipt if one is not presented. Standardized transaction logs are to be maintained in every department and periodically audited. Petty cash has been reduced, removed entirely from some areas, and is also audited.

We are also alerting and notifying remote payers to address all checks to the treasurer's office and make all payments to "City of Binghamton" rather than by title or other payee designation.

Section III - Federal Award Findings and Questioned Costs:

None