

CITY OF COHOES, NEW YORK

REGULATORY BASIS FINANCIAL STATEMENTS

DECEMBER 31, 2005

CITY OF COHOES, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying regulatory basis financial statements of the City of Cohoes, New York as of and for the year ended December 31, 2005 as listed in the table of contents. These financial statements are the responsibility of the City of Cohoes, New York's management. Our responsibility is to express an opinion on these regulatory basis financial statements based on our audit.

Except as discussed in paragraphs four and five, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the regulatory basis financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall regulatory basis financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 also described in Note 1.

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 State Comptroller. The amounts that should be recorded in the general fixed assets account group are not known.

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 State Comptroller.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2006 on our consideration of the City of Cohoes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 in the preceding paragraphs, 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, 2005, and the results of its operations for the year then ended in conformity with accounting principles prescribed by the New York State Office of State Comptroller.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 23, 2006

CITY OF COHOES, NEW YORK
REGULATORY BASIS BALANCE SHEETS
DECEMBER 31, 2005

	Governmental Fund Types						Fiduciary	Account Group	Memorandum Only	
	General	Water	Sewer	Library	Community Development	Capital Projects	Trust and Agency	Long Term Debt	Total Primary Government December 31, 2005	Total Primary Government December 31, 2004
Assets										
Cash and temporary investments	\$ 577,857	\$ 10,172	\$ 2,290	\$ 12,540	\$ -	\$ 2,991,946	\$ 47,229	\$ -	\$ 3,642,034	\$ 1,090,248
Taxes receivable	3,952,619	-	-	-	-	203,743	-	-	4,156,362	3,399,474
Due from other governments	1,422,020	-	-	-	-	164,041	-	-	1,586,061	1,711,837
Due from other funds	82,487	-	-	-	-	-	-	-	82,487	489,543
Prepaid expenditures	215,172	17,123	10,415	-	-	-	-	-	242,710	288,116
Restricted assets	4,470	-	-	-	87,225	-	-	-	91,695	252,889
Other receivables	60	867,566	1,032,719	-	-	456,994	-	-	2,357,339	1,759,969
Provisions to be made in future budgets	-	-	-	-	-	-	-	19,337,950	19,337,950	16,777,230
Total assets	\$ 6,254,685	\$ 894,861	\$ 1,045,424	\$ 12,540	\$ 87,225	\$ 3,816,724	\$ 47,229	\$ 19,337,950	\$ 31,496,638	\$ 25,769,306
Liabilities and Fund Equity										
Liabilities:										
Accounts payable	\$ 202,320	\$ 7,161	\$ 8,220	\$ 553	\$ -	\$ 127,738	\$ -	\$ -	\$ 345,992	\$ 422,681
Accrued liabilities	612,453	6,716	1,676	3,093	-	-	47,229	-	671,167	483,251
Due to other governments	4,020,812	-	246,236	-	87,225	-	-	247,851	4,602,124	3,963,751
Due to retirement system	-	-	-	-	-	-	-	705,099	705,099	550,791
Due to other funds	-	-	-	-	-	82,487	-	-	82,487	489,543
Compensated absences	73,541	1,210	-	106	-	-	-	1,710,576	1,785,433	1,667,394
Disability payable	-	-	-	-	-	-	-	903,712	903,712	958,969
Deferred revenues	6,644	-	-	-	-	-	-	-	6,644	710,047
Workers compensation claims	-	-	-	-	-	-	-	989,506	989,506	935,282
Capital leases	-	-	-	-	-	-	-	547,169	547,169	621,122
Bonds payable	-	-	-	-	-	-	-	14,234,037	14,234,037	11,965,646
Total liabilities	4,915,770	15,087	256,132	3,752	87,225	210,225	47,229	19,337,950	24,873,370	22,768,477
Fund Equity:										
Fund balances:										
Revenue for encumbrances	2,895	8,551	-	-	-	-	-	-	11,446	-
Reserve for capital projects	-	-	-	-	-	3,602,451	-	-	3,602,451	731,911
Reserve for drug investigation	4,470	-	-	-	-	-	-	-	4,470	15,258
Reserve for prepaid expenses	215,172	17,123	10,415	-	-	-	-	-	242,710	288,116
Reserve for retirement	705,099	-	-	-	-	-	-	-	705,099	650,000
Undesignated	411,279	854,100	778,877	8,788	-	4,048	-	-	2,057,092	1,315,544
Fund balances	1,338,915	879,774	789,292	8,788	-	3,606,499	-	-	6,623,268	3,000,829
Commitments and Contingencies										
Total liabilities and fund equity	\$ 6,254,685	\$ 894,861	\$ 1,045,424	\$ 12,540	\$ 87,225	\$ 3,816,724	\$ 47,229	\$ 19,337,950	\$ 31,496,638	\$ 25,769,306

See accompanying notes and independent auditor's report.

CITY OF COHOES, NEW YORK
REGULATORY BASIS STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types					Memorandum Only	
	General	Water	Sewer	Library	Capital Projects	Total Primary Government December 31, 2005	Total Primary Government December 31, 2004
Revenue							
Real property taxes	\$ 5,651,689	\$ -	\$ -	\$ -	\$ 203,743	\$ 5,855,432	\$ 5,394,698
Real property tax items	496,986	-	-	-	-	496,986	777,710
Non property tax items	4,978,463	-	-	-	-	4,978,463	4,785,923
Departmental income	164,773	1,435,025	1,644,876	2,668	-	3,247,342	3,251,136
Intergovernmental charges	-	36,275	-	-	-	36,275	22,270
Use of money and property	96,702	80,384	-	890	80,679	258,655	78,455
Licenses and permits	173,356	-	-	-	-	173,356	99,092
Fines and forfeitures	212,360	-	-	-	-	212,360	232,029
Sale of property and compensation for loss	167,485	-	-	2,244	-	169,729	279,806
Miscellaneous local sources	206,041	-	-	765	461,494	668,300	1,121,223
State aid	3,673,117	-	-	5,216	125,560	3,803,893	3,311,708
Federal aid	43,860	-	-	-	425,947	469,807	660,200
Total revenue	<u>15,864,832</u>	<u>1,551,684</u>	<u>1,644,876</u>	<u>11,783</u>	<u>1,297,423</u>	<u>20,370,598</u>	<u>20,014,250</u>
Expenditures							
General governmental support	2,415,977	39,410	39,410	-	-	2,494,797	2,416,562
Public safety and health	5,599,577	-	-	-	208,523	5,808,100	5,967,773
Transportation	1,074,528	-	-	-	1,367,439	2,441,967	2,080,199
Economic assistance and opportunity	-	-	-	-	-	-	38,674
Culture and recreation	227,295	-	-	182,216	16,997	426,508	480,294
Home and community services	1,054,589	849,578	1,280,519	-	323,241	3,507,927	4,470,359
Employee benefits	3,354,044	218,304	152,795	26,033	-	3,751,176	3,706,807
Debt service (principal and interest)	1,004,032	682,958	237,175	-	-	1,924,165	1,832,082
Total expenditures	<u>14,730,042</u>	<u>1,790,250</u>	<u>1,709,899</u>	<u>208,249</u>	<u>1,916,200</u>	<u>20,354,640</u>	<u>20,992,750</u>
Excess of revenue over (under) expenditures	<u>1,134,790</u>	<u>(238,566)</u>	<u>(65,023)</u>	<u>(196,466)</u>	<u>(618,777)</u>	<u>15,958</u>	<u>(978,500)</u>
Other financing sources (uses)							
Bond proceeds	216,444	-	-	-	3,390,037	3,606,481	503,389
Operating transfers in	-	400,000	560,000	197,870	100,000	1,257,870	511,648
Operating transfers out	(1,257,870)	-	-	-	-	(1,257,870)	(511,648)
Total of other financing sources (uses)	<u>(1,041,426)</u>	<u>400,000</u>	<u>560,000</u>	<u>197,870</u>	<u>3,490,037</u>	<u>3,606,481</u>	<u>503,389</u>
Excess of revenues and other sources over (under) expenditures and other uses	93,364	161,434	494,977	1,404	2,871,260	3,662,439	(475,111)
Fund balance at beginning of year	<u>1,245,551</u>	<u>718,340</u>	<u>294,315</u>	<u>7,384</u>	<u>735,239</u>	<u>3,000,829</u>	<u>3,475,940</u>
Fund balance at end of year	<u>\$ 1,338,915</u>	<u>\$ 879,774</u>	<u>\$ 789,292</u>	<u>\$ 8,788</u>	<u>\$ 3,606,499</u>	<u>\$ 6,623,268</u>	<u>\$ 3,000,829</u>

See accompanying notes and independent auditor's report.

CITY OF COHOES, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES- BUDGET AND ACTUAL-
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Modified Budget	Actual and Encumbrances	Variance Favorable (Unfavorable)
Revenue				
Real property taxes	\$ 5,527,728	\$ 5,737,396	\$ 5,651,689	\$ (85,707)
Real property tax items	527,500	498,100	496,986	(1,114)
Non-property tax items	4,805,000	4,976,000	4,978,463	2,463
Departmental income	189,750	178,750	164,773	(13,977)
Use of money and property	95,000	95,000	96,702	1,702
Licenses and permits	115,000	170,500	173,356	2,856
Fines and forfeitures	275,000	216,000	212,360	(3,640)
Sale of property and compensation for loss	147,500	166,500	167,485	985
Miscellaneous local sources	140,000	206,000	206,041	41
State aid	2,561,851	3,672,911	3,673,117	206
Federal aid	-	41,000	43,860	2,860
Total revenue	<u>14,384,329</u>	<u>15,958,157</u>	<u>15,864,832</u>	<u>(93,325)</u>
Expenditures				
General government support	2,151,610	2,430,859	2,416,727	14,132
Public safety and health	5,665,347	5,723,512	5,601,722	121,790
Transportation	1,027,101	1,106,782	1,074,528	32,254
Culture and recreation	245,514	235,879	227,295	8,584
Home and community services	818,944	1,060,198	1,054,589	5,609
Employee benefits	3,255,255	3,354,075	3,354,044	31
Debt services (principal and interest)	1,022,688	1,005,426	1,004,032	1,394
Total expenditures	<u>14,186,459</u>	<u>14,916,731</u>	<u>14,732,937</u>	<u>183,794</u>
Excess of revenue over expenditures	<u>197,870</u>	<u>1,041,426</u>	<u>1,131,895</u>	<u>90,469</u>
Other financing sources (uses)				
Bond Proceeds	-	216,444	216,444	-
Operating transfers out	(197,870)	(1,257,870)	(1,257,870)	-
Total other financing sources (uses)	<u>(197,870)</u>	<u>(1,041,426)</u>	<u>(1,041,426)</u>	<u>-</u>
Excess of revenue and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,469</u>	<u>\$ 90,469</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, 2005

	Original Budget	Modified Budget	Actual and Encumbrances	Variance Favorable (Unfavorable)
Revenue				
Departmental income	\$ 1,614,938	\$ 1,623,438	\$ 1,435,025	\$ (188,413)
Intergovernmental charges	30,000	30,000	36,275	6,275
Use of money and property	40,000	79,600	80,384	784
Total revenue	<u>1,684,938</u>	<u>1,733,038</u>	<u>1,551,684</u>	<u>(181,354)</u>
Expenditures				
General governmental support	38,680	39,461	39,410	51
Home and community services	754,230	864,265	858,129	6,136
Employee benefits	230,660	216,344	218,304	(1,960)
Debt service (principal and interest)	661,368	682,968	682,958	10
Total expenditures	<u>1,684,938</u>	<u>1,803,038</u>	<u>1,798,801</u>	<u>4,237</u>
Deficiency of revenue over expenditures	<u>-</u>	<u>(70,000)</u>	<u>(247,117)</u>	<u>(177,117)</u>
Other financing sources				
Operating transfers in	<u>-</u>	<u>70,000</u>	<u>400,000</u>	<u>330,000</u>
Total other financing sources	<u>-</u>	<u>70,000</u>	<u>400,000</u>	<u>330,000</u>
Deficiency of revenue over expenditures and other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,883</u>	<u>\$ 152,883</u>

See accompanying notes and independent auditor's report.

CITY OF COHOES, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES- BUDGET AND ACTUAL -
SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Modified Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Departmental income	\$ 1,538,448	\$ 1,600,748	\$ 1,644,876	\$ 44,128
Total revenue	<u>1,538,448</u>	<u>1,600,748</u>	<u>1,644,876</u>	<u>44,128</u>
Expenditures				
General governmental support	38,679	39,461	39,410	51
Home and community services	1,093,627	1,299,596	1,280,519	19,077
Employee benefits	173,150	158,047	152,795	5,252
Debt service (principal and interest)	232,992	237,192	237,175	17
Total expenditures	<u>1,538,448</u>	<u>1,734,296</u>	<u>1,709,899</u>	<u>24,397</u>
Excess (Deficiency) of revenue under expenditures	-	(133,548)	(65,023)	68,525
Other financing sources				
Operating transfers in	-	133,548	560,000	426,452
Total other financing uses	<u>-</u>	<u>133,548</u>	<u>560,000</u>	<u>426,452</u>
Excess of revenue over expenditures and other sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 494,977</u>	<u>\$ 494,977</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, 2005

	Original Budget	Modified Budget	Actual and Encumbrances	Variance Favorable (Unfavorable)
Revenue				
Departmental income	\$ 1,500	\$ 2,500	\$ 2,668	\$ 168
Use of money and property	750	750	890	140
Sale of property and compensation for loss	1,400	1,900	2,244	344
Miscellaneous local sources	900	900	765	(135)
State aid	5,200	5,200	5,216	16
Total revenue	<u>9,750</u>	<u>11,250</u>	<u>11,783</u>	<u>533</u>
Expenditures				
Culture and recreation	181,620	183,067	182,216	851
Employee benefits	26,000	26,053	26,033	20
Total expenditures	<u>207,620</u>	<u>209,120</u>	<u>208,249</u>	<u>871</u>
Excess (Deficiency) of revenue over expenditures	<u>(197,870)</u>	<u>(197,870)</u>	<u>(196,466)</u>	<u>1,404</u>
Other financing sources				
Operating transfers in	197,870	197,870	197,870	-
Total other financing sources	<u>197,870</u>	<u>197,870</u>	<u>197,870</u>	<u>-</u>
Excess of revenue and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,404</u>	<u>\$ 1,404</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Cohoes, New York ("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, except as discussed in the Independent Auditor's 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 auditing the 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 15,000 residents in areas including general government services, public works, public safety and community enrichment programs.

GASB Statement No. 14 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. 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.

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.

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.
- Special Grant Fund - used to account for Community Development Block Grants.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation - Fund Accounting (Continued)

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.

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.

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 dated March 23, 2006 is available for the agency's December 31, 2005 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation - Fund Accounting (Continued)

Excluded from the Financial Reporting Entity (Continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 December 1, the Board of Managers submits 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

I. Post Employment Benefits

In addition to the retirement benefits described in Note 12, 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 retired employees share in the cost by contributing approximately \$16,425 monthly to the City. The City recognized the cost of providing benefits for the year ended December 31, 2005 by recording its costs for the benefits for approximately 80 currently enrolled retirees and family members as an expenditure in 2005. The net amount of this expenditure totaled approximately \$340,000 for 2005.

J. Expenditure Allocation

In 2005 the City changed its methodology of expenditure allocation providing for the allocation of certain general governmental expenses directly to the water and sewer funds.

K. Total Columns

Total columns on 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 State Comptroller, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH AND INVESTMENTS

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.

2. CASH AND INVESTMENTS (CONTINUED)

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 2005, cash and investments were either insured by Federal Depository Insurance or collateralized by assets of the City's agent in the City's name.

3. TAXES RECEIVABLE

The City has entered into an agreement with the City of Cohoes School District in which for a fee of \$10,350, the City bills, collects and remits to the School District its real estate taxes. As of December 31, 2005, taxes receivable of \$3,952,620 and \$203,743 represented uncollected school taxes and demolition tax liens, respectively.

4. 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, 2005 interfund receivables and payables arising from these transactions were as follows:

	<u>Amount</u> <u>Receivable</u>	<u>Amount</u> <u>Payable</u>
General Fund	\$ 82,487	\$ -
Capital Projects Fund	<u>-</u>	<u>82,487</u>
	<u>\$ 82,487</u>	<u>\$ 82,487</u>

CITY OF COHOES, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2005

5. LONG-TERM INDEBTEDNESS

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

	Balance January 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2005</u>
Serial Bonds	\$ 11,965,646	\$ 3,390,037	\$ 1,121,646	\$ 14,234,037
Due to Albany County	259,744	-	11,893	247,851
Due to Retirement System	550,791	216,444	62,136	705,099
Compensated Absences	1,606,512	104,064	-	1,710,576
Disability Payable	958,969	-	55,257	903,712
Workers Compensation Claims	935,282	54,224	-	989,506
Capital Leases	<u>621,122</u>	<u>-</u>	<u>73,953</u>	<u>547,169</u>
	<u>\$ 16,898,066</u>	<u>\$ 3,764,769</u>	<u>\$ 1,324,885</u>	<u>\$ 19,337,950</u>

The beginning balance of due to Albany County was increased by \$120,836 for the City's portion of debt incurred but not previously recognized.

The following is a summary and description of the serial bonds outstanding at December 31, 2005:

Issue Date	Original <u>Issue</u>	<u>Maturity</u>	Interest <u>Rate</u>	Outstanding at <u>December 31, 2005</u>
05/15/77	\$ 2,135,000	05/15/06	6.4%	\$ 25,000
04/01/78	\$ 1,179,350	04/01/07	6.9%	50,000
08/15/86	\$ 3,041,900	02/15/06	7.25%	125,000
12/01/91	\$ 2,440,000	11/01/09	6.3%	250,000
12/01/91	\$ 3,140,408	06/01/16	6.5%	885,000
07/15/92	\$ 2,602,000	06/15/15	5.7 % to 5.875%	450,000
11/15/94	\$ 4,370,000	09/15/14	6.75% to 6.85%	1,850,000
07/15/97	\$ 991,000	03/15/17	4.5 to 6.25%	390,000
12/11/98	\$ 304,000	07/15/12	5.8%	144,000
03/09/00	\$ 1,392,501	12/15/20	4.08 to 5.99%	1,130,000
07/10/00	\$ 1,534,873	09/15/14	4.31 to 5.74%	1,220,000
07/26/01	\$ 928,654	11/15/21	2.62 to 5.15%	765,000
10/01/02	\$ 3,128,345	10/01/21	3.5%	2,615,000
03/13/03	\$ 1,076,646	10/01/22	1.031 to 4.711%	945,000
03/15/05	\$ 3,390,037	03/15/25	5.1 to 5.25%	<u>3,390,037</u>
				<u>\$ 14,234,037</u>

CITY OF COHOES, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2005

5. LONG-TERM INDEBTEDNESS (CONTINUED)

Following is a summary of maturity of debt service requirements for general obligation bonds:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,050,000	\$ 747,604
2007	1,010,037	611,321
2008	920,000	563,643
2009	951,000	518,397
2010	921,000	471,286
Thereafter	<u>9,382,000</u>	<u>2,619,680</u>
	<u>\$ 14,234,037</u>	<u>\$ 5,531,931</u>

6. DUE TO OTHER GOVERNMENTS

Due to other governments consists of the following:

General Fund

Due to the City of Cohoes School District \$ 4,020,812 Real Estate Taxes (see Note 3)

Sewer Fund

Due to Albany County Sewer District \$ 246,236 Sewage Treatment Charges

Community Development Fund

Due to HUD \$ 87,225 HUD Loans and Program Income

Long-Term Debt Account Group

Due to Albany County Sewer District \$ 247,851 City's Proportionate Share of Long-Term Debt

7. CAPITAL LEASE PAYABLE

Capital leases for acquisition of Public Works equipment and Fire and Police Department vehicles are payable with interest at rates ranging from 4.13% to 5.5%, as follows:

2006	\$ 91,766
2007	82,945
2008	82,945
2009	82,945
2010	82,945
Thereafter	<u>229,265</u>
Total	652,811
Less amount representing interest	<u>(105,642)</u>
Present value of future minimum lease payments	<u>\$ 547,169</u>

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 \$989,506 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, 2005, 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 \$295,831.

9. DISABILITY PAYABLE

General Municipal Law, Section 207A provides for firemen to receive continued salary payment 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, 2005, the present value of the payments the City was obligated to make to six firemen totaled \$903,712 which has been reflected in the long-term debt account group. The related expense for the year ended December 31, 2005 approximated \$102,000.

10. DUE TO RETIREMENT SYSTEM

Due to retirement system consists of incentive payments (\$25,287) and amortization of a portion of the state fiscal year 2004-2005 and 2005-2006 retirement bill (\$503,389 and \$216,444, respectively) due in ten equal annual installments of \$93,221 including interest at 5%. Following is a summary of debt service requirement for due to retirement system:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 71,875	\$ 33,990
2007	74,836	31,029
2008	65,302	27,919
2009	68,567	24,656
2010	71,996	21,226
Thereafter	<u>352,523</u>	<u>48,393</u>
	<u>\$ 705,099</u>	<u>\$ 187,213</u>

CITY OF COHOES, NEW YORK
NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005

11. RESERVED FUND BALANCE

The status of the City's capital projects and the balance of the capital projects reserve is as follows:

<u>Project Name</u>	<u>Funded By</u>	<u>Total Project</u>	<u>Previously Expended</u>	<u>Current Year Expended</u>	<u>Remaining</u>	<u>Capital Project Reserve</u>
North Mohawk Street	Federal Aid	\$ 8,208,626	\$ 7,913,161	\$ 295,465	\$ -	\$ -
	State Aid	1,549,320	1,484,536	64,784	-	-
	City	667,094	566,295	100,799	-	-
		<u>10,425,040</u>	<u>9,963,992</u>	<u>461,048</u>	<u>-</u>	<u>-</u>
Water Meters	EFC	<u>917,000</u>	<u>766,594</u>	<u>2,826</u>	<u>147,580</u>	<u>147,580</u>
Equipment	Bond	<u>1,353,500</u>	<u>1,259,242</u>	<u>42,191</u>	<u>52,067</u>	<u>52,067</u>
Parks /Pool	Grant	20,000	20,000	-	-	-
	City	<u>450,000</u>	<u>223,868</u>	<u>16,997</u>	<u>209,135</u>	<u>209,135</u>
		<u>470,000</u>	<u>243,868</u>	<u>16,997</u>	<u>209,135</u>	<u>209,135</u>
Various Water Projects	Water Fund	<u>400,000</u>	<u>255,232</u>	<u>78,176</u>	<u>66,592</u>	<u>66,592</u>
Various Sewer Projects	Sewer Fund	<u>700,000</u>	<u>662,440</u>	<u>27,198</u>	<u>10,362</u>	<u>10,362</u>
Roof/HVAC/Windows	City	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Infrastructure/Garage Collection	City	<u>400,000</u>	<u>286,986</u>	<u>34,363</u>	<u>78,651</u>	<u>78,651</u>
Building Demolition	Tax Liens	203,743	-	203,743	-	-
	City	<u>4,780</u>	<u>-</u>	<u>4,780</u>	<u>-</u>	<u>-</u>
		<u>208,523</u>	<u>-</u>	<u>208,523</u>	<u>-</u>	<u>-</u>
Equipment	Bond	<u>3,390,037</u>	<u>-</u>	<u>851,973</u>	<u>2,538,064</u>	<u>2,538,064</u>
Bridge Avenue	Federal Aid	<u>187,200</u>	<u>-</u>	<u>130,481</u>	<u>56,719</u>	<u>-</u>
Non-Chip Roads	City	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Firehouse	City	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Various Others	Various	<u>62,424</u>	<u>-</u>	<u>62,424</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 19,013,724</u>	<u>\$ 13,438,354</u>	<u>\$ 1,916,200</u>	<u>\$ 3,659,170</u>	<u>\$ 3,602,451</u>

11. RESERVED FUND BALANCE (CONTINUED)

Reserve for drug investigation is reserved as expenditures must be for a restricted use.

Reserve for prepaid expenses is an amount reserved for prepaid expenses which are not considered available current financial resources.

Reserve for retirement is an amount reserved to offset the related long-term debt for past retirement expenses paid with bonding.

12. RETIREMENT PLAN

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. 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>
2005	\$ 456,610	\$ 601,533	\$ 1,058,143
2004	\$ 478,845	\$ 673,651	\$ 1,152,466
2003	\$ 178,487	\$ 134,920	\$ 313,407

The City of Cohoes' contributions made to the System were equal to 100 percent of the contributions for 2003. A \$649,077 and \$841,699 contribution was made for 2004 and 2005, respectively, and \$503,389 and \$216,444 was bonded for 2004 and 2005, respectively, to be repaid over 10 years in accordance with Chapter 260 of the Laws of the State of New York, as discussed below.

On May 14, 2003, Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes in the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.

12. RETIREMENT PLAN (CONTINUED)

- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g., billing due February 2005 would be based on the pension value as of March 31, 2004).

On July 30, 2004, Chapter 260 of the Laws of 2004 of the State of New York was enacted that allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amounts in excess of 7 percent of employees' covered salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered salaries.
- For SFY 2006-07, the amount in excess of 10.5 percent of employees' covered salaries.

The law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2007. The City of Cohoes elected to make partial payment of their retirement bill (\$841,699 and \$649,077) and amortize the remainder (\$216,444 and \$503,389) in 2005 and 2004, respectively.

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.

13. COMMITMENTS AND CONTINGENCIES

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.

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. 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.

13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2005, 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 Town of Colonie for refuse dumping at established rates through December 31, 2005. Total refuse dumping expenditures for the year ended December 31, 2005 were \$342,867.

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 though December 2015. Total wastewater treatment expenditures for the year ended December 31, 2005 were \$747,919.

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 \$800,000.

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, 2006
Civil Service Employees Association - Clerical	December 31, 2006
C.S.E.A. Public Safety Dispatchers	December 31, 2006
Cohoes Police Benevolent and Protective Association	December 31, 2005
International Association of Fire Fighters	December 31, 2004

OTHER FINANCIAL INFORMATION

**ADDITIONAL REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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AND
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**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
City of Cohoes, New York

We have audited the regulatory basis financial statements of the City of Cohoes, New York, as of and for the year ended December 31, 2005, and have issued our report there dated March 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of Cohoes, New York's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

This report is intended for the information of the Mayor and the members of the Common Council of the City of Cohoes, New York and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Cusack & Company, CPA's LLC

CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 23, 2006