

**CITY OF BINGHAMTON**

**Binghamton, New York**

**FINANCIAL REPORT**

**December 31, 2012**

CITY OF BINGHAMTON, NEW YORK  
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*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

City Council  
City of Binghamton  
Binghamton, New York

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Binghamton, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Binghamton as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 31 and 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2014 on our consideration of the City of Binghamton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Binghamton's internal control over financial reporting and compliance.

*Cianchi, D'Andrea, Little, Miodini, & Company, LLP*

January 30, 2014  
Ithaca, New York

CITY OF BINGHAMTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012. 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, 2012 is \$28,477,440. 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 \$198,289,518 (net assets). Of this amount, \$(20,894,203) is unrestricted. Liabilities of the City's Business-Type Activities exceeded assets by \$(1,595,260).
- The City's expenses were \$(11,219,212) more than the \$81,862,754 generated in tax and other revenues for all governmental program activities. Approximately \$8.5 million of this loss is related to the City's share of the Joint Sewage Treatment Plant. Expenses of the Business-Type Activities were \$24,328, and there were no revenues.
- The General Fund recorded an operating increase of \$108,074 in 2012 and had a fund balance of \$9,224,111 at year-end.
- The City's long-term debt (including lease obligations) increased by \$8,432,714, Bond Anticipation Notes increased by \$1,576,885, and other long-term liabilities increased by \$3,876,250.

### USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position 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 hotel activities which the City operated as a business before selling the property, and 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 Position 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, 2012

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 Position 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. Business-Type Activities are reported in a separate column in these statements. Property and sales taxes, and state and federal grants finance most of the governmental 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 Position 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, 2012

An additional portion of the City's net position 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 position (deficit). Included in unrestricted net position is the City's equity interest in two joint ventures. The remaining portion of unrestricted net position 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 position (Figure 2) of the City's Governmental Activities.

**Figure 1**  
**Net Position**

	<b>Governmental Activities</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>Restated 2011</b>	<b>2012</b>	<b>2011 - 2012</b>	<b>2011 - 2012</b>
Current assets	\$ 30,400,801	\$ 42,908,234	\$ 12,507,433	41%
Noncurrent assets	20,437,350	13,192,066	(7,245,284)	(36)%
Capital assets, net	315,013,404	313,526,657	(1,486,747)	(0)%
<b>Total Assets</b>	<b>365,851,555</b>	<b>369,626,957</b>	<b>3,775,402</b>	<b>1%</b>
Current liabilities	52,929,675	55,585,047	2,655,372	5%
Noncurrent liabilities	103,413,150	115,752,392	12,339,242	12%
<b>Total Liabilities</b>	<b>156,342,825</b>	<b>171,337,439</b>	<b>14,994,614</b>	<b>10%</b>
Net investment in capital assets	208,555,583	210,788,892	2,233,309	1%
Restricted	14,645,423	8,394,829	(6,250,594)	(43)%
Unrestricted	(13,692,276)	(20,894,203)	(7,201,927)	(53)%
<b>Total Net Position</b>	<b>\$ 209,508,730</b>	<b>\$ 198,289,518</b>	<b>\$ (11,219,212)</b>	<b>(5)%</b>

Current assets consist largely of \$30,540,143 in unrestricted cash, and receivables of \$9,904,035. Noncurrent assets consist of the long-term portion of loans receivable of \$4,467,919 and the City's equity interest in joint ventures of \$8,724,147. Current assets increased as a result of higher cash balances, offset by lower receivable balances. 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 \$35,905,028, the current portion of long-term liabilities of \$6,644,089 and various payables of \$13,035,930. Noncurrent liabilities consist of bonds payable of \$81,590,000, compensated absences of \$3,479,706, other postemployment benefits payable of \$28,477,440 and lease obligations of \$2,205,246. The increase in current liabilities is primarily due to the greater accounts payable and BAN balances. Noncurrent liabilities increased as a result of the issuance of new debt and lease agreements, and the increase in the liability for other postemployment benefits.

The net amount invested in capital assets increased overall due to the change in capital assets and the change in debt incurred to fund capital projects. Restricted net assets consist of \$57,747 for debt service, \$1,143,020 for retirement contributions and benefits, \$216,827 for housing activities, and \$6,977,235 for economic development activities.

CITY OF BINGHAMTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

**Figure 2**  
**Changes in Net Assets**

Changes in Net Position	Governmental Activities		Dollar Change	Percent Change
	Restated 2011	2012	2011 - 2012	2011 - 2012
<b>REVENUES</b>				
<i>Program Revenues:</i>				
Charges for services	\$ 16,048,565	\$ 17,442,328	\$ 1,393,763	9%
Operating grants	7,993,148	3,838,536	(4,154,612)	(52)%
Capital grants	2,887,512	5,720,205	2,832,693	98%
<i>General Revenues:</i>				
Property taxes and tax items	34,609,108	33,415,449	(1,193,659)	(3)%
Nonproperty taxes	10,498,558	10,596,550	97,992	1%
State sources	9,576,489	9,567,132	(9,357)	(0)%
Use of money and property	735,981	729,999	(5,982)	(1)%
Change in equity interest in joint venture	6,425,769	(2,015,474)	(8,441,243)	131%
Other	3,202,229	2,568,029	(634,200)	(20)%
<b>Total Revenues</b>	<b>91,977,359</b>	<b>81,862,754</b>	<b>(10,114,605)</b>	<b>(11)%</b>
<b>PROGRAM EXPENSES</b>				
General government	9,267,044	10,428,094	1,161,050	13%
Public safety	35,505,312	35,488,887	(16,425)	(0)%
Public health	884,924	917,832	32,908	4%
Transportation	8,564,678	6,626,961	(1,937,717)	(23)%
Economic assistance and opportunity	746,361	791,963	45,602	6%
Culture and recreation	4,203,020	4,058,193	(144,827)	(3)%
Home and community services	25,501,802	30,716,710	5,214,908	20%
Interest on long-term debt	4,122,854	4,053,326	(69,528)	(2)%
<b>Total Expenses</b>	<b>88,795,995</b>	<b>93,081,966</b>	<b>4,285,971</b>	<b>5%</b>
<b>Change in Net Position</b>	<b>3,181,364</b>	<b>(11,219,212)</b>	<b>(14,400,576)</b>	<b>(453)%</b>

**Governmental Activities**

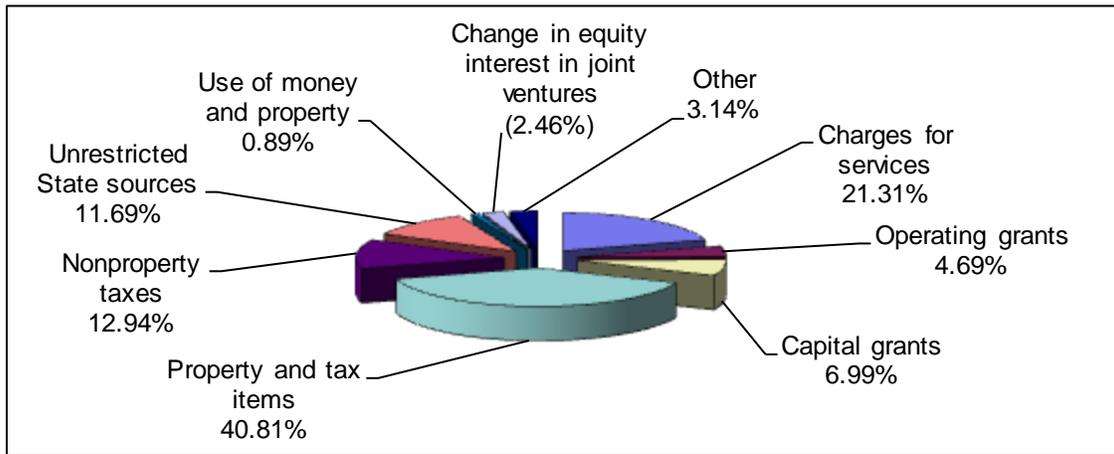
The net position of the City's activities decreased from the restated beginning balance, due mainly to increased depreciation expense on infrastructure assets, a decrease to the equity interest in the joint venture, and lower operating grant revenue. Charges for services increased due mainly to increased water and sewer revenue and special grant activity. Operating grants were down as a result of the transfer of the City's housing grants to the Binghamton Housing Authority, and decreased HUD grant revenue. Capital grants were up for transportation 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 decreased 3% in 2012 reflecting the increase in the allowance for doubtful collection, offset by a slight increase in the property tax levy. Nonproperty taxes were up 1% in 2012 as compared to 2011. 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.

