

CITY OF SCHENECTADY, NEW YORK
REGULATORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

CITY OF SCHENECTADY, NEW YORK

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JOHN A. CIMINO, CPA, OF COUNSEL

INDEPENDENT AUDITOR'S REPORT
ON THE REGULATORY BASIS FINANCIAL STATEMENTS

To the Honorable Mayor and Members of
the City Council - City of Schenectady
Schenectady, New York

We have audited the accompanying regulatory basis financial statements of the City of Schenectady, New York as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These regulatory basis financial statements are the responsibility of the City of Schenectady's management. Our responsibility is to express an opinion on these regulatory basis financial statements based on our audits. We did not audit the financial statements of the Schenectady Local Development Corporation, a component unit, which represents 23% and 29% of the assets and 1% and 3% of the revenues in the Special Grant Fund for the years ended December 31, 2010 and 2009, respectively. Additionally, we did not audit the financial statements of two other component units, which represent 3% of the assets and 1% and 2% of the revenue in the Special Grant Fund for the years ended December 31, 2010 and 2009, respectively. The financial statements of the Schenectady Local Development Corporation and the two other component units were audited by other auditors whose unqualified report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Schenectady Local Development Corporation and the two other component units as of and for the year ended December 31, 2010 and 2009, is based solely on the report of the other auditors.

We conducted our audits 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 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 audits and the reports of the other auditors provides a reasonable basis for our opinions.

As described in Note 1, the City prepared these financial statements using accounting principles prescribed or permitted 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. 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.

In our opinion, because of the effects of the matter 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 Schenectady, New York as of December 31, 2010 and 2009, and the results of its operations for the years then ended. Further, the City of Schenectady, New York has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

As more fully described in Note 1, the regulatory basis financial statements referred to above do not include the non-current government asset account group, and do not include the liability for postemployment benefits other than pensions, which should be included in order to conform with accounting practices prescribed or permitted by the Office of the State Comptroller of the State of New York. The amounts that should be recorded in the non-current government asset and the liability for postemployment benefits other than pensions are not known.

In our opinion, based on our audit and the reports of other auditors, except for the effect of such adjustments discussed in the preceding paragraph, the regulatory basis financial statements referred to above present fairly, in all material respects, the financial position of the City of Schenectady, New York as of December 31, 2010 and 2009, and the results of its operations for the years then ended in conformity with the regulatory basis accounting principles prescribed by the New York State Office of the State Comptroller.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2011, on our consideration of the City of Schenectady'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* and should be considered in assessing the results of our audits.

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
May 16, 2011

CITY OF SCHENECTADY, NEW YORK

REGULATORY BASIS BALANCE SHEETS

GENERAL FUND

DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 376,938	\$ 4,279,391
Cash - restricted	13,017,302	16,728,619
Taxes receivable, net	3,341,454	4,338,779
Other receivables, net	1,553,983	1,573,945
State and federal receivables	376,951	1,449,370
Due from other funds	360,115	632,324
Due from other governments	2,761,016	3,083,850
Prepaid expenses	<u>1,375,495</u>	<u>28,791</u>
Total Assets	<u>\$ 23,163,254</u>	<u>\$ 32,115,069</u>
Liabilities		
Accounts payable	\$ 1,169,093	\$ 1,212,910
Accrued liabilities	919,529	2,101,357
Other liabilities	2,371,639	2,202,602
Due to other governments	4,089,472	6,940,262
Deferred revenue	<u>377,166</u>	<u>406,356</u>
Total Liabilities	<u>8,926,899</u>	<u>12,863,487</u>
Fund Balance		
Reserved:		
Encumbrances	93,584	203,257
Employee benefits	4,488,876	5,988,876
Snow and ice removal	350,000	250,000
Tax stabilization	6,148,693	6,720,000
Miscellaneous	1,246,710	2,035,214
Debt	706,023	921,587
Repairs	77,000	112,942
Workers' Compensation	-	700,000
Unreserved:		
Undesignated	<u>1,125,469</u>	<u>2,319,706</u>
Total Fund Balance	<u>14,236,355</u>	<u>19,251,582</u>
Total Liabilities and Fund Balance	<u>\$ 23,163,254</u>	<u>\$ 32,115,069</u>

CITY OF SCHENECTADY, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 29,551,417	\$ 29,551,417	\$ 25,315,240	\$ (4,236,177)
Real property tax items	1,359,670	1,359,670	1,266,964	(92,706)
Non-property tax items	12,550,000	12,550,000	12,642,035	92,035
Departmental income	7,573,511	7,573,511	7,760,378	186,867
Intergovernmental charges	5,000	5,000	266,134	261,134
Use of money and property	294,070	294,070	313,577	19,507
Licenses and permits	773,300	773,300	857,570	84,270
Fines and forfeitures	849,000	849,000	976,713	127,713
Sales of property and compensation for loss	232,500	232,500	587,688	355,188
Miscellaneous local sources	1,373,500	1,373,500	1,503,242	129,742
Interfund revenues	3,083,500	3,083,500	3,083,500	-
State aid	12,769,675	12,634,977	12,195,718	(439,259)
Federal aid	<u>26,000</u>	<u>26,000</u>	<u>180,993</u>	<u>154,993</u>
Total Revenues	70,441,143	70,306,445	66,949,752	<u>(3,356,693)</u>
Appropriated Fund Balance	<u>7,611,803</u>	<u>7,793,716</u>	<u>-</u>	
Total Revenue, Other Sources and Appropriated Fund Balance	<u>78,052,946</u>	<u>78,100,161</u>	<u>66,949,752</u>	
Expenditures				
General government support	6,720,749	7,289,305	6,207,352	1,081,953
Public safety	25,868,024	25,459,097	25,174,805	284,292
Transportation	5,803,781	6,197,802	5,235,453	962,349
Economic assistance and opportunity	5,000	5,000	5,000	-
Culture and recreation	1,460,102	1,442,430	1,236,164	207,266
Home and community services	5,997,360	5,736,356	5,601,233	135,123
Employee benefits	26,322,074	26,329,338	23,580,646	2,748,692
Debt service (principal and interest)	<u>5,875,856</u>	<u>5,844,090</u>	<u>4,924,326</u>	<u>919,764</u>
Total Expenditures	<u>78,052,946</u>	<u>78,303,418</u>	<u>71,964,979</u>	<u>6,339,439</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (203,257)</u>	<u>\$ (5,015,227) (1)</u>	<u>\$ 2,982,746</u>
Fund Balance - January 1, 2010			<u>19,251,582</u>	
Fund Balance - December 31, 2010			<u>\$ 14,236,355</u>	

(1) Budget reserves of \$7,611,803 were appropriated to fund the additional expenditures.

CITY OF SCHENECTADY, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 29,002,752	\$ 29,002,752	\$ 24,934,924	\$ (4,067,828)
Real property tax items	1,415,000	1,415,000	2,023,447	608,447
Non-property tax items	12,500,000	12,500,000	12,441,576	(58,424)
Departmental income	7,441,578	7,441,578	7,360,778	(80,800)
Intergovernmental charges	5,000	8,500	10,493	1,993
Use of money and property	575,000	575,000	421,719	(153,281)
Licenses and permits	642,800	642,800	987,545	344,745
Fines and forfeitures	692,000	692,000	851,805	159,805
Sales of property and compensation for loss	141,000	166,982	682,578	515,596
Miscellaneous local sources	1,500,000	1,500,000	2,077,368	577,368
Interfund revenues	2,911,550	2,911,550	2,911,550	-
State aid	13,436,728	12,905,825	12,814,288	(91,537)
Federal aid	<u>150,000</u>	<u>150,000</u>	<u>424,940</u>	<u>274,940</u>
Total Revenues	70,413,408	69,911,987	67,943,011	(1,968,976)
Other Sources				
Interfund transfers	<u>-</u>	<u>-</u>	<u>3,348</u>	<u>3,348</u>
Total Revenues and Other Sources	70,413,408	69,911,987	67,946,359	<u>(1,965,628)</u>
Appropriated Fund Balance	<u>5,308,529</u>	<u>5,720,688</u>	<u>-</u>	
Total Revenue, Other Sources and Appropriated Fund Balance	<u>75,721,937</u>	<u>75,632,675</u>	<u>67,946,359</u>	
Expenditures				
General government support	6,999,006	6,977,370	6,009,087	968,283
Public safety	27,050,443	27,140,000	26,106,660	1,033,340
Transportation	6,154,221	6,309,826	5,313,768	996,058
Economic assistance and opportunity	5,000	5,000	5,000	-
Culture and recreation	1,510,354	1,508,569	1,439,351	69,218
Home and community services	6,483,934	6,207,679	5,665,613	542,066
Employee benefits	22,559,178	22,522,251	21,321,430	1,200,821
Debt service (principal and interest)	<u>4,959,801</u>	<u>4,959,801</u>	<u>4,301,962</u>	<u>657,839</u>
Total Expenditures	75,721,937	75,630,496	70,162,871	5,467,625
Other Financing Uses				
Interfund transfers	<u>-</u>	<u>2,179</u>	<u>2,179</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>75,721,937</u>	<u>75,632,675</u>	<u>70,165,050</u>	<u>5,467,625</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	\$ (2,218,691) (1)	<u>\$ 3,501,997</u>
Fund Balance - January 1, 2009			<u>21,470,273</u>	
Fund Balance - December 31, 2009			<u>\$ 19,251,582</u>	

(1) Budget reserves of \$5,308,529 were appropriated to fund the additional expenditures.

CITY OF SCHENECTADY, NEW YORK

WATER FUND

**Regulatory Basis Balance Sheets
December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Assets		
Cash-unrestricted	\$ 934,169	\$ 2,129,036
Cash-restricted	404,209	504,865
Other receivables	1,335,374	1,307,660
Due from other funds	<u>1,465,279</u>	<u>-</u>
Total Assets	<u>\$ 4,139,031</u>	<u>\$ 3,941,561</u>
Liabilities		
Accounts payable	\$ 111,929	\$ 144,701
Accrued liabilities	15,014	55,714
Deferred revenue	<u>296,616</u>	<u>344,788</u>
Total Liabilities	<u>423,559</u>	<u>545,203</u>
Fund Balance		
Reserved:		
Encumbrances	-	1,457
Capital	-	385,000
Debt	140,675	119,865
Tax stabilization	<u>263,534</u>	<u>-</u>
Total Reserved	404,209	506,322
Unreserved:		
Undesignated	<u>3,311,263</u>	<u>2,890,036</u>
Total Fund Balance	<u>3,715,472</u>	<u>3,396,358</u>
Total Liabilities and Fund Balance	<u>\$ 4,139,031</u>	<u>\$ 3,941,561</u>

**Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2010**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Departmental income	\$ 7,249,770	\$ 7,249,770	\$ 7,328,646	\$ 78,876
Use of money and property	49,910	49,910	65,421	15,511
Interfund revenue	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-</u>
Total Revenues	7,354,680	7,354,680	7,449,067	<u>94,387</u>
Appropriated Fund Balance	<u>17,000</u>	<u>402,000</u>	<u>-</u>	
Total Revenues and Appropriated Fund Balance	<u>7,371,680</u>	<u>7,756,680</u>	<u>7,449,067</u>	
Expenditures				
General government support	859,187	869,187	731,387	137,800
Home and community services	4,543,558	4,541,015	4,230,481	310,534
Employee benefits	515,250	515,250	335,405	179,845
Debt service (principal and interest)	<u>1,447,685</u>	<u>1,447,685</u>	<u>1,447,680</u>	<u>5</u>
Total Expenditures Before Interfund Transactions	7,371,680	7,373,137	6,744,953	628,184
Interfund transfers	<u>-</u>	<u>385,000</u>	<u>385,000</u>	<u>-</u>
Total Expenditures	<u>7,371,680</u>	<u>7,758,137</u>	<u>7,129,953</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (1,457)</u>	319,114	<u>\$ 722,571</u>
Fund Balance - January 1, 2010			<u>3,396,358</u>	
Fund Balance - December 31, 2010			<u>\$ 3,715,472</u>	

CITY OF SCHENECTADY, NEW YORK

WATER FUND

**Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2009**

	Original Budget	Modified Budget	Actual	Variance
Revenues				
Departmental income	\$ 7,326,255	\$ 7,326,255	\$ 7,056,508	\$ (269,747)
Use of money and property	90,000	90,000	42,077	(47,923)
Interfund revenue	<u>55,000</u>	<u>55,000</u>	<u>46,145</u>	<u>(8,855)</u>
Total Revenues Before Interfund Transfers	7,471,255	7,471,255	7,144,730	(326,525)
Interfund Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>7,471,255</u>	<u>7,471,255</u>	<u>7,144,730</u>	<u>(326,525)</u>
 Appropriated Fund Balance	 <u>40,000</u>	 <u>58,810</u>	 <u>-</u>	
Total Revenues and Appropriated Fund Balance	<u>7,511,255</u>	<u>7,530,065</u>	<u>7,144,730</u>	
 Expenditures				
General government support	865,837	865,837	735,672	130,165
Home and community services	4,547,103	4,559,438	4,301,636	257,802
Employee benefits	399,956	406,431	319,441	86,990
Debt service (principal and interest)	<u>1,698,359</u>	<u>1,698,359</u>	<u>1,508,341</u>	<u>190,018</u>
Total Expenditures	<u>7,511,255</u>	<u>7,530,065</u>	<u>6,865,090</u>	<u>664,975</u>
 Excess of Revenues Over Expenditures	 <u>\$ -</u>	 <u>\$ -</u>	 279,640	 <u>\$ 338,450</u>
 Fund Balance - January 1, 2009			 <u>3,116,718</u>	
 Fund Balance - December 31, 2009			 <u>\$ 3,396,358</u>	

CITY OF SCHENECTADY, NEW YORK
SEWER FUND

Regulatory Basis Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash-unrestricted	\$ 1,813,556	\$ 952,698
Cash-restricted	1,569,067	850,929
Other receivables	<u>2,603,878</u>	<u>2,340,101</u>
Total Assets	<u>\$ 5,986,501</u>	<u>\$ 4,143,728</u>
Liabilities		
Accounts payable	\$ 266,902	\$ 239,780
Accrued liabilities	48,053	78,404
Other liabilities	48,633	47,498
Deferred revenues	<u>560,748</u>	<u>1,083,511</u>
Total Liabilities	<u>924,336</u>	<u>1,449,193</u>
Fund Balance		
Reserved:		
Capital Reserve	1,135,098	410,000
Encumbrances	3,200	10,857
Repairs	219,956	219,956
Debt	214,013	220,973
Unreserved:		
Undesignated	<u>3,489,899</u>	<u>1,832,749</u>
Total Fund Balance	<u>5,062,166</u>	<u>2,694,535</u>
Total Liabilities and Fund Balance	<u>\$ 5,986,502</u>	<u>\$ 4,143,728</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ -	\$ 16,567	\$ 12,472	\$ (4,095)
Departmental income	9,617,518	9,600,951	11,377,781	1,776,830
Use of money and property	92,086	92,086	117,969	25,883
Miscellaneous local sources	1,400	1,400	11,600	10,200
Interfund Revenue	<u>14,000</u>	<u>14,000</u>	<u>7,000</u>	<u>(7,000)</u>
Total Revenues	<u>9,725,004</u>	<u>9,725,004</u>	<u>11,526,822</u>	<u>1,801,818</u>
Appropriated Fