

*CITY OF COHOES, NEW YORK*  
*REGULATORY BASIS FINANCIAL STATEMENTS*  
*DECEMBER 31, 2013*

*CITY OF COHOES, NEW YORK*

*TABLE OF CONTENTS*

*DECEMBER 31, 2013*

---

	<u>Page</u>
Independent Auditor's Report	1-3
<b>Regulatory Basis Financial Statements</b>	
Regulatory Basis Balance Sheets - all fund types and account groups	4
Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types	5
Regulatory Basis Statement of Revenues, Expenditures and Encumbrances - Budget and Actual - General Fund	6
Regulatory Basis Statement of Revenues, Expenditures and Encumbrances - Budget and Actual - Water Fund	7
Regulatory Basis Statement of Revenues, Expenditures and Encumbrances - Budget and Actual - Sewer Fund	8
Regulatory Basis Statement of Revenues, Expenditures and Encumbrances Budget and Actual - Library Fund	9
Notes to Regulatory Basis Financial Statements	10-24
<b>Additional Reports Required by <i>Government Auditing Standards</i> and OMB Circular A-133</b>	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Regulatory Basis Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	29-30
Schedule of Findings and Questioned Costs	31

CUSACK & COMPANY  
Certified Public Accountants LLC  
7 AIRPORT PARK BOULEVARD  
LATHAM, NEW YORK 12110  
(518) 786-3550  
FAX (518) 786-1538  
E-MAIL ADDRESS: INFO@CUSACKCPA.COM  
WWW.CUSACKCPA.COM

MEMBERS OF:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:  
NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the Common  
Council of the City of Cohoes, New York

### Report on the Regulatory Basis Financial Statements

We have audited the accompanying regulatory basis financial statements of the City of Cohoes, New York (the "City") as of and for the year ended December 31, 2013, as listed in the table of contents, and the related notes to the financial statements.

### Management's Responsibility for the Regulatory Basis Financial Statements

Management is responsible for the preparation and fair presentation of these regulatory basis financial statements in accordance with accounting principles prescribed by the New York State Office of the State Comptroller. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of regulatory financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these regulatory basis 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 regulatory basis financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the regulatory basis 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 regulatory basis 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 regulatory basis financial statements.

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

## **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the City prepared these financial statements using accounting principles prescribed by the New York State Office of the State Comptroller to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are described in Note 1 to the financial statements. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

## **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Cohoes, New York, as of December 31, 2013, and the changes in its financial position for the year then ended.

## **Basis for Qualified Opinion**

As discussed in Note 1, the regulatory basis financial statements referred to above do not include in the balance sheet a general fixed assets account group, which should be included to conform with accounting principles prescribed by the New York Office of the State Comptroller. In addition, as explained in Note 8, the City has not recognized the actuarial value of the unpaid claims liability that exists for its self-insured worker compensation plan. In our opinion, the recording of that liability is required to conform with accounting principles prescribed by the New York State Office of the State Comptroller. The additional amounts, if any, that should be recorded in the general fixed assets and long-term debt account groups are not known.

## **Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to audit the items mentioned above, the regulatory basis financial statements referred to above present fairly, in all material respects, the financial position of the City of Cohoes, New York as of December 31, 2013, and the results of its operations for the year then ended in accordance with accounting principles prescribed by the New York State Office of State Comptroller.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements. The *schedule of expenditures of federal awards*, as required by the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the regulatory basis financial statements. The *schedule of expenditures of federal awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of expenditures of federal awards* is fairly stated, in all material respects, in relation to the regulatory basis 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 April 7, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York  
April 7, 2014