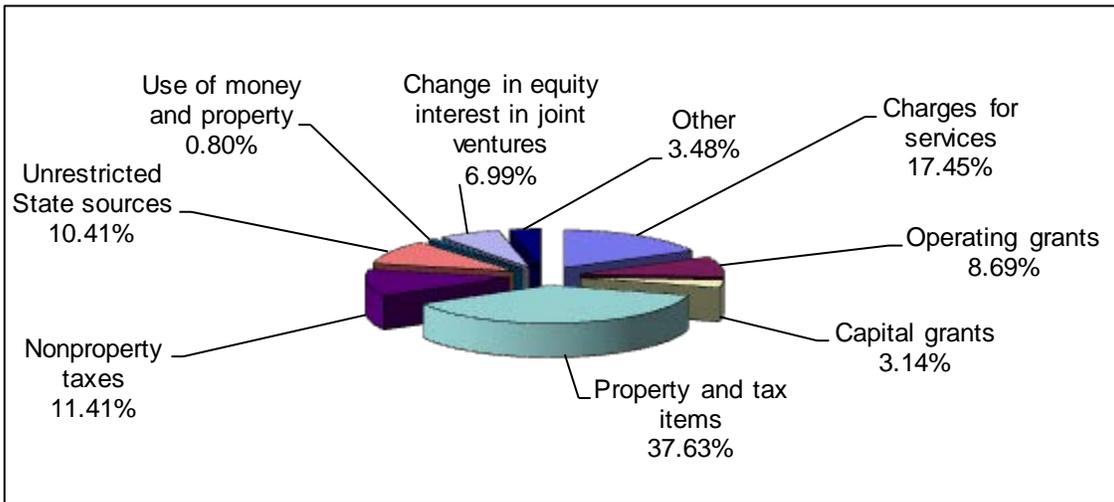
CITY OF BINGHAMTON  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2012

Expenses increased primarily due to recording the change to the equity of the joint venture. The recording of depreciation expense was shifted somewhat in the current year, with a larger portion recorded in home and community services, and a smaller portion in transportation expenses.

**Figure 3**  
**Revenue by Source**  
**2012**



**2011**

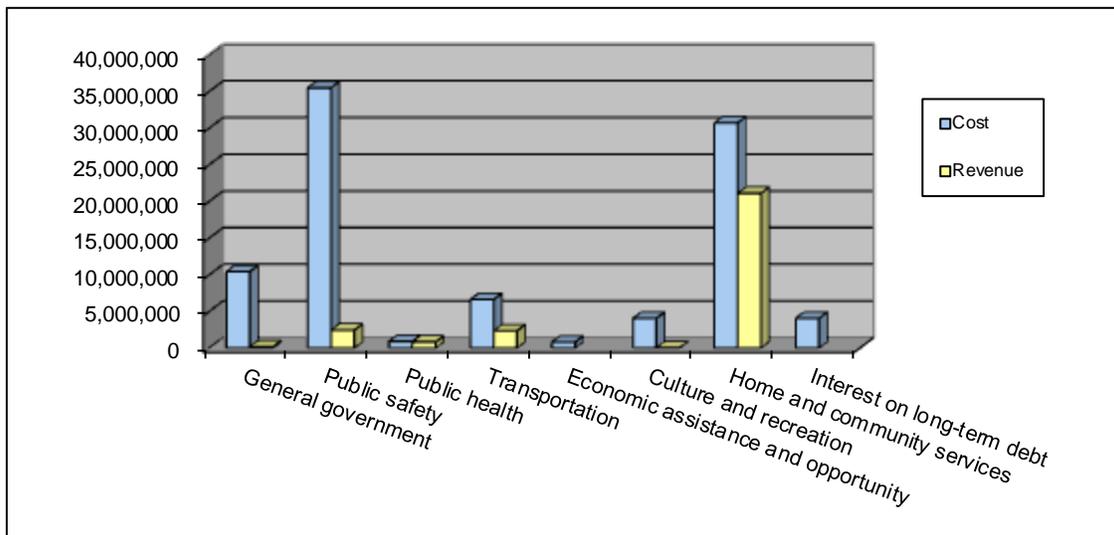


The cost of all Governmental Activities in 2012 in the Statement of Activities was \$93,081,966. However, as shown in the Statement of Activities the amount ultimately financed for these activities through City property and payments in lieu of taxes was \$66,080,897, because some of the cost was paid by those who directly benefited from the programs \$(17,442,328) or by other governments and organizations that subsidized certain programs with grants and contributions \$(9,558,741). Overall, City governmental program revenues, including fees for services and grants, were \$27,001,069. The City paid for the remaining "public benefit" portion of Governmental Activities with \$54,861,685 in taxes and other revenues, such as interest and general entitlements.

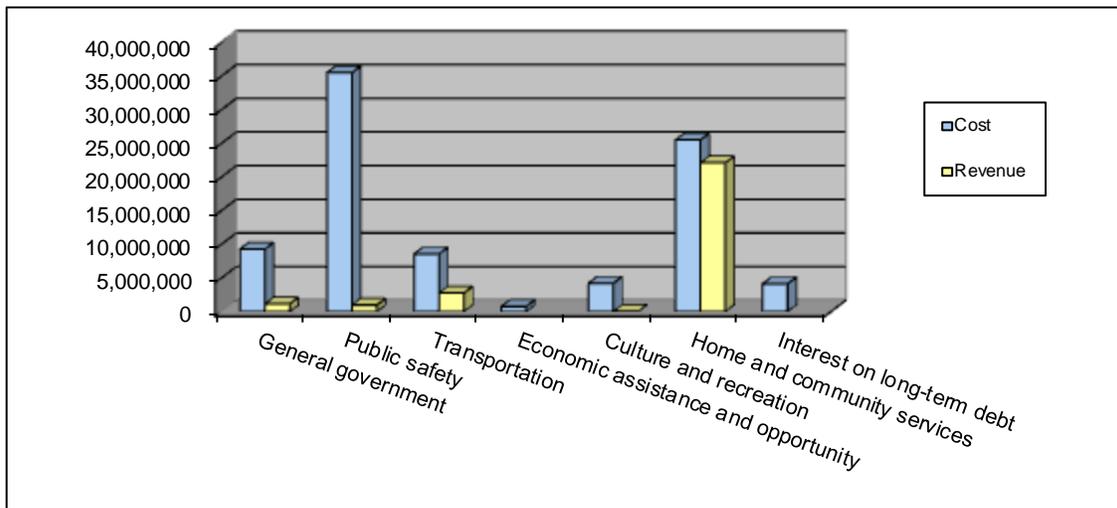
CITY OF BINGHAMTON  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2012

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**  
**2012**



**2011**



CITY OF BINGHAMTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

**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 received final payment from the buyer in December 2012. The City continues to pay outstanding loans to the U.S. Department of Housing and Urban Development (HUD), and recently received approval from HUD to extend final payment until August 2019.

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

**Figure 5**  
**Business-Type Activities**  
**Net Position**

			<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2011</b>	<b>2012</b>	<b>2011 - 2012</b>	<b>2011 - 2012</b>
<i>Current assets</i>	\$ 517,875	\$ 1,457,289	\$ 939,414	181%
<i>Noncurrent assets</i>	1,553,500	-0-	(1,553,500)	(100)%
<b>Total Assets</b>	<b>2,071,375</b>	<b>1,457,289</b>	<b>(614,086)</b>	<b>(30)%</b>
<i>Current liabilities</i>	1,421,307	1,547,549	126,242	9%
<i>Noncurrent liabilities</i>	2,221,000	1,505,000	(716,000)	(37)%
<b>Total Liabilities</b>	<b>3,642,307</b>	<b>3,052,549</b>	<b>(589,758)</b>	<b>(16)%</b>
<i>Unrestricted</i>	(1,570,932)	(1,595,260)	(24,328)	(2)%
<b>Total Net Position</b>	<b>\$ (1,570,932)</b>	<b>\$ (1,595,260)</b>	<b>\$ (24,328)</b>	<b>(2)%</b>

Decreases in assets reflect the repayment of the remaining debt 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 \$(3,004,993), which is higher than last year's restated total of \$(13,451,469). The General Fund showed a \$108,074 increase in fund balance, and ended the year with an overall fund balance of \$9,224,111. The Sewer Fund reported a decrease of \$(2,010,834) due primarily to significant additional expenditures associated with the Binghamton-Johnson City Joint Sewer Treatment Plant.

The Capital Projects Fund experienced a \$12,001,752 increase in fund balance due to the issuance of long-term debt; 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, 2012

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
	2011	2012	2011 - 2012	2011 - 2012
General Fund	\$ 9,116,037	\$ 9,224,111	\$ 108,074	1%
Sewer Fund	276,412	(1,734,422)	(2,010,834)	(727)%
Special Grant Fund	1,373,520	2,012,879	639,359	47%
Capital Projects Fund	(24,686,787)	(12,685,035)	12,001,752	49%
<i>Non-Major Funds:</i>				
Refuse and Garbage Fund	(63,756)	(170,296)	(106,540)	(167)%
Water Fund	573,682	369,140	(204,542)	(36)%
Section Eight Housing Assistance Fund	193,843	216,827	22,984	12%
Parking Ramps Fund	(234,420)	(238,197)	(3,777)	(2)%
<b>Totals</b>	<b>\$ (13,451,469)</b>	<b>\$ (3,004,993)</b>	<b>\$ 10,446,476</b>	<b>78%</b>

#### 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 \$(1,695,411). The actual charges to appropriations (expenditures) were below the final budget amounts by \$2,429,636.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

At December 31, 2012, the City had \$313,526,657, net of accumulated depreciation of \$191,211,050, 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 \$7,992,773 and depreciation expense of \$9,445,552) of \$(1,486,747) over 2011, as restated.

**Figure 7**  
**Capital Assets, Net of Depreciation**

	Governmental Activities		Dollar Change	Percent Change
	2011	2012	2011 - 2012	2011 - 2012
Land	\$ 4,279,869	\$ 4,279,869	\$ -0-	0%
Buildings and improvements	12,169,397	11,543,854	(625,543)	(5)%
Construction in progress	2,166,161	5,385,336	3,219,175	149%
Equipment	10,123,377	10,089,033	(34,344)	(0)%
Infrastructure	286,274,600	282,228,565	(4,046,035)	(1)%
<b>Totals</b>	<b>\$ 315,013,404</b>	<b>\$ 313,526,657</b>	<b>\$ (1,486,747)</b>	<b>(0)%</b>

CITY OF BINGHAMTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Debt Administration**

Debt (bonds, BANs, and lease obligations payable), considered a liability of Governmental Activities, increased overall by \$(10,095,599). Accrued compensated absences increased by \$2,933 while the liability for other postemployment benefits increased \$3,873,317, bringing total debt and long-term liabilities to \$158,301,509 as of December 31, 2012, as shown in Figure 8. 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,**

	<b>Governmental Activities and Total Government</b>		<b>Dollar Change</b>	<b>Percent Change</b>
	<b>2011</b>	<b>2012</b>	<b>2011 - 2012</b>	<b>2011 - 2012</b>
<i>BANs</i>	\$ 34,328,143	\$ 35,905,028	\$ 1,576,885	5%
<i>Serial Bonds</i>	80,655,000	87,295,060	6,640,060	8%
<i>Compensated absences</i>	3,863,378	3,866,311	2,933	0%
<i>Other postemployment benefits payable</i>	24,604,123	28,477,440	3,873,317	16%
<i>Lease obligation payable</i>	965,016	2,757,670	1,792,654	186%
<b>Totals</b>	<b>\$ 144,415,660</b>	<b>\$ 158,301,509</b>	<b>\$ 13,885,849</b>	<b>10%</b>

**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.

CITY OF BINGHAMTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

Early in 2013, Binghamton University announced plans for a High Tech Incubator in downtown Binghamton with construction expected to start in 2014. The \$22 million project will generate construction jobs followed by new businesses related to the research and development being carried out at the University. The purpose of an incubator is to manufacture that first product that will be sold, and it's the missing piece for the region, which has fundamental research from Binghamton University, job training initiatives, Broome Community College initiatives and great manufacturing facilities. The incubator will also include wrap-around services such as financial, legal and regulatory resources that can help developing companies succeed. With such support, young firms increase their likelihood of success. Rather than two or three of 10 firms succeeding beyond three years, with the support available through an incubator, the success rate jumps to eight of 10 thriving.

The City's Economic Development Office is working in concert with the College and the University to identify suitable locations for the Governor's "Start-Up New York" tax free zone program. The Charles Street Business Park and a large manufacturing-ready facility on Court Street in downtown offer both build to suit and move-in opportunities.

SUNY Broome has proposed to take over the former Carnegie Library recently acquired by the Broome County Industrial Development Agency to develop a downtown campus for its gaming and hospitality programs.

In 2014 multiple residential and mixed use projects marketed to students will open bringing in 1,000 new student residents to downtown Binghamton. These projects have resulted in millions of dollars being invested into the downtown core, while bringing a new life to downtown. Storefronts along Court and Washington Street have filled in with commercial and service business to attract the new residents. Since 2006, more than 40 new businesses opened in the City, including over 20 new restaurants located the City's Downtown as well. 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.

Loan programs of the Binghamton Local Development Corporation (the "BLDC") have given \$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.

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.

CITY OF BINGHAMTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

In 2012, building permits were issued for 18 commercial development projects in the City totaling \$25,425,186 and since 2006, over \$200 million has been invested into new development throughout the City. Several additional mixed use projects are in the development stage.

New businesses continue to open throughout the City. Nielsen Hardware, a manufacturing spin off opened on the City's north side with location assistance from BEDO and a BLDC loan from BEDO. Confluence Running opened a running shoe store in the South Bridge district, again with location assistance and a BLDC Loan, along with Sweet Frog Frozen Yogurt and National Floor Store completing the renovation of a formerly underutilized plaza. Susan Jablon Mosaics moved into a former recycling center on the City's northeast side. The internally recognized retailer of glass mosaics has participated in multiple beautification projects the City as well bringing a thriving enterprise to the neighborhood. Downtown saw another brew pub, Galaxy Brewing, Simply Sweet Frozen Yogurt, Freshy Sites web design studio, HUE Advertising, North American Business Solutions and the redevelopment of the Lackawanna Train Station with, multiple new commercial and professional office spaces.

The US Veterans' Administration is in talks with the Broome County Industrial Development Agency (BC IDA) concerning locating a regional health Care facility at the Charles Street Business Park.

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.

In the fall of 2013 the City completed a \$3 Million Court Street Gateway Project, which was a full-depth reconstruction of Court Street in downtown Binghamton. This reconstruction included 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 was 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.

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's Blight Prevention Initiative, which with some adjustments, has gained a newfound vitality, features a registry that now includes more than 380 properties and their maintenance plans. The initiative includes three components: (1) Legal - develop and pass a new vacant property registration ordinance requiring owners of vacant properties to register the property and submit a maintenance plan; (2) Enforcement - dedicate funds for a new Vacant Property Officer to ensure consistent and aggressive enforcement; (3) Organization Reform - incorporate Code Enforcement into the Building and Construction Bureau to improve coordination between the two offices. The new ordinance forces property owners to maintain their properties, which, in turn, reduces code violations. The Initiative has generated \$76,000 in fines, up 200% from 2011. These fines are against those landlords who have failed to register and keep their properties in decent condition. This important initiative is necessary to minimize deterioration and maximize positive development. The City's Restore Program and Vacant Property Initiative have won 1st place awards in the public administration category from the New York Conference of Mayors (NYCOM).

CITY OF BINGHAMTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

In 2012, the City initiated the Binghamton Energy Leadership Program—a partnership between the City, Cornell Cooperative Extension of Broome County, and the Public Policy Education Fund. Since then, more than 1,300 county residents including 600 City residents have been educated on how to reduce their energy consumption, lower their utility bills, and reduce their carbon footprint, which will only help to meet the climate protection goals established in the City's first-ever Climate Action Plan. This program also helps create jobs in the emerging green economy and in addition, many young people are making Binghamton their home because of these opportunities. The Energy Leadership Program attended or hosted nearly 100 community events last year alone, which is a major reason why the Southern Tier is at the top of the State for home energy retrofits completed in 2012.

Over the last five years, the City has invested nearly \$4.8 million in federal and State grants to help more than 100 homeowners achieve safer, healthier homes. This has been made possible through the City's two key housing programs, Single Family Repair Program and the First Time Homebuyer Program. Since 2008, the City has issued 91 loans to assist income-qualified, current homeowners to fix code violations, remove lead hazards and improve energy efficiency. About 25% of City homeowners assisted through the Single Family Repair Program were seniors (60 years or older) on limited incomes. The average household income for those receiving assistance was \$29,000, and no repayments are required so long as the owner maintains residency and ownership for a set period (generally 10 years). The City has annually received a federal grant through HUD's HOME Investment Partnerships to fund its Single Family Repair Program, but since 2008, the City has aggressively pursued other federal and State grants to expand housing programs and loan products. Over the last four years, the City has secured four grants totaling more than \$1 million from New York State's Affordable Housing Corporation, and has leveraged nearly \$100,000 in home repair grants from Binghamton Homeownership Academy partners, such as Metro Interfaith, Quaranta Housing Services and First Ward Action Council.

Over the last three years, the City has also helped a dozen residents become first-time homeowners through its First Time Homebuyer Program. The City currently offers a purchase assistance loan of up to \$10,000 to income-eligible, first-time homebuyers who have graduated from the Binghamton Homeownership Academy. The deferred loan requires no payments so long as the owner maintains residency and ownership, and the full amount is completely forgiven after 5 years.

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 are 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.

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.

CITY OF BINGHAMTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

**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).

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).

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 POSITION  
DECEMBER 31, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Current Assets:				
Cash and cash equivalents	\$ 30,540,143	\$	\$ 1,629,099	\$ 32,169,242
Restricted cash and cash equivalents	1,109,913			1,109,913
Due from state and federal governments	1,534,901			1,534,901
Due from other governments	909,126			909,126
Due from fiduciary funds		1,292,759		1,292,759
Other receivables, net	6,963,571		29,000	6,992,571
Loans receivable, short-term portion	496,437		302,636	799,073
Inventories	42,186			42,186
Prepaid expenses	1,476,487			1,476,487
Internal balances	(164,530)	164,530		-0-
Total Current Assets	<u>42,908,234</u>	<u>1,457,289</u>	<u>1,960,735</u>	<u>46,326,258</u>
Noncurrent Assets:				
Restricted cash and cash equivalents			5,000	5,000
Restricted investments			136,954	136,954
Loans receivable, long-term portion	4,467,919		1,264,299	5,732,218
Equity interest in joint ventures	8,724,147			8,724,147
Capital Assets:				
Land and construction in progress	9,665,205		446,632	10,111,837
Depreciable capital assets, net	303,861,452			303,861,452
Total Noncurrent Assets	<u>326,718,723</u>		<u>1,852,885</u>	<u>328,571,608</u>
Total Assets	<u>369,626,957</u>	<u>1,457,289</u>	<u>3,813,620</u>	<u>374,897,866</u>
<b><u>LIABILITIES</u></b>				
Current Liabilities:				
Accounts payable	6,237,761	101,846	37,285	6,376,892
Accrued liabilities	4,416,977			4,416,977
Due to other governments	(97,904)			(97,904)
Bond Anticipation Notes payable	35,905,028			35,905,028
Deferred revenue	410,584			410,584
Accrued interest payable	1,615,724	3,703		1,619,427
Other	452,788			452,788
Current Portion of Long-term Liabilities:				
Bonds payable	5,705,060	1,442,000		7,147,060
Lease obligations payable	552,424			552,424
Compensated absences	386,605			386,605
Total Current Liabilities	<u>55,585,047</u>	<u>1,547,549</u>	<u>37,285</u>	<u>57,169,881</u>
Long-term Liabilities:				
Bonds payable	81,590,000	1,505,000		83,095,000
Lease obligations payable	2,205,246			2,205,246
Other postemployment benefits payable	28,477,440			28,477,440
Compensated absences	3,479,706			3,479,706
Total Long-term Liabilities	<u>115,752,392</u>	<u>1,505,000</u>		<u>117,257,392</u>
Total Liabilities	<u>171,337,439</u>	<u>3,052,549</u>	<u>37,285</u>	<u>174,427,273</u>
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	210,788,892		446,632	211,235,524
Restricted	8,394,829		3,323,484	11,718,313
Unrestricted	(20,894,203)	(1,595,260)	6,219	(22,483,244)
Total Net Position	<u>\$ 198,289,518</u>	<u>\$ (1,595,260)</u>	<u>\$ 3,776,335</u>	<u>\$ 200,470,593</u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:				
General governmental support	\$ 10,428,094	\$ 129,052	\$ 67,772	\$
Public safety	35,488,887	845,792		1,606,128
Public health	917,832	837,412		
Transportation	6,626,961	1,220,673	137,327	1,003,042
Economic assistance and opportunity	791,963			
Culture and recreation	4,058,193	8,835	36,869	
Home and community services	30,716,710	14,400,564	3,596,568	3,111,035
Interest on long-term debt	4,053,326			
Total Governmental Activities	<u>\$ 93,081,966</u>	<u>\$ 17,442,328</u>	<u>\$ 3,838,536</u>	<u>\$ 5,720,205</u>
Business-Type Activities:				
Proprietary funds	24,328			
Component Units:				
Binghamton Local Development Corp.	506,648	124,606	412,294	
Binghamton Urban Renewal Agency	60,983	24,200	40,818	
Total Primary Government	<u>\$ 93,673,925</u>	<u>\$ 17,591,134</u>	<u>\$ 4,291,648</u>	<u>\$ 5,720,205</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 Position - Beginning as Restated

Net Position - 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>
\$ (10,231,270)	\$ _____	\$ _____	\$ (10,231,270)
(33,036,967)	_____	_____	(33,036,967)
(80,420)	_____	_____	(80,420)
(4,265,919)	_____	_____	(4,265,919)
(791,963)	_____	_____	(791,963)
(4,012,489)	_____	_____	(4,012,489)
(9,608,543)	_____	_____	(9,608,543)
(4,053,326)	_____	_____	(4,053,326)
(66,080,897)	-0-	-0-	(66,080,897)
_____	(24,328)	_____	(24,328)
_____	_____	30,252	30,252
_____	_____	4,035	4,035
(66,080,897)	(24,328)	34,287	(66,070,938)
33,180,363	_____	_____	33,180,363
235,086	_____	_____	235,086
10,596,550	_____	_____	10,596,550
729,999	_____	1,053	731,052
199,287	_____	172,000	371,287
2,368,742	_____	1,406	2,370,148
9,567,132	_____	_____	9,567,132
(2,015,474)	_____	_____	(2,015,474)
54,861,685	_____	174,459	55,036,144
(11,219,212)	(24,328)	208,746	(11,034,794)
209,508,730	(1,570,932)	3,567,589	211,505,387
\$ <u>198,289,518</u>	\$ <u>(1,595,260)</u>	\$ <u>3,776,335</u>	\$ <u>200,470,593</u>

CITY OF BINGHAMTON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Grant Fund	Sewer Fund
<b><u>ASSETS</u></b>			
Assets:			
Cash and cash equivalents - Unrestricted	\$ 6,378,329	\$ 659,201	\$ 2,392,437
Due from other funds	1,948,562		1,225
Due from state and federal governments	3,874	1,531,027	
Due from other governments	906,786		
Other receivables, net	1,834,382		3,140,100
Inventory	42,186		
Cash held with fiscal agent			
Restricted cash and cash equivalents			
Restricted investments		102,356	
Loans receivable, net		4,862,000	
 Total Assets	 \$ 11,114,119	 \$ 7,154,584	 \$ 5,533,762
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 356,811	\$ 33,824	\$ 5,275,799
Accrued liabilities	484,066		543,785
Due to other funds	585,030	140,814	
Due to other governments	87,613	(4,742)	
Due to employees' retirement system			
Bond Anticipation Notes payable			
Compensated absences	348,159	7,453	9,619
Other liabilities	1,893		
Deferred revenues	26,436	4,964,356	1,438,981
 Total Liabilities	 1,890,008	 5,141,705	 7,268,184
Fund Balances:			
Nonspendable	42,186		
Restricted	1,198,481	2,012,879	2,286
Assigned	1,047,574		
Unassigned	6,935,870		(1,736,708)
 Total Fund Balances	 9,224,111	 2,012,879	 (1,734,422)
 Total Liabilities and Fund Balances	 \$ 11,114,119	 \$ 7,154,584	 \$ 5,533,762

See Independent Auditor's Report and Notes to Financial Statements

<u>Major Funds</u> Capital Projects Fund	<u>Total</u> Non-Major Governmental Funds	<u>Total</u> Governmental Funds
\$ 21,066,412	\$ 43,764	\$ 30,540,143
525,164	3,700	2,478,651
		1,534,901
2,340		909,126
200	1,988,889	6,963,571
		42,186
1,476,487		1,476,487
1,109,913		1,109,913
		102,356
		4,862,000
<u>\$ 24,180,516</u>	<u>\$ 2,036,353</u>	<u>\$ 50,019,334</u>
\$ 206,564	\$ 306,717	\$ 6,179,715
		1,027,851
	444,848	1,170,692
3,560	(184,335)	(97,904)
35,905,028		35,905,028
	21,374	386,605
339,815	111,080	452,788
410,584	1,159,195	7,999,552
36,865,551	1,858,879	53,024,327
		42,186
	216,827	3,430,473
	369,140	1,416,714
(12,685,035)	(408,493)	(7,894,366)
(12,685,035)	177,474	(3,004,993)
<u>\$ 24,180,516</u>	<u>\$ 2,036,353</u>	<u>\$ 50,019,334</u>

CITY OF BINGHAMTON  
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2012

Total Governmental Fund Balances \$ (3,004,993)

Amounts reported for Governmental Activities in the Statement of Net Position 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	\$ 504,737,707	
Accumulated depreciation	<u>(191,211,050)</u>	313,526,657

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. 8,724,147

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 7,588,968

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 Position. (4,919,661)

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

Accrued interest payable	\$ (1,615,724)	
Other postemployment benefits payable	(28,477,440)	
Compensated absences	<u>(3,479,706)</u>	(33,572,870)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (87,295,060)

Lease obligations payable are not due and payable in the current period and, therefore, are not reported in the funds. (2,757,670)

Net Assets of Governmental Activities \$ 198,289,518

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, 2012

	Major Funds			
	General Fund	Special Revenue Funds		Capital Projects Fund
	Special Grant Fund	Sewer Fund		
<b>REVENUES</b>				
Real property taxes	\$ 33,180,363	\$	\$	\$
Real property tax items	235,086			
Nonproperty tax items	10,596,550			
Departmental income	1,345,857	97,768	6,498,622	
Intergovernmental charges	313,894			
Use of money and property	128,154	71	473,648	6,333
Licenses and permits	197,252			
Fines and forfeitures	510,551			
Sale of property and compensation for loss	198,422			
Miscellaneous local sources	413,177		16,006	51,591
Interfund revenues	942,772			
State sources	9,661,128			2,478,052
Federal sources	27,173	3,609,086		3,340,292
Total Revenues	<u>57,750,379</u>	<u>3,706,925</u>	<u>6,988,276</u>	<u>5,876,268</u>
<b>EXPENDITURES</b>				
Current:				
General governmental support	5,831,240		120,294	
Public safety	20,012,461			
Public health	31,465			
Transportation	2,493,723			
Economic assistance and opportunity	13,485	618,247		
Culture and recreation	2,494,190	59,258		
Home and community services	1,946,318	2,390,061	5,114,159	
Employee benefits	18,184,299		518,470	
Debt Service:				
Principal	4,789,536		1,571,985	
Interest	1,641,110		1,469,202	
Capital outlay				11,571,094
Total Expenditures	<u>57,437,827</u>	<u>3,067,566</u>	<u>8,794,110</u>	<u>11,571,094</u>
Excess of Revenues (Expenditures)	312,552	639,359	(1,805,834)	(5,694,826)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in				811,978
Interfund transfers (out)	(204,478)		(205,000)	
BANs redeemed from appropriations				1,804,736
Proceeds of obligations				15,079,864
Total Other Financing Sources (Uses)	<u>(204,478)</u>		<u>(205,000)</u>	<u>17,696,578</u>
Net Changes in Fund Balances	<u>108,074</u>	<u>639,359</u>	<u>(2,010,834)</u>	<u>12,001,752</u>
Fund Balances, Beginning as Restated	9,116,037	1,373,520	276,412	(24,686,787)
Fund Balances, Ending	<u>\$ 9,224,111</u>	<u>\$ 2,012,879</u>	<u>\$ (1,734,422)</u>	<u>\$ (12,685,035)</u>

See Independent Auditor's Report and Notes to Financial Statements

Total Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 33,180,363
	235,086
	10,596,550
8,313,229	16,255,476
37,750	351,644
130,358	738,564
	197,252
	510,551
	198,422
34,939	515,713
139,905	1,082,677
	12,139,180
	6,976,551
8,656,181	82,978,029
84,149	6,035,683
	20,012,461
	31,465
583,244	3,076,967
	631,732
-0-	2,553,448
4,294,408	13,744,946
990,906	19,693,675
1,765,365	8,126,886
827,484	3,937,796
	11,571,094
8,545,556	89,416,153
110,625	(6,438,124)
	811,978
(402,500)	(811,978)
	1,804,736
	15,079,864
(402,500)	16,884,600
(291,875)	10,446,476
469,349	(13,451,469)
\$ 177,474	\$ (3,004,993)

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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 10,446,476

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. The net effect is a loss on sale of capital assets on the Government-wide Statement of Activities vs. proceeds from the sale of capital assets on the Governmental Fund financial statements.

Capital outlay	\$ 7,992,773	
Depreciation expense	(9,445,552)	
Net book value of disposed assets	<u>(33,968)</u>	(1,486,747)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (5,987,080)

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. (2,015,474)

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 issuance of new debt and BANs redeemed exceeded repayment of debt principal.

Proceeds of debt	\$ (15,079,864)	
BANs redeemed	(1,804,736)	
Principal payments	<u>8,126,886</u>	(8,757,714)

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	\$ (115,530)	
Change in compensated absences	(2,666)	
Change in other postemployment benefits payable	(3,873,317)	
Defeasance of debt on refunding	<u>325,000</u>	(3,666,513)

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 revenue of the Internal Service Fund is reported with Governmental Activities. 247,840

Change in Net Assets of Governmental Activities \$ (11,219,212)

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2012

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Due from governmental funds	\$ 164,530	\$ _____
Due from fiduciary funds	<u>1,292,759</u>	<u>                    </u>
Total Assets	<u>1,457,289</u>	<u>                    </u>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable	<u>101,846</u>	<u>58,046</u>
Accrued Liabilities	<u>                    </u>	<u>3,389,126</u>
Accrued interest payable	<u>3,703</u>	<u>                    </u>
Due to other funds	<u>                    </u>	<u>1,472,489</u>
Loans payable, current	<u>1,442,000</u>	<u>                    </u>
Total Current Liabilities	<u>1,547,549</u>	<u>4,919,661</u>
Noncurrent Liabilities:		
Loans payable, long-term portion	<u>1,505,000</u>	<u>                    </u>
Total Liabilities	<u>3,052,549</u>	<u>4,919,661</u>
<b><u>NET POSITION</u></b>		
Unrestricted	<u>(1,595,260)</u>	<u>(4,919,661)</u>
Net Position	<u>\$ (1,595,260)</u>	<u>\$ (4,919,661)</u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
<b><u>OPERATING REVENUES</u></b>		
Interfund transfers	\$	\$ 2,651,001
Other operating revenues		187,344
Total Operating Revenues	<u>-0-</u>	<u>2,838,345</u>
<b><u>OPERATING EXPENSES</u></b>		
Salaries and benefits		
Contractual services		361,327
Workers compensation claims		2,229,178
Total Operating Expenses	<u>-0-</u>	<u>2,590,505</u>
 (Loss) Gain from Operations	 <u>-0-</u>	 <u>247,840</u>
<b><u>NONOPERATING (EXPENSES)</u></b>		
Interest expense	<u>24,328</u>	
Total Nonoperating (Expenses)	<u>24,328</u>	<u>-0-</u>
 Change in Net Position	 <u>(24,328)</u>	 <u>247,840</u>
Total Net Position, Beginning	<u>(1,570,932)</u>	<u>(5,167,501)</u>
Total Net Position, Ending	<u>\$ (1,595,260)</u>	<u>\$ (4,919,661)</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, 2012

	Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash received from other funds	\$	\$ 2,362,184
Cash payments - Suppliers	(50,924)	(320,539)
Cash payments - Judgments and claims		(2,229,178)
Refund of prior year expenditures		187,533
	(50,924)	-0-
Net Cash (Used) by Operating Activities	(50,924)	-0-
Cash Flows from Non-capital Financing Activities:		
Interfund transfer	(1,636,123)	
	(1,636,123)	-0-
Net Cash (Used) by Non-Capital Financing Activities	(1,636,123)	-0-
Cash Flows from Capital and Related Financing Activities:		
Bond payments	(360,000)	
Interest expense	(24,328)	
	(384,328)	-0-
Net Cash (Used) by Capital and Related Financing Activities	(384,328)	-0-
Cash Flows from Investing Activities:		
Loan payments received	2,071,375	
	2,071,375	-0-
Net Cash Provided by Investing Activities	2,071,375	-0-
NET CHANGE IN CASH EQUIVALENTS	-0-	-0-
Cash and Cash Equivalents, January 1, 2012	\$ -0-	\$ -0-
Cash and Cash Equivalents, December 31, 2012	\$ -0-	\$ -0-
Reconciliation of Income from Operations to Net Cash (Used) by Operating Activities:		
Gain from operations	\$	\$ 247,840
Decrease in accounts receivable		189
(Decrease) in due to governmental funds		(288,817)
(Decrease) increase in accounts payable	(50,924)	40,788
	(50,924)	40,788
Net Cash (Used) by Operating Activities	\$ (50,924)	\$ -0-

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2012

	Agency Fund	Private Purpose Trust Fund
<b><u>ASSETS</u></b>		
Cash and cash equivalents - Unrestricted	\$ 4,596,937	\$ 12,414
Due from governmental funds	371,926	
Total Assets	\$ 4,968,863	\$ 12,414
 <b><u>LIABILITIES</u></b>		
Due to governmental funds	\$ 207,396	\$
Due to proprietary funds	1,457,289	
Agency liabilities	3,304,178	
Total Liabilities	\$ 4,968,863	
 <b><u>NET ASSETS</u></b>		
Restricted		12,414
Total Net Position		\$ 12,414

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
DECEMBER 31, 2012

		<u>Private Purpose Fund</u>
	<b><u>ADDITIONS</u></b>	
Other revenue		\$ <u>16,000</u>
Total Additions		<u>16,000</u>
	<b><u>DEDUCTIONS</u></b>	
Employee benefits		<u>13,113</u>
Change in Net Assets		2,887
Net Assets - Beginning of Year		<u>9,527</u>
Net Assets - End of Year		<u>\$ <u>12,414</u></u>

CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012

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, 2012.

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.

Effective January 1, 2012, the City transferred operation of the Section Eight Housing program to the Binghamton Housing Authority.

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 are classified as Business-Type Activities.

CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

1. Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Position 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.

In the Government-wide Statement of Net Position, 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 - net investment in capital assets; restricted net position; and unrestricted net position.

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, 2012

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

Golf Fund - Accounted for the rental revenue received from operators of the City-owned golf course, and remaining debt service and benefit payments related to the previous operation of the facility. Effective January 1, 2012, the Golf Fund was eliminated, and the remaining assets and liabilities were transferred to the General Fund.

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.

CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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:

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 Position. 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, 2012

D. Deferred Revenues

The City reports deferred revenues on its Statement of Net Position and its balance sheet. On the Statement of Net Position, 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. During the year ended December 31, 2012, the City increased its allowance for doubtful accounts to cover the remaining amounts due under this agreement. The County pays the City on or before February 15<sup>th</sup> (for the January 31<sup>st</sup> installment) and August 15<sup>th</sup> (for the July 31<sup>st</sup> 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, 2012

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  
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FOR THE YEAR ENDED DECEMBER 31, 2012

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:

- Net Investment in Capital Assets - 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 Position - Consists of net position 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 Position - Consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

2. Governmental Fund Financial Statements

The City reports 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, 2012

Note 2 - Stewardship, Compliance, Accountability

A. Deficit Fund Balances

The Sewer Fund had a deficit fund balance of \$(1,734,422) 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 \$(12,685,035), 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 Parking Ramps Fund had a deficit fund balance of \$(238,197) 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 \$(170,296) 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 net position of \$(4,919,661) 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 accrued liabilities of the fund are based on actuarially determined liabilities, and are not funded.

The Enterprise Fund had a deficit fund balance of \$(1,595,260) as a result of the sale of the property. The City has received approval from HUD to extend repayment of the remaining loan balance until August 1, 2019.

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, 2012

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, 2012, per the banks, were \$35,062,310, 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, 2012 are as follows:

Major Funds:

General Fund:

Accounts receivable	\$ <u>1,834,382</u>
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Special Revenue Funds:

Sewer Fund:

Sewer rents receivable	<u>3,140,100</u>
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Capital Projects Fund:

Accounts receivable	<u>200</u>
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Non-Major Funds:

Special Revenue Funds:

Parking Ramps Fund - Accounts Receivable	<u>35,744</u>
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Water Fund - Water rents receivable	1,702,512
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Allowance for doubtful accounts	<u>(540)</u>
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Total Water Fund	<u>1,701,972</u>
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Refuse and Garbage Fund - Fees	<u>251,173</u>
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Total Non-Major Funds	<u>1,988,889</u>
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Total Other Receivables - Government Activities	\$ <u><u>6,963,571</u></u>
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CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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 2012, payments from the County to the City aggregated \$9,534,970.

4. Property and Equipment

A summary of changes in capital assets at December 31, 2012 follows:

	<u>Balance at</u> <u>12/31/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/12</u>
<u>Governmental Activities</u>				
Non-depreciable Capital Assets:				
Land	\$ 4,279,869	\$	\$	\$ 4,279,869
Construction in progress	<u>2,166,161</u>	<u>6,750,586</u>	<u>3,531,411</u>	<u>5,385,336</u>
Total Non-depreciable Capital Assets	<u>6,446,030</u>	<u>6,750,586</u>	<u>3,531,411</u>	<u>9,665,205</u>
Depreciable Capital Assets:				
Buildings and improvements	32,940,888			32,940,888
Machinery and equipment	22,747,051	1,242,187	522,761	23,466,477
Infrastructure	<u>435,133,726</u>	<u>3,531,411</u>		<u>438,665,137</u>
Total Depreciable Capital Assets	<u>490,821,665</u>	<u>4,773,598</u>	<u>522,761</u>	<u>495,072,502</u>
Total Historical Cost	<u>497,267,695</u>	<u>11,524,184</u>	<u>4,054,172</u>	<u>504,737,707</u>
Less Accumulated Depreciation:				
Buildings and improvements	(20,771,491)	(625,543)		(21,397,034)
Machinery and equipment	(12,623,674)	(1,242,563)	(488,793)	(13,377,444)
Infrastructure	<u>(148,859,126)</u>	<u>(7,577,446)</u>		<u>(156,436,572)</u>
Total Accumulated Depreciation	<u>(182,254,291)</u>	<u>(9,445,552)</u>	<u>(488,793)</u>	<u>(191,211,050)</u>
Governmental Activities Capital Assets, Net	<u>\$ 315,013,404</u>	<u>\$ 2,078,632</u>	<u>\$ 3,565,379</u>	<u>\$ 313,526,657</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General governmental support	\$ 887,889
Public safety	442,508
Transportation	2,271,388
Culture and recreation	180,087
Home and community services	<u>5,663,680</u>
Total Governmental Activities Depreciation Expense	<u>\$ 9,445,552</u>

CITY OF BINGHAMTON, NEW YORK  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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>
2012	\$ 2,590,272	\$ 4,013,150
2011	1,978,336	4,998,085
2010	1,472,183	2,812,440

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, 2012, 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, 2012

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, 2012. 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, 2012 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, 2012. 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, 2012 and the General Fund transfers funds as needed.

The City transferred \$16,000 from the General Fund to the Police Group of the PFPF during the year ended December 31, 2012; \$26,000 and \$32,000 were transferred in the years ended December 31, 2011 and 2010, respectively.

Plan Financial Statements - Statement of Plan Net Assets

	<u>Police Group</u>	<u>Fire Group</u>	<u>Total</u>
Assets	\$	\$	\$
Cash	<u>29,758</u>	<u>(17,344)</u>	<u>12,414</u>
Net Assets			\$ <u>12,414</u>

Plan Financial Statements - Statement of Changes in Plan Net Assets

Additions		
Transfer from General Fund		\$ <u>16,000</u>
Deductions		
Benefits		<u>13,113</u>
Net Change in Plan Net Assets		2,887
Net Assets, Beginning of Year		<u>9,527</u>
Net Assets, End of Year		\$ <u>12,414</u>

CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012 in the Capital Fund consisted of the following:

Description	Date Issued	Interest Rate	Maturity Date	Amount
Water Projects - EFC	2009	1.25%	02/01/13	\$ 3,472,086
Water Projects	2009	1.25%	02/01/13	2,940,000
Various Projects	2009	1.25%	02/01/13	4,591,274
Water Projects	2010	1.25%	02/01/13	2,475,000
Various Projects	2010	1.25%	02/01/13	4,574,852
Water Projects	2011	1.25%	02/01/13	1,750,000
Various Projects	2011	1.25%	02/01/13	3,024,135
Various Projects	2012	1.25%	02/01/13	3,200,000
Wastewater Treatment	2012	0.75%	02/01/13	6,834,185
Various Projects	2012	1.25%	02/01/13	1,674,596
City Hall improvements	2012	0.75%	02/01/13	<u>1,368,900</u>
Total				<u>\$ 35,905,028</u>

Interest on short-term debt for the year ended December 31, 2012 was as follows:

Interest paid	\$ 706,403
Less: Interest accrued in the prior year	(462,303)
Plus: Interest accrued in the current year	<u>293,733</u>
Total Expense	<u>\$ 537,833</u>

3. Long-term Debt

At December 31, 2012, the total outstanding indebtedness of the City aggregated \$128,568,758. 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, 2012

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 Position. 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 Position recorded under capital leases is \$2,834,271, which is recorded under buildings. The associated accumulated amortization of these assets is \$1,657,446.

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, 2012:

<u>Description</u>	<u>Balance</u> <u>12/31/11</u>	<u>New Issues/</u> <u>Additions</u>	<u>Maturities/</u> <u>Payments</u>	<u>Balance</u> <u>12/31/12</u>	<u>Due Within</u> <u>One Year</u>
General obligation debt	\$ 80,655,000	\$ 25,000,060	\$ 18,360,000	\$ 87,295,060	\$ 5,705,060
Regency Hotel	3,307,000		360,000	2,947,000	1,442,000
	83,962,000	25,000,060	18,720,000	90,242,060	7,147,060
Bond Anticipation Notes	34,328,143	17,959,619	16,382,734	35,905,028	35,905,028
Lease obligations payable	965,016	1,984,804	192,150	2,757,670	552,424
Liability for other postemployment benefits	24,604,123	3,873,317		28,477,440	-0-
Compensated absences	3,863,378	2,933		3,866,311	386,605
<b>Total</b>	<b>\$ 147,722,660</b>	<b>\$ 48,820,733</b>	<b>\$ 35,294,884</b>	<b>\$ 161,248,509</b>	<b>\$43,991,117</b>

Additions and deletions to the liability for other postemployment benefits and 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, 2012

On June 7, 2012, \$11,905,000 in general obligation bonds, with variable interest rates ranging from 3% to 5%, were issued to refund \$12,230,000 of outstanding bonds with interest rates ranging from 3.5% to 4.5%. The proceeds of \$11,905,000 were used to purchase U.S. government securities and pay bond issue costs. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the \$12,230,000 in bonds is considered defeased and the liability for those bonds has been removed from the financial statements. The outstanding principal of the defeased bonds was \$12,230,000 at December 31, 2012.

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	1999	5.13%	2017	\$ 831,255
Various Projects	1999	5.13%	2017	4,648,745
Wastewater Project	2000	3.80%	2019	1,370,000
Water Projects	2000	4.60%	2022	7,385,000
Combined Sewer Overflow	2003	4.54%	2031	4,105,000
Water Projects	2004	2.50%	2014	349,411
Various Projects	2004	2.50%	2014	1,465,589
Various Projects	2004	4.00%	2014	265,000
Various Projects	2005	3.50%	2025	1,045,000
Wastewater Projects	2005	3.00%	2034	15,670,000
Water Projects	2007	4.25%	2029	2,193,415
Various Projects	2007	4.25%	2029	18,181,585
Wastewater Projects	2010	4.11%	2039	4,785,000
Refunding Bonds - 2004 & 2005	2012	3.00%	2026	11,905,000
Various Projects	2012	2.00%	2029	9,597,306
Various Projects	2012	2.00%	2029	3,497,754
Total				<u>\$ 87,295,060</u>

The following table summarizes the City's future debt service requirements as of December 31, 2012:

Year Ending December 31,	Bonds		Installment Purchase	
	Principal	Interest	Principal	Interest
2013	\$ 5,705,060	\$ 4,015,102	\$ 552,424	\$ 66,743
2014	6,105,000	3,433,919	562,586	56,583
2015	5,330,000	2,932,978	577,914	41,254
2016	5,510,000	2,746,265	593,773	25,394
2017	5,685,000	2,539,567	470,973	8,984
2018-2022	23,840,000	9,813,488		
2023-2027	21,000,000	5,178,805		
2028-2032	11,035,000	1,597,963		
2033-2037	2,640,000	319,594		
2038-2039	445,000	30,840		
Total	<u>\$ 87,295,060</u>	<u>\$ 32,608,521</u>	<u>\$ 2,757,670</u>	<u>\$ 198,958</u>

CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

Interest on long-term debt for the year ended December 31, 2012 (including installment purchase agreements) is as follows:

Interest paid	\$	3,231,393
Less: Interest accrued in the prior year		(1,037,890)
Plus: Interest accrued in the current year		<u>1,321,990</u>
 Total Expense	 \$	 <u>3,515,493</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, 2012, 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, 2012		 <u>24,604,123</u>
 Net OPEB Obligation - December 31, 2012	 \$	 <u>28,477,440</u>

CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012, 2011 and 2010 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>
12/31/2012	\$ <u>7,910,864</u>	51.0%	\$ <u>28,477,440</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>

Funded Status and Funding Progress - As of December 31, 2012, 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 \$29,549,822 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 279.03%.

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, 2012

Interfund receivables and payables at December 31, 2012 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expense
General Fund	\$ 1,948,562	\$ 585,030	\$	\$ 204,478
Special Grant Fund		140,814		
Sewer Fund	1,225			205,000
Capital Projects Fund	525,164		811,978	
Non-Major Funds	3,700	444,848		402,500
Total Governmental Funds	2,478,651	1,170,692	811,978	811,978
Internal Service Fund		1,472,489		
Enterprise Fund	1,457,289			
Agency Fund		1,292,759		
Total	\$ 3,935,940	\$ 3,935,940	\$ 811,978	\$ 811,978

D. Fund Equity

1. Restricted Fund Balance

Restricted fund balance includes the following:

<u>Purpose</u>	<u>Balance December 31, 2012</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	\$ 2,012,879
Sewer Fund - Restricted:	
Debt	\$ 2,286
Non-major Funds - Restricted:	
Housing Activities	\$ 216,827

CITY OF BINGHAMTON, NEW YORK  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

2. Assigned Fund Balance

Assigned fund balance includes the following:

<u>Purpose</u>	<u>Balance</u> <u>December 31,</u> <u>2012</u>
General Fund – Appropriated for 2014 budget	\$ 500,000
Encumbrances	547,574
Total General Fund	<u>1,047,574</u>
Water Fund – Appropriated for 2014 budget	\$ 344,680
Remaining fund balance	24,460
Total Water Fund	<u>369,140</u>

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.

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:

	<u>Year Ending</u> <u>12/31/12</u>
Total Assets	\$ 18,604,686
Total Liabilities	2,684,709
Joint Venture Equity	15,919,977
Total Revenues	20,023,167
Total Expenses	23,020,360

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.

CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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.

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, 2012 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.

CITY OF BINGHAMTON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2012

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 has been granted an extension from HUD to complete repayment of the loan to August 1, 2019.

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 2012, final payment of \$50,000 was made.

Note 7 - Subsequent Events

On January 31, 2013, the City issued \$35,125,051 of various purposed Bond Anticipation Notes; a portion was issued with an interest rate of 0.59% and the remainder was issued with an interest rate of 1.25%, and all BANs mature on January 31, 2014. The proceeds of these BANs refund previous BANs.

Note 8 - Restatements of Net Position/Fund Balances

At December 31, 2011, the City had recorded an estimate of its liability to the Binghamton-Johnson City Joint Sewer Treatment Plant (JSTP) for the final 2011 bill. The estimate recorded was \$3,500,000. In October 2013, the City received the final bill for 2011, with a total obligation of \$1,841,960. The City adjusted beginning fund balance in the Sewer Fund for the adjustment of the estimate.

Sewer Fund Balance at December 31, 2011 has been adjusted as follows:

As originally reported	\$ (1,381,628)
Correction of 2011 Final Bill from JSTP	<u>1,658,040</u>
As reported in the accompanying financial statements	<u>\$ 276,412</u>

The City's Net Position at December 31, 2011 has been adjusted as follows:

As originally reported	\$ 207,850,690
Correction of 2011 Final Bill from JSTP	<u>1,658,040</u>
As reported in the accompanying financial statements	<u>\$ 209,508,730</u>

During 2012, the City's Golf Fund was eliminated. The remaining deficit fund balance was transferred to the General Fund at closure. The closure of the Golf Fund was reported as an adjustment to beginning fund balance of the Golf Fund, and the General Fund.

General Fund and Golf Fund Balances at December 31, 2011 have been adjusted as follows:

	<u>General Fund</u>	<u>Golf Fund</u>
As originally reported	\$ 9,589,008	\$ (472,971)
Transfer of remaining fund balance	<u>(472,971)</u>	<u>472,971</u>
As reported in the accompanying financial statements	<u>\$ 9,116,037</u>	<u>-0-</u>

CITY OF ITHACA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND - NON-GAAP BUDGET BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav./Unfav.)
<b><u>REVENUES</u></b>					
Real property taxes	\$ 34,922,478	\$ 34,922,478	\$ 33,180,363	\$	\$ (1,742,115)
Real property tax items	424,419	424,419	235,086		(189,333)
Nonproperty tax items	10,471,000	10,471,000	10,596,550		125,550
Departmental income	1,305,000	1,305,000	1,345,857		40,857
Intergovernmental charges	274,211	274,211	313,894		39,683
Use of money and property	195,250	195,250	128,154		(67,096)
Licenses and permits	200,350	200,350	197,252		(3,098)
Fines and forfeitures	716,500	716,500	510,551		(205,949)
Sale of property and compensation for loss	82,500	86,624	198,422		111,798
Miscellaneous local sources	184,500	186,035	413,177		227,142
Interfund revenues	866,470	928,476	942,772		14,296
State sources	9,649,611	9,653,445	9,661,128		7,683
Federal sources	3,500	82,002	27,173		(54,829)
Total Revenues	59,295,789	59,445,790	57,750,379	-0-	(1,695,411)
<b><u>EXPENDITURES</u></b>					
Current:					
General governmental support	5,780,191	6,283,681	5,831,240		452,441
Public safety	19,617,819	20,375,802	20,012,461		363,341
Public health	31,583	34,871	31,465		3,406
Transportation	2,457,431	2,573,650	2,493,723		79,927
Economic assistance and opportunity	19,999	20,174	13,485		6,689
Culture and recreation	2,636,082	2,635,950	2,494,190		141,760
Home and community services	2,002,112	2,030,833	1,946,318		84,515
Employee benefits	20,412,239	19,799,245	18,184,299		1,614,946
Debt Service:					
Principal and Interest	6,133,855	6,113,257	6,430,646		(317,389)
Total Expenditures	59,091,311	59,867,463	57,437,827	-0-	2,429,636
Excess of Revenues (Expenditures)	204,478	(421,673)	312,552	-0-	734,225
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Interfund transfers in					-0-
Interfund transfers (out)	(204,478)	(204,478)	(204,478)		-0-
Total Other Financing Sources	(204,478)	(204,478)	(204,478)	-0-	-0-
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	-0-	(626,151)	108,074	\$ -0-	\$ 734,225
Appropriated Fund Balances		626,151			
Net Change in Fund Balance	\$ -0-	\$ -0-	108,074		
Fund Balance, Beginning			9,116,037		
Fund Balance, Ending			\$ 9,224,111		

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

CITY OF ITHACA  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGETED MAJOR SPECIAL REVENUE FUNDS - NON-GAAP BUDGET BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Sewer Fund				
	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav./Unfav.)
<b><u>REVENUES</u></b>					
Departmental income	\$ 8,868,668	\$ 8,868,668	\$ 6,498,622	\$	\$ (2,370,046)
Intergovernmental charges					
Use of money and property	528,190	528,190	473,648		(54,542)
Sale of property and compensation for loss					
Miscellaneous local sources			16,006		16,006
State sources					
Federal sources					
Total Revenues	<u>9,396,858</u>	<u>9,396,858</u>	<u>6,988,276</u>	<u>-0-</u>	<u>(2,408,582)</u>
<b><u>EXPENDITURES</u></b>					
Current:					
General governmental support	81,996	86,507	120,294		(33,787)
Home and community services	5,223,934	5,294,188	5,114,159		180,029
Employee benefits	694,526	678,346	518,470		159,876
Debt Service:					
Principal and interest	3,191,402	3,191,402	3,041,187		150,215
Total Expenditures	<u>9,191,858</u>	<u>9,250,443</u>	<u>8,794,110</u>	<u>-0-</u>	<u>456,333</u>
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	<u>205,000</u>	<u>146,415</u>	<u>(1,805,834)</u>	<u>-0-</u>	<u>(1,952,249)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Interfund transfers in					-0-
Interfund transfers (out)	(205,000)	(205,000)	(205,000)		-0-
Total Other Financing (Uses)	<u>(205,000)</u>	<u>(205,000)</u>	<u>(205,000)</u>	<u>-0-</u>	<u>-0-</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>-0-</u>	<u>(58,585)</u>	<u>(2,010,834)</u>	<u>\$ -0-</u>	<u>\$ (1,952,249)</u>
Appropriated Fund Balances		<u>58,585</u>			
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(2,010,834)</u>		
Fund Balance, Beginning			<u>276,412</u>		
Fund Balance (Deficit), Ending			<u>\$ (1,734,422)</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, 2012

Year Ended	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio
<u>POLICE FUND</u>				
12/31/2012	\$ <u>29,758</u>	\$ <u>94,095</u>	\$ <u>64,337</u>	46.25%
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>				
12/31/2012	\$ <u>(17,344)</u>	\$ <u>(22,822)</u>	\$ <u>(5,478)</u>	(316.61)%
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, 2012

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2012	1/1/2010	\$ <u>-0-</u>	\$ <u>82,452,268</u>	\$ <u>82,452,268</u>	0.0%	\$ <u>29,549,822</u>	279.03%
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, 2012

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. Projects within the Special Grant Fund also cover 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, 2012.

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 2012. Overexpended areas were as follows:

<u>Fund/Function</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund - Debt Service	\$ 6,113,257	\$ 6,430,646	\$ 317,389

The debt service function was overexpended because the budget was prepared by the prior Comptroller without providing for debt service for all debt, based on the City's fiscal advisors.

CITY OF BINGHAMTON  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	Special Revenue Funds				
	Section Eight Housing Assistance Fund	Parking Ramps Fund	Water Fund	Refuse and Garbage Fund	Total Non-Major Governmental Funds
<b><u>ASSETS</u></b>					
Assets:					
Cash and cash equivalents - Unrestricted	\$ 43,580	\$ (72)	\$ 1,441	\$ (1,185)	\$ 43,764
Due from other funds	<u>          </u>	<u>250</u>	<u>3,450</u>	<u>          </u>	<u>3,700</u>
Other receivables, net	<u>          </u>	<u>35,744</u>	<u>1,701,972</u>	<u>251,173</u>	<u>1,988,889</u>
Total Assets	<u>\$ 43,580</u>	<u>\$ 35,922</u>	<u>\$ 1,706,863</u>	<u>\$ 249,988</u>	<u>\$ 2,036,353</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts payable	\$ <u>          </u>	\$ 105,894	\$ 116,239	\$ 84,584	\$ 306,717
Due to other funds	<u>11,188</u>	<u>168,225</u>	<u>46,662</u>	<u>218,773</u>	<u>444,848</u>
Due to other governments	<u>(184,435)</u>	<u>          </u>	<u>          </u>	<u>100</u>	<u>(184,335)</u>
Compensated absences	<u>          </u>	<u>          </u>	<u>19,874</u>	<u>1,500</u>	<u>21,374</u>
Other liabilities	<u>          </u>	<u>          </u>	<u>4,837</u>	<u>106,243</u>	<u>111,080</u>
Deferred revenues	<u>          </u>	<u>          </u>	<u>1,150,111</u>	<u>9,084</u>	<u>1,159,195</u>
Total Liabilities	<u>(173,247)</u>	<u>274,119</u>	<u>1,337,723</u>	<u>420,284</u>	<u>1,858,879</u>
Fund Balances:					
Restricted	<u>216,827</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>216,827</u>
Assigned	<u>          </u>	<u>          </u>	<u>369,140</u>	<u>          </u>	<u>369,140</u>
Unassigned	<u>          </u>	<u>(238,197)</u>	<u>          </u>	<u>(170,296)</u>	<u>(408,493)</u>
Total Fund Balances (Deficit)	<u>216,827</u>	<u>(238,197)</u>	<u>369,140</u>	<u>(170,296)</u>	<u>177,474</u>
Total Liabilities and Fund Balances	<u>\$ 43,580</u>	<u>\$ 35,922</u>	<u>\$ 1,706,863</u>	<u>\$ 249,988</u>	<u>\$ 2,036,353</u>

See Independent Auditor's Report

CITY OF BINGHAMTON  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Funds				Total Non-Major Governmental Funds
	Section Eight Housing Assistance Fund	Parking Ramps Fund	Water Fund	Refuse and Garbage Fund	
<b>REVENUES</b>					
Departmental income	\$	\$ 916,340	\$ 6,302,642	\$ 1,094,247	\$ 8,313,229
Intergovernmental charges				37,750	37,750
Use of money and property	84		130,274		130,358
Miscellaneous local sources	22,900		12,039		34,939
Interfund revenues			139,905		139,905
Total Revenues	<u>22,984</u>	<u>916,340</u>	<u>6,584,860</u>	<u>1,131,997</u>	<u>8,656,181</u>
<b>EXPENDITURES</b>					
Current:					
General governmental support			81,996	2,153	84,149
Transportation		583,244			583,244
Home and community services			3,129,894	1,164,514	4,294,408
Employee benefits			919,036	71,870	990,906
Debt Service:					
Principal		181,989	1,583,376		1,765,365
Interest		144,884	682,600		827,484
Total Expenditures	-0-	910,117	6,396,902	1,238,537	8,545,556
Excess of Revenues (Expenditures)	22,984	6,223	187,958	(106,540)	110,625
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers (out)		(10,000)	(392,500)		(402,500)
Total Other Financing Sources	-0-	(10,000)	(392,500)	-0-	(402,500)
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	<u>22,984</u>	<u>(3,777)</u>	<u>(204,542)</u>	<u>(106,540)</u>	<u>(291,875)</u>
Fund Balances (Deficit), Beginning	<u>193,843</u>	<u>(234,420)</u>	<u>573,682</u>	<u>(63,756)</u>	<u>469,349</u>
Fund Balances (Deficit), Ending	<u>\$ 216,827</u>	<u>\$ (238,197)</u>	<u>\$ 369,140</u>	<u>\$ (170,296)</u>	<u>\$ 177,474</u>

See Independent Auditor's Report

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John H. Dietershagen, C.P.A.  
Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
Debbie Conley Jordan, C.P.A.  
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Frederick J. Ciaschi, C.P.A.

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

City Council  
City of Binghamton  
Binghamton, New York

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Binghamton as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Binghamton's basic financial statements, and have issued our report thereon dated January 30, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2011-03 and 2012-01 that we consider to be significant deficiencies.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Binghamton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-01.

### **The City of Binghamton's Response to Findings**

The City of Binghamton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Binghamton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Cianchi, D'Intino, Little, Middleman, & Company, LLP*

January 30, 2014  
Ithaca, New York

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Frederick J. Ciaschi, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

City Council  
City of Binghamton  
Binghamton, New York

**Report on Compliance for Each Major Program**

We have audited the City of Binghamton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Binghamton's major federal programs for the year ended December 31, 2012. The City of Binghamton's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Binghamton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Binghamton'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Binghamton's compliance.

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### **Opinion on Each Major Federal Program**

In our opinion, the City of Binghamton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### **Report on Internal Control Over Compliance**

Management of the City of Binghamton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Binghamton's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Binghamton's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Cianchi, D'Andrea, Little, McDevlin, & Company, LLP*

January 30, 2014  
Ithaca, New York

CITY OF BINGHAMTON, NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant:			
Entitlement Grant	14.218	N/A	\$ 1,974,398
Entitlement Grant - Section 108 Loan	14.218	N/A	136,800
Entitlement Grant - ARRA	14.253	N/A	48,473
Total Community Development Block Grant			<u>2,159,671</u>
Emergency Shelter Grants Program	14.231	N/A	120,330
Homelessness Prevention and Rapid Re-Housing Programs - ARRA	14.257	N/A	202,935
Home Investment Partnerships Program	14.239	N/A	<u>584,630</u>
Total U.S. Department of Housing and Urban Development			<u>3,067,566</u>
<u>U.S. Department of Transportation</u>			
Passed Through NYS Department of Transportation:			
Highway Planning and Construction	20.205	(1)	<u>1,866,837</u>
Total U.S. Department of Transportation			<u>1,866,837</u>
<u>U.S. Department of Justice</u>			
Public Safety Partnership and Community Policing Grants - ARRA	16.710	N/A	<u>232,771</u>
Total U.S. Department of Justice			<u>232,771</u>
<u>U.S. Department of Homeland Security</u>			
Staffing for Adequate Fire and Emergency Response	97.083	N/A	618,222
Homeland Security Grant	97.067	N/A	288,954
Passed through New York State Emergency Management Office:			
FEMA Public Assistance Grants	97.036	(1)	<u>533,952</u>
Total U.S. Department of Homeland Security			1,441,128
<u>U.S. Department of Energy</u>			
Passed through New York State Energy Research and Development Authority:			
State Energy Program - ARRA	81.041	(1)	<u>176,120</u>
Total U.S. Department of Energy			<u>176,120</u>
Total Expenditures of Federal Awards			<u>\$ 6,784,422</u>

(1) Unable to obtain

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, 2012

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, 2012

Section I - **Summary of Auditor's Results:**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  no

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

Noncompliance material to financial statements noted? \_x\_ 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: Unmodified

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	<u>Community Development Block Grant</u>
14.253	<u>Community Development Block Grant - ARRA</u>
20.205	<u>Highway Planning and Construction</u>
97.083	<u>Staffing for Adequate Fire and Emergency Response</u>

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, 2012

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, 2011, and 2012.

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, and 2012.

Effect:

The above factors resulted in filing of the 2010, 2011, and 2012 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.

CITY OF BINGHAMTON, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2012

2011-03 Bank Reconciliations (2009-01)

Condition:

In 2011, several bank reconciliations were not completed on a timely basis. In 2012, we noted no incomplete bank reconciliations. However, several bank reconciliations did not match the City's general ledger balance. There were also several accounts with stale outstanding checks that should be voided or transferred to the New York State Comptroller Office of Unclaimed Funds.

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. Outstanding items not cleared on a timely basis can indicate possible incorrect transactions, and also can distort ending bank balances.

Cause:

Due to turnover in the Treasurer's position, the position remained vacant for several months. Adjustments to the general ledger balance should be recorded promptly in order to maintain the proper general ledger balance. Stale outstanding items should be removed on a timely basis as well, after investigation to ensure that the item is properly recorded.

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. The general ledger balances did not agree to the bank reconciliations for several bank accounts, which caused further adjustments to be needed.

Recommendation:

We recommend bank reconciliations be performed monthly in a timely manner, and adjustments to the general ledger balance be recorded promptly. We also recommend stale outstanding items be investigated and, if appropriate, reissued or transferred to the NYSOSC Unclaimed Funds office.

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.

CITY OF BINGHAMTON, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
DECEMBER 31, 2012

2012-01 Other Postemployment Benefits

Condition:

Generally accepted accounting standards for governments require that the City have an actuarial determination of its other postemployment benefit liabilities; standards require this determination be done biannually for plans of the City's size. The City had an actuarial determination performed for the years ended December 31, 2010 and 2011, and did not have this calculation performed for the year ended December 31, 2012. The accompanying financial statements include an additional liability based on the 2010 actuarial determination.

Criteria:

As noted above, the actuarial determination should be done biannually.

Cause:

The Comptroller was not aware of the biennial requirement for the actuarial determination.

Effect:

While we do not believe the difference is material, an updated actuarial determination would likely result in a different additional liability. An updated determination would also provide the City with more accurate information regarding its other postemployment benefit plans.

Recommendation:

We recommend the City have the actuarial determination performed for the year ended December 31, 2013, and on a biennial basis thereafter.

Views of Responsible Officials and Corrective Action Plan:

The City has contracted with an actuary to prepare the required reports for the 2013 year.

**Section III - Federal Award Findings and Questioned Costs:**

None