**CITY OF COHOES, NEW YORK**  
**REGULATORY BASIS BALANCE SHEETS**  
**DECEMBER 31, 2013**

Assets	Governmental Fund Types						Fiduciary Fund Type Agency	Account Group		Memorandum Only	
	General	Water	Sewer	Library	Capital Projects	Trust and		Long Term	Debt	Total	
										Primary	Government
Cash	\$ 2,271,257	\$ 56,121	\$ -	\$ 45,572	\$ -	\$ 46,510	\$ -	\$ 2,419,460	\$ 2,178,530	\$ 2,178,530	
Taxes receivable	-	-	-	-	-	-	-	-	136,296	136,296	
Due from other governments	1,550,096	-	-	-	382,516	-	-	1,932,612	2,256,326	2,256,326	
Due from other funds	140,140	-	-	-	-	-	-	140,140	489,237	489,237	
Prepaid expenditures	491,973	6,733	2,299	1,780	-	-	-	502,785	442,921	442,921	
Restricted assets	1,758	-	-	-	472,967	-	-	474,725	346,258	346,258	
Other receivables	50,530	566,728	559,211	-	-	-	-	1,176,469	1,421,199	1,421,199	
Provisions to be made in future budgets	-	-	-	-	-	-	-	27,891,779	27,096,371	27,096,371	
<b>Total assets</b>	<b>\$ 4,505,754</b>	<b>\$ 629,582</b>	<b>\$ 561,510</b>	<b>\$ 47,352</b>	<b>\$ 855,483</b>	<b>\$ 46,510</b>	<b>\$ 27,891,779</b>	<b>\$ 34,537,970</b>	<b>\$ 34,367,144</b>	<b>\$ 34,367,144</b>	
<b>Liabilities and Fund Equity</b>											
<b>Liabilities:</b>											
Accounts payable	\$ 143,135	\$ 20,591	\$ 3,200	\$ 645	\$ 242,002	\$ -	\$ -	\$ 409,573	\$ 965,408	\$ 965,408	
Accrued liabilities	458,737	11,327	4,687	3,630	-	46,510	-	524,891	539,087	539,087	
Due to other governments	30,000	-	312,618	-	-	-	282,405	625,023	627,909	627,909	
Due to retirement system	-	-	-	-	-	-	114,260	114,260	197,927	197,927	
Due to other funds	-	-	140,140	-	-	-	-	140,140	489,237	489,237	
Compensated absences	73,651	-	-	1,937	-	-	1,925,097	2,000,685	2,048,251	2,048,251	
Disability payable	-	-	-	-	-	-	956,856	956,856	357,617	357,617	
Deferred revenues	126,480	-	-	-	-	-	-	126,480	103,170	103,170	
Workers compensation claims	-	-	-	-	-	-	1,408,170	1,408,170	1,266,218	1,266,218	
Post employment benefits	-	-	-	-	-	-	12,415,102	12,415,102	10,944,983	10,944,983	
Capital leases	-	-	-	-	-	-	11,470	11,470	62,060	62,060	
Bonds payable	-	-	-	-	-	-	10,778,419	10,778,419	11,973,345	11,973,345	
<b>Total liabilities</b>	<b>832,003</b>	<b>31,918</b>	<b>460,645</b>	<b>6,212</b>	<b>242,002</b>	<b>46,510</b>	<b>27,891,779</b>	<b>29,511,069</b>	<b>29,575,212</b>	<b>29,575,212</b>	
<b>Fund Equity:</b>											
<b>Fund balances:</b>											
Nonspendable	491,973	6,733	2,299	1,780	-	-	-	502,785	442,921	442,921	
Restricted	1,758	-	-	-	-	-	-	1,758	2,134	2,134	
Assigned	949,645	590,931	98,566	39,360	613,481	-	-	2,291,983	2,153,684	2,153,684	
Unassigned	2,230,375	-	-	-	-	-	-	2,230,375	2,193,193	2,193,193	
<b>Total fund equity</b>	<b>3,673,751</b>	<b>597,664</b>	<b>100,865</b>	<b>41,140</b>	<b>613,481</b>	<b>-</b>	<b>-</b>	<b>5,026,901</b>	<b>4,791,932</b>	<b>4,791,932</b>	
<b>Total liabilities and fund equity</b>	<b>\$ 4,505,754</b>	<b>\$ 629,582</b>	<b>\$ 561,510</b>	<b>\$ 47,352</b>	<b>\$ 855,483</b>	<b>\$ 46,510</b>	<b>\$ 27,891,779</b>	<b>\$ 34,537,970</b>	<b>\$ 34,367,144</b>	<b>\$ 34,367,144</b>	

**CITY OF COHOES, NEW YORK**  
**REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types					Memorandum Only	
	General	Water	Sewer	Library	Capital Projects	Total Primary Government December 31, 2013	Total Primary Government December 31, 2012
<b>Revenue</b>							
Real property taxes	\$ 6,784,366	\$ -	\$ -	\$ -	\$ -	\$ 6,784,366	\$ 6,737,349
Real property tax items	650,154	-	-	-	-	650,154	645,277
Non property tax items	5,624,857	-	-	-	-	5,624,857	5,569,179
Departmental income	387,615	1,708,758	1,908,556	5,097	-	4,010,026	4,031,503
Intergovernmental charges	-	64,022	-	-	-	64,022	35,504
Use of money and property	13,107	-	-	4,136	235	17,478	23,544
Licenses and permits	142,065	-	-	-	-	142,065	287,903
Fines and forfeitures	173,835	-	-	-	-	173,835	200,412
Sale of property and compensation for loss	124,042	-	-	4,812	-	128,854	246,515
Miscellaneous local sources	282,003	-	-	81	135,000	417,084	308,740
State aid	3,339,821	-	-	4,903	140,650	3,485,374	3,600,357
Federal aid	385,443	-	-	-	1,203,576	1,589,019	481,941
<b>Total revenue</b>	<u>17,907,308</u>	<u>1,772,780</u>	<u>1,908,556</u>	<u>19,029</u>	<u>1,479,461</u>	<u>23,087,134</u>	<u>22,168,224</u>
<b>Expenditures</b>							
General governmental support	2,620,003	20,137	20,108	-	19,265	2,679,513	2,580,126
Public safety and health	6,748,082	-	-	-	-	6,748,082	7,442,806
Transportation	1,191,206	-	-	-	-	1,191,206	2,027,252
Culture and recreation	203,509	-	-	178,015	1,455,113	1,836,637	725,719
Home and community services	1,350,572	814,235	1,406,910	-	358,056	3,929,773	5,261,148
Employee benefits	4,940,561	244,626	132,580	44,191	-	5,361,958	5,094,897
Debt service (principal and interest)	887,485	569,795	305,656	-	-	1,762,936	1,903,940
<b>Total expenditures</b>	<u>17,941,418</u>	<u>1,648,793</u>	<u>1,865,254</u>	<u>222,206</u>	<u>1,832,434</u>	<u>23,510,105</u>	<u>25,035,888</u>
Excess (deficiency) of revenue over expenditures	<u>(34,110)</u>	<u>123,987</u>	<u>43,302</u>	<u>(203,177)</u>	<u>(352,973)</u>	<u>(422,971)</u>	<u>(2,867,664)</u>
<b>Other financing sources (uses)</b>							
Proceeds from serial bonds	-	-	-	-	657,940	657,940	-
Operating transfers in	171,911	35,551	18,038	173,989	-	399,489	347,878
Operating transfers out	(173,989)	(85,955)	(85,955)	-	(53,590)	(399,489)	(347,878)
<b>Total other financing sources (uses)</b>	<u>(2,078)</u>	<u>(50,404)</u>	<u>(67,917)</u>	<u>173,989</u>	<u>604,350</u>	<u>657,940</u>	<u>-</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>(36,188)</u>	<u>73,583</u>	<u>(24,615)</u>	<u>(29,188)</u>	<u>251,377</u>	<u>234,969</u>	<u>(2,867,664)</u>
<b>Fund balance at beginning of year</b>	<u>3,709,939</u>	<u>524,081</u>	<u>125,480</u>	<u>70,328</u>	<u>362,104</u>	<u>4,791,932</u>	<u>7,659,596</u>
<b>Fund balance at end of year</b>	<u>\$ 3,673,751</u>	<u>\$ 597,664</u>	<u>\$ 100,865</u>	<u>\$ 41,140</u>	<u>\$ 613,481</u>	<u>\$ 5,026,901</u>	<u>\$ 4,791,932</u>

**CITY OF COHOES, NEW YORK**

**REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES - BUDGET AND ACTUAL**

**GENERAL FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Modified Budget	Actual and Encumbrances	Variance Favorable (Unfavorable)
Revenue				
Real property taxes	\$ 6,800,559	\$ 6,800,559	\$ 6,784,366	\$ (16,193)
Real property tax items	630,038	630,038	650,154	20,116
Non-property tax items	5,310,000	5,454,500	5,624,857	170,357
Departmental income	491,464	540,564	387,615	(152,949)
Use of money and property	22,000	22,000	13,107	(8,893)
Licenses and permits	203,000	203,000	142,065	(60,935)
Fines and forfeitures	180,000	180,000	173,835	(6,165)
Sale of property and compensation for loss	177,500	202,685	124,042	(78,643)
Miscellaneous local sources	82,500	82,500	282,003	199,503
State aid	3,290,586	3,387,286	3,339,821	(47,465)
Federal aid	-	286,458	385,443	98,985
Total revenue	<u>17,187,647</u>	<u>17,789,590</u>	<u>17,907,308</u>	<u>117,718</u>
Expenditures				
General government support	2,474,665	2,697,791	2,621,602	76,189
Public safety and health	6,259,388	6,811,566	6,748,340	63,226
Transportation	1,148,270	1,254,703	1,191,206	63,497
Culture and recreation	212,590	210,538	204,053	6,485
Home and community services	991,745	1,312,195	1,351,204	(39,009)
Employee benefits	5,327,400	5,022,758	4,942,008	80,750
Debt services (principal and interest)	1,069,510	890,685	887,485	3,200
Total expenditures	<u>17,483,568</u>	<u>18,200,236</u>	<u>17,945,898</u>	<u>254,338</u>
Excess (deficiency) of revenue over expenditures	<u>(295,921)</u>	<u>(410,646)</u>	<u>(38,590)</u>	<u>372,056</u>
Other financing sources (uses)				
Operating transfers in	171,910	171,910	171,911	1
Operating transfers out	(225,989)	(173,989)	(173,989)	-
Total other financing uses	<u>(54,079)</u>	<u>(2,079)</u>	<u>(2,078)</u>	<u>1</u>
Excess of revenue and other sources over expenditures and other uses	<u>\$ (350,000)</u>	<u>\$ (412,725)</u>	<u>\$ (40,668)</u>	<u>\$ 372,057</u>



**CITY OF COHOES, NEW YORK**

**REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES - BUDGET AND ACTUAL**  
**WATER FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Modified Budget	Actual and Encumbrances	Variance Favorable (Unfavorable)
Revenue				
Departmental income	\$ 1,814,655	\$ 1,814,655	\$ 1,772,780	\$ (41,875)
Use of money and property	35,000	35,000	-	(35,000)
Sale of property and compensation for loss	2,500	2,500	-	(2,500)
Total revenue	<u>1,852,155</u>	<u>1,852,155</u>	<u>1,772,780</u>	<u>(79,375)</u>
Expenditures				
General governmental support	25,000	21,405	20,137	1,268
Home and community services	803,265	886,445	833,528	52,917
Employee benefits	291,000	262,000	244,626	17,374
Debt service (principal and interest)	646,935	603,435	569,795	33,640
Total expenditures	<u>1,766,200</u>	<u>1,773,285</u>	<u>1,668,086</u>	<u>105,199</u>
Excess of revenue over expenditures	85,955	78,870	104,694	25,824
Operating transfers in	-	-	35,551	35,551
Operating transfers out	(85,955)	(85,955)	(85,955)	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (7,085)</u>	<u>\$ 54,290</u>	<u>\$ 61,375</u>

**CITY OF COHOES, NEW YORK**

**REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES - BUDGET AND ACTUAL**

**SEWER FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Departmental income	\$ 1,924,325	\$ 1,924,325	\$ 1,908,556	\$ (15,769)
Total revenue	<u>1,924,325</u>	<u>1,924,325</u>	<u>1,908,556</u>	<u>(15,769)</u>
Expenditures				
General governmental support	28,000	26,000	20,108	5,892
Home and community services	1,299,495	1,409,577	1,411,910	(2,333)
Employee benefits	152,500	136,513	132,580	3,933
Debt service (principal and interest)	358,375	334,775	305,656	29,119
Total expenditures	<u>1,838,370</u>	<u>1,906,865</u>	<u>1,870,254</u>	<u>36,611</u>
Excess of revenue over expenditures	85,955	17,460	38,302	20,842
Operating transfers in	-	-	18,038	18,038
Operating transfers out	(85,955)	(85,955)	(85,955)	-
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ (68,495)</u>	<u>\$ (29,615)</u>	<u>\$ 38,880</u>

**CITY OF COHOES, NEW YORK**  
**REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES - BUDGET AND ACTUAL**  
**LIBRARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue				
Departmental income	\$ 11,200	\$ 11,200	\$ 5,097	\$ (6,103)
Use of money and property	-	-	4,136	4,136
Sale of property and compensation for loss	-	-	4,812	4,812
Miscellaneous local sources	-	-	81	81
State aid	<u>4,171</u>	<u>4,171</u>	<u>4,903</u>	<u>732</u>
Total revenue	<u>15,371</u>	<u>15,371</u>	<u>19,029</u>	<u>3,658</u>
Expenditures				
Culture and recreation	193,110	193,531	178,015	15,516
Employee benefits	<u>48,250</u>	<u>48,250</u>	<u>44,191</u>	<u>4,059</u>
Total expenditures	<u>241,360</u>	<u>241,781</u>	<u>222,206</u>	<u>19,575</u>
Excess (deficiency) of revenue over expenditures	(225,989)	(226,410)	(203,177)	23,233
Operating transfers in	<u>225,989</u>	<u>225,989</u>	<u>173,989</u>	<u>(52,000)</u>
Excess (deficiency) of revenue and other sources over expenditures	<u>\$ -</u>	<u>\$ (421)</u>	<u>\$ (29,188)</u>	<u>\$ (28,767)</u>

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cohoes, New York (the “City”) have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller for complying with Article 3, Section 30 of General Municipal Law in which every municipal corporation is required to make an annual financial report. The most significant difference between this regulatory basis of accounting and generally accepted accounting principles (“GAAP”) is that Government Accounting Standards Board (“GASB”) Statement 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” need not be implemented to meet the requirements of General Municipal Law. GASB 34 requires significant changes including:

- Government-Wide Reporting
- Focus on Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management Discussion and Analysis
- Capitalization of Infrastructure Assets

Management has considered the costs and benefits of adopting GASB 34 and determined that reporting in financial statements utilizing another comprehensive basis of accounting as opposed to GAAP makes fiscal sense for the City.

### *A. Financial Reporting Entity*

The City was incorporated in 1869 and operates under an elected Common Council which includes the Mayor and six other persons, and provides service to approximately 16,000 residents in areas including general government services, public works, public safety and community enrichment programs.

GASB Statement No. 61 defines the financial reporting entity for the City to include all funds, account groups, agencies, boards, commissions, and authorities where the elected officials (the Mayor and/or the council, respectively) are financially accountable and for which a financial benefit or burden relationship exists. The following terms are used to describe the components of a reporting entity:

- Primary Government

A legally separate state, general purpose local or special purpose government with a separately elected governing body. It must be fiscally independent of other primary governments.

- Component Unit

A legally separate organization for which the elected officials are financially accountable. Also the primary government is able to impose its will on the component unit or there is a potential for the component unit to provide a financial benefit or incur a financial burden on the primary government.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*A. Financial Reporting Entity (Continued)*

In accordance with accounting principles prescribed by the New York State Office of the State Comptroller, only the primary government is presented in these financial statements.

*Excluded from the Financial Reporting Entity*

The Cohoes Industrial Development Agency was created for the purpose of encouraging economic growth in the City of Cohoes. The City appoints the agency's governing board. A separate audit report is available for the agency's December 31, 2013 financial statements which are accounted for under the accrual basis of accounting.

Cohoes Urban Renewal Agency was created to attract business to Cohoes by finding sections of land or putting parcels of land together for economic development. The City appoints the Director of Accounts for the management of the agency's transactions. Separate audited financial statements are not available as the agency has been inactive for several years.

The Cohoes Housing Authority was organized pursuant to the Housing Statutes of the State of New York and was created to provide low-income housing. The Governing Board of the Authority is appointed by the City. The City provides no subsidy to the Authority, nor is it responsible for the debt or operating deficits of the Authority. The Authority's debt is essentially supported by operating revenues of the Authority and is not guaranteed by the City. The City does not approve the Authority's budget, contracts or hiring of staff. The City has no oversight responsibility for the funds of the Authority.

The Cohoes Local Development Corporation ("LDC") was organized to coordinate and execute programs in the City of Cohoes to improve the quality of life of its residents by reducing unemployment, providing additional employment and bettering and maintaining job opportunities within the City. LDC is governed by an independently appointed board of directors. The City provides no subsidy to LDC but may contract for services with LDC. The City is not responsible for the debt or operating deficits of LDC and has no oversight responsibility for the funds of the LDC. A separate audit report is available for the LDC's December 31, 2013 financial statements which are accounted for under the accrual basis of accounting.

*B. Basis of Presentation - Fund Accounting*

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions and limitations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*B. Basis of Presentation - Fund Accounting (Continued)*

The various funds are grouped in the financial statements in the following fund types and account group:

*Governmental Fund Types*

Governmental funds are those in which most governmental functions of the City are reported. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through the governmental funds. The measurement focus is upon determination of financial position, rather than upon determination of net income. The following are the City's governmental fund types:

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

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue funds include the following:

- Water Fund - established by law to account for revenues and expenditures for the purpose of providing water to the City.
- Sewer Fund - established by law to account for revenues and expenditures for the purpose of providing sewage services to the City.
- Library Fund - used to account for the operation of the City's library.

**Capital Projects Fund** - The capital projects fund accounts for and reports financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

*Fiduciary Fund Types*

Fiduciary funds account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds.

*Account Groups*

Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations. The City does not report a general fixed assets account group. As the City has not recorded the general fixed assets account group, the financial statements, as presented, are not in accordance with accounting principles prescribed by the New York State Office of State Comptroller.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*B. Basis of Presentation - Fund Accounting (Continued)*

*Account Groups (Continued)*

**General Long-Term Debt Account Group** - This account group is used to record all long-term obligations of the City, such as bonds, compensated absences and other long-term debt.

*C. Basis of Accounting*

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when they are susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the liability is incurred, if measurable, except that:

- Interest on long-term debt is not recognized as an expenditure until paid.
- Sick leave, which vests or accumulates, is charged as an expenditure when paid.

In applying the susceptible-to-accrual concept to state and federal aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenues at the time of receipt.

The primary non-property tax item is sales tax which is recorded as revenue in the general fund when it is received by the State and available for distribution to the City. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

*D. Budgetary Data*

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. The City employs the following budgetary procedures:

- No later than October 1, the Board of Managers submit a tentative budget to the Common Council for the fiscal year commencing that January 1. The tentative budget includes proposed expenditures and the proposed means of financing all City General Fund and Special Revenue Fund operations.
- After public hearings are conducted to obtain taxpayer comments, the Common Council adopts the City Budget.
- All revisions that alter appropriations of any department by fund must be approved by the Board of Managers.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. Property Taxes*

City, County and School taxes are collected by the City until October 15, at which time all unpaid taxes are returned to the County, which is responsible for all uncollected taxes. The following calendar pertains to City real property taxes.

Valuation date	January 1
Taxable status date	March 1
Exemption filing deadline	March 1
Final roll filed	July 1
Date taxes due	March 1
Date penalty period begins	April 1

*F. Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Open encumbrances at year end are reported as reservations of fund balances since the commitments do not constitute expenditures nor liabilities.

*G. General Fixed Assets*

Acquisitions of equipment and capital facilities are appropriately recorded as expenditures in the various governmental funds of the City. These acquisitions should also be recorded in the balance sheet in a general fixed assets account group, as required by accounting principles prescribed by the New York State Office of the State Comptroller, to account for all land, buildings, improvements and equipment utilized by the City. The City does not maintain a general fixed assets account group and the amount that should be recorded in this account group is not known.

*H. Compensated Absences*

City employees are granted vacation and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limitations. The liability for accumulated vacation and related benefits has been recorded in the respective governmental fund type in accordance with GASB 16. Payment of accumulated sick leave and related benefits is reflected in the general long-term debt account group since it is anticipated that none of the liability will be liquidated with expendable financial resources. However, management believes that sufficient resources will be made available for payment of accumulated sick leave and related benefits when such payments become due.



**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*I. Post Employment Benefits*

In addition to the retirement benefits described in Note 13, the City provides post employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the City and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the City. The City recognized the cost of providing benefits for the year ended December 31, 2013 by recording its costs for the benefits for approximately 92 currently enrolled retirees and family members as an expenditure in 2013. The net amount of this expenditure totaled approximately \$561,000 for 2013.

*J. Expenditure Allocation*

The City allocates certain general governmental expenses directly to the water and sewer funds.

*K. Total Columns*

Total columns in the regulatory basis financial statements are captioned *Memorandum Only* to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles prescribed by the New York State Office of the State Comptroller, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

*L. Subsequent Events*

Management has evaluated subsequent events or transactions as to potential material impact on operations or financial position occurring through April 7, 2014, the date the financial statements were available to be issued. No such events or transactions were noted.

**2. CASH**

The City's investment policy was adopted by the Common Council and is governed by State statutes. The City's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The comptroller is authorized to use demand accounts, certificates of deposit, obligations of the United States of America, New York State and local municipalities and school districts, certificates of participation and repurchase agreements with certain restrictions.

Collateral is required for demand deposits and certificates of deposit at 100 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of any state and its municipalities and school districts.

During 2013, cash and investments were either insured by Federal Depository Insurance or collateralized by assets of the City's agent in the City's name.

**CITY OF COHOES, NEW YORK**  
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2013

**3. INTERFUND TRANSACTIONS**

During the course of operations, the City has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. As of December 31, 2013 interfund receivables and payables arising from these transactions were as follows:

	<u>Amount Receivable</u>	<u>Amount Payable</u>	<u>Interfund Revenue</u>	<u>Interfund Expense</u>
General Fund	\$ 140,140	\$ -	\$ 171,911	\$ 173,989
Water Fund	-	-	35,551	85,955
Sewer Fund	-	140,140	18,038	85,955
Library Fund	-	-	173,989	-
Capital Projects Fund	-	-	-	53,590
	<u>\$ 140,140</u>	<u>\$ 140,140</u>	<u>\$ 399,489</u>	<u>\$ 399,489</u>

**4. RESTRICTED CASH**

Restricted cash consists of the following:

General Fund:		
Restricted for Drug Investigations		<u>\$ 1,758</u>
Capital Projects:		
Cash Held by Fiscal Agent		\$ 31,750
Cash Restricted for Capital Projects		<u>441,217</u>
		<u>\$ 472,967</u>

**5. LONG-TERM INDEBTEDNESS**

The changes in the City's long-term indebtedness during the year are summarized as follows:

	<u>Balance January 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Other Changes</u>	<u>Balance December 31, 2013</u>
Serial Bonds	\$ 11,973,345	\$ 657,940	\$(1,250,986)	\$ (601,880)	\$ 10,778,419
Due to Albany County	315,666	-	(33,261)	-	282,405
Due to Retirement System	197,927	-	(83,667)	-	114,260
Compensated Absences	1,978,561	-	(53,464)	-	1,925,097
Disability Payable	357,617	599,239	-	-	956,856
Workers Compensation Claims	1,266,218	141,952	-	-	1,408,170
Capital Leases	62,060	-	(50,590)	-	11,470
Post Employment Benefits	<u>10,944,983</u>	<u>1,470,119</u>	<u>-</u>	<u>-</u>	<u>12,415,102</u>
	<u>\$ 27,096,377</u>	<u>\$ 2,869,250</u>	<u>\$(1,471,968)</u>	<u>\$ (601,880)</u>	<u>\$ 27,891,779</u>

**5. LONG-TERM INDEBTEDNESS (CONTINUED)**

The following is a summary and description of the serial bonds outstanding at December 31, 2013:

<u>Issue Date</u>	<u>Original Issue</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Outstanding at December 31, 2013</u>
12/01/91	\$ 3,140,408	06/01/16	6.5%	\$ 150,000
11/15/94	\$ 4,370,000	09/15/14	4.25%	275,000
03/09/00	\$ 1,392,501	12/15/20	5.31% to 5.73%	605,000
07/10/00	\$ 1,534,873	07/15/20	5.43% to 5.74%	625,000
07/26/01	\$ 928,654	11/15/21	4.70% to 5.15%	405,000
03/13/03	\$ 1,076,646	10/01/22	3.06% to 3.37%	575,000
06/19/08	\$ 1,150,000	10/01/28	4.27%	905,000
06/28/11	\$ 1,423,060	05/01/33	.26% to 4.61%	1,423,060
08/26/11	\$ 1,500,000	08/01/18	1.25% to 2.0%	1,090,000
07/01/11	\$ 850,000	06/21/21	.51%	635,359
11/07/13	\$ 325,000	03/15/15	5.1%	325,000
11/07/13	\$ 3,765,000	03/15/25	2.0% to 3.5%	<u>3,765,000</u>
				<u>\$ 10,778,419</u>

The following is a summary of maturity of debt service requirements for general obligation bonds and the Albany County Sewer District:

<u>Years</u>	<u>General Obligation Bonds</u>		<u>Albany County Sewer District</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,409,129	\$ 277,480	\$ 32,520	\$ 7,717
2015	1,152,619	248,694	20,400	5,772
2016	1,184,991	215,560	21,080	5,338
2017	1,085,425	185,418	21,420	4,872
2018	1,090,862	158,151	21,760	4,370
2019-2023	3,275,393	447,818	99,620	13,723
2024-2028	1,190,000	127,943	65,605	2,538
2029-2033	390,000	23,904	-	-
	<u>\$ 10,778,419</u>	<u>\$ 1,684,968</u>	<u>\$ 282,405</u>	<u>\$ 44,330</u>

**6. DUE TO OTHER GOVERNMENTS**

Due to other governments consists of the following:

**General Fund**

Due to Cohoes School District	<u>\$ 30,000</u>	PILOT Payments
-------------------------------	------------------	----------------

**Sewer Fund**

Due to Albany County Sewer District	<u>\$ 312,618</u>	Sewage Treatment Charges
-------------------------------------	-------------------	--------------------------

**Long-Term Debt Account Group**

Due to Albany County Sewer District	<u>\$ 282,405</u>	City's Proportionate Share of Long-Term Debt
-------------------------------------	-------------------	--

**7. CAPITAL LEASE PAYABLE**

Capital lease for acquisition of Public Works equipment and Fire Department vehicles of \$11,470.

**8. WORKER COMPENSATION CLAIMS PAYABLE**

The City of Cohoes incurs costs related to a self-funded workers compensation insurance plan. The third party administrator for the plan provides the City with a monthly report of claims paid as well as their estimate of loss reserves for open claims. The third party administrator does not provide an estimate of "incurred but not reported" claims. The City has recorded the estimated loss reserves as estimated by the third party administrator of \$1,408,170 in the long-term debt account group. As the City has not recorded the actuarial value of the future claims liability, including incurred but not reported claims, the financial statements, as presented, are not in accordance with accounting principles prescribed by the New York State Office of State Comptroller.

During the year ended December 31, 2013, the City incurred expenditures and payments of claims and claims adjustment expenses attributable to insured events paid by the Plan on behalf of the City totaling \$416,231.

**9. DISABILITY PAYABLE**

General Municipal Law, Section 207A provides for firemen to receive continued salary payments to age seventy in the event of disability. The payments are funded partially by the City and partially by the retirement system. As of December 31, 2013, the present value of the payments the City was obligated to make to three firemen totaled \$956,856 which has been reflected in the long-term debt account group. The related expense for the year ended December 31, 2013 approximated \$104,020.

**10. DUE TO RETIREMENT SYSTEM**

Due to retirement system consists of the amortization of a portion of the state fiscal year 2004-2005 and 2005-2006 retirement bill due in 6 equal annual installments of \$93,789 including interest at 5% through December, 2015. The following is a summary of the debt service requirement for due to retirement system:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 87,583	\$ 5,846
2015	<u>26,677</u>	<u>1,365</u>
	<u>\$ 114,260</u>	<u>\$ 7,211</u>

**11. POST-EMPLOYMENT BENEFITS PAYABLE**

As of December 31, 2013, the liability for post-employment benefits payable calculated in accordance with Government Accounting Standards Board No. 45 ("GASB 45") is \$27,558,926. The City has elected to amortize this liability over 30 years as permitted by GASB 45, therefore the liability appearing in the December 31, 2013 financial statements is \$12,415,102.

City of Cohoes' annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2009	\$ 2,944,822	15.8%	\$ 4,636,881
December 31, 2010	\$ 3,108,799	17.0%	\$ 7,217,820
December 31, 2011	\$ 2,477,884	19.8%	\$ 9,204,704
December 31, 2012	\$ 2,260,279	23.0%	\$ 10,944,983
December 31, 2013	\$ 2,042,119	16.5%	\$ 12,415,102

The funded status and funding progress is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrual Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (AAL) ((b-a)/c)</u>
1/1/2009	\$ -	\$ 31,516,165	\$ 31,516,165	N/A	\$ 9,384,740	335.82%
1/1/2010	\$ -	\$ 34,101,483	\$ 34,101,483	N/A	\$ 9,300,720	366.65%
1/1/2011	\$ -	\$ 29,819,880	\$ 29,819,880	N/A	\$ 9,117,083	327.08%
1/1/2012	\$ -	\$ 28,502,657	\$ 28,502,657	N/A	\$ 8,643,031	329.78%
1/1/2013	\$ -	\$ 27,558,926	\$ 27,558,926	N/A	\$ 8,764,282	314.45%

**11. POST-EMPLOYMENT BENEFITS PAYABLE (CONTINUED)**

The following table sets forth the Plan's funded status:

<b>Present Value of Future Benefits</b>	
a. Retirees	\$ 11,088,227
b. Active Employees	26,034,990
c. Total	<u>\$ 37,123,217</u>
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	
a. Retirees	\$ 11,088,227
b. Fully Eligible Employees	3,359,980
c. Other Active Employees	13,110,719
d. Total	<u>\$ 27,558,926</u>
<b>Annual Required Contribution (ARC)</b>	
a. Normal Cost	\$ 865,686
b. Supplemental Cost	
i. Funding Liability	27,558,926
ii. Actuarial Assets	-
iii. Unfunded Actuarial Accrued Liability	27,558,926
iv. Amortization Period	30
v. Supplemental Cost	<u>1,365,083</u>
c. Beginning of Year Contribution	2,230,769
d. Compound Interest to Year End	33,214
e. Annual Required Contribution	<u>\$ 2,263,983</u>
<b>Annual OPEB Expense and Estimated Net OPEB Obligations</b>	
a. Annual Required Contribution	\$ 2,263,983
b. Interest on net OPEB Obligation, Beginning of Year	328,349
c. Adjustment to ARC	<u>(550,213)</u>
d. Annual OPEB Cost	2,042,119
e. Net OPEB Obligation, January 1, 2013	10,944,983
f. Estimated Expected Benefit Payments	<u>(572,000)</u>
g. Estimated Net OPEB Obligation, December 31, 2013	<u>\$ 12,415,102</u>
<b>Actuarial Methods and Assumptions at December 31, 2013</b>	
a. Funding Interest Rate	3%
b. 12/31/2013 Trend Rate	9%
c. Ultimate Trend Rate	5%
d. Fiscal Year Ultimate Trend Rate Reached	12/31/2018
e. Actuarial Cost Method	Projected Unit Credit

**12. FUND BALANCE**

As of December 31, 2011, the City implemented GASB 54 “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB 54 defines five categories of fund balances as follows:

- **Nonspendable** fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The City’s nonspendable fund balance consists of \$502,785 in prepaid expenses at December 31, 2013.
- **Restricted** fund balance includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The City’s restricted fund balance consists of \$1,758 restricted for drug investigations at December 31, 2013.
- **Committed** fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City had no committed fund balances at December 31, 2013.
- **Assigned** fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the City or designated by the City for ensuing year’s budget. Assigned fund balance includes the following:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Library Fund</u>	<u>Capital Projects Fund</u>
Assigned for Encumbrances	\$ 4,480	\$ 19,293	\$ 5,000	\$ -	\$ -
Assigned for Future Retirement Costs	514,260	-	-	-	-
Assigned for Maintenance	180,905	-	-	-	-
Assigned for Ensuing Year’s Budget	250,000	-	-	-	-
Assigned for Special Revenue/Capital Projects	-	571,638	93,566	39,360	613,481
	<u>\$ 949,645</u>	<u>\$ 590,931</u>	<u>\$ 98,566</u>	<u>\$ 39,360</u>	<u>\$ 613,481</u>

- **Unassigned** fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund.

**13. RETIREMENT PLANS**

The City of Cohoes participates in the New York State and Local Employees' Retirement System (ERS) and New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple public employer retirement systems. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transactions of the business of the System and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

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 for the first ten years of service credit and employees who joined after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The City of Cohoes is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

		<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
2013	\$	615,357	\$ 1,489,004	\$ 2,104,361
2012	\$	630,942	\$ 1,140,740	\$ 1,771,682
2011	\$	687,865	\$ 1,050,806	\$ 1,738,671

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System. The December 15 payment due date changed to February 1, however, employers were allowed to prepay their payment by December 15. The covered salary period (April 1-March 31) will not change for the calculation.

**14. COMMITMENTS AND CONTINGENCIES**

*Combined Sewer Overflows*

The City entered into a Memorandum of Understanding with the City of Albany, City of Rensselaer, City of Troy, City of Watervliet and the Village of Green Island to address an Order of Consent with the New York State Departmental Conservation to resolve alleged violations of the Federal Clean Water Act regarding combined sewer overflows. The current plan, moving to the design and construction phase, is anticipated to cost \$135 million over fifteen years. The City of Cohoes will be responsible for 2.74% of construction and operating costs.

*Litigation*

Several claims against the City are presently pending for various reasons including condemnation and personal injuries. Although the final outcome of these matters cannot be predicted, management of the City, based on the advice of the City's Counsel, does not believe that the final settlement of these matters will have a material adverse effect on the financial condition of the City.



14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

*Grant Programs*

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantor or its representatives. There is a Community Development Block Grant in which the employment goals were not achieved and which management is working with the U.S. Department of Housing and Urban Development to determine if repayment will be required. The City believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the City's financial position or results of operations.

*Environmental Concerns*

The City is engaged in many activities (e.g., water and sewer service, refuse collection, gasoline storage), in the normal course of operations, that are potentially hazardous to the environment. As of December 31, 2013, the City is not aware of any significant environmental problems that should be disclosed in the financial statements.

*Refuse Agreement*

The City has entered into an agreement with the Colonie Landfill for refuse dumping at established rates through December 31, 2016. Total refuse dumping expenditures for the year ended December 31, 2013 were \$284,782.

*Municipal Wastewater Agreement*

The City has entered into an agreement with the Albany County Sewer District to treat the City's wastewater at the County's treatment plant at established rates through December 2015. Total wastewater treatment expenditures for the year ended December 31, 2013 were \$931,487 (\$889,911 sewage treatment and \$41,576 debt service).

*Debt Defeasance*

In 2000, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. The balance of those defeased bonds, maturing on various dates with a final maturity on September 15, 2014, was \$275,000 at December 31, 2013.

In 2013, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. The balance of those defeased bonds, maturing on various dates with a final maturity on March 15, 2025 was \$3,635,000 at December 31, 2013.

14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

*Union Contracts*

Police, Fire Department and general city employees are each represented by a collective bargaining agent. Those agents which represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
Civil Service Employees Association - DPW	December 31, 2016
Civil Service Employees Association - Clerical	December 31, 2016
Cohoes Police Benevolent and Protective Association	December 31, 2011
International Association of Fire Fighters	December 31, 2014

*Dispatch Agreement*

The City has entered into an agreement with the County of Albany Sheriff's Office for the purpose of receiving dispatch services at established rates through December 31, 2016. Total dispatcher service expenditures for the year ended December 31, 2013 were \$250,063.

OTHER FINANCIAL INFORMATION  
ADDITIONAL REPORTS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*  
AND OMB CIRCULAR A-133

*CITY OF COHOES, NEW YORK*  
*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE YEAR ENDED DECEMBER 31, 2013*

---

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Passed through the New York State Office of Community Renewal Home Investment Partnership Program (Project 259HR 22-11)	14.239	\$ <u>385,443</u>
Total U.S. Department of Housing and Urban Development		<u>385,443</u>
<b><u>U.S. Department of Environmental Protection</u></b>		
Brownfields Opportunity Area	66.458	<u>8,443</u>
<b><u>U.S. Department of Transportation</u></b>		
Highway Planning and Construction Transportation Capital Grant - Non-ARRA Funded (Black Bridge)	20.219	<u>720,310</u>
Passed through the New York State Office of Parks, Recreation and Historic Preservation Recreational Trails Program		
Heritage Trail - TEP (PIN 1757.72)	20.219	101,775
Heritage Trail - Canal Core (Contract C100776)	20.219	134,924
Clinton's Ditch Interpretive Center (PIN 1757.09)	20.219	218,521
Hudson River Waterfront Park (Contract C006613)	20.219	<u>19,603</u>
		<u>474,823</u>
Total U.S. Department of Transportation		<u>1,195,133</u>
Total Federal Awards		<u>\$ 1,589,019</u>

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

The accompanying schedule of expenditures of federal awards presents all activity of all federal financial assistance programs of the City of Cohoes, New York for the year ended December 31, 2013. The significant accounting policies of the City of Cohoes, New York are described in Note 1 to the financial statements. Federal awards received directly from federal agencies as well as federal financial assistance, if any, passed through other government agencies are included in the schedule.

*Basis of Accounting*

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting used by the City of Cohoes, New York to report to the federal government.

*Relationship to Financial Statements*

Federal awards revenue is reported in the City of Cohoes, New York's financial statements as follows:

General Fund	\$ 385,443
Capital Projects Fund	<u>1,203,576</u>
Total Federal Awards	<u>\$ 1,589,019</u>

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

To the Mayor and Members of the Common  
Council of the City of Cohoes, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the City of Cohoes, New York, as of and for the year ended December 31, 2013, and the related notes to the regulatory basis financial statements, and have issued our report thereon dated April 7, 2014.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City of Cohoes, New York's regulatory basis 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.

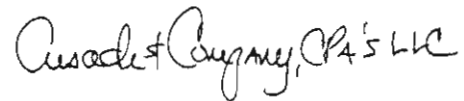
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cohoes, New York'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CUSACK & COMPANY, CPA'S LLC

Latham, New York  
April 7, 2014

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

To the Mayor and Members of the Council  
Council of the City of Cohoes, New York

**Report on Compliance for Each Federal Program**

We have audited the City of Cohoes, New York's (the "City") compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**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'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 Cohoes, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.



## Report on Internal Control Over Compliance

Management of the City 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 on compliance, we considered the City'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'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, as defined above. However, material weaknesses may exist that have not been identified.

### Purpose of this Report

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 communication is not suitable for any other purpose.



CUSACK & COMPANY, CPA'S LLC

Latham, New York  
April 7, 2014

**CITY OF COHOES, NEW YORK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2013**

---

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	___ <u>x</u> ___ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	___ <u>x</u> ___ none reported
Noncompliance material to financial statements noted?	_____ yes	___ <u>x</u> ___ no

**FEDERAL AWARDS**

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	___ <u>x</u> ___ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	___ <u>x</u> ___ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ yes	___ <u>x</u> ___ no

Identification of major programs.

<u>CFDA NUMBER(S)</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
20.219	Recreational Trails Program

---

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	___ <u>x</u> ___ yes      ___ no

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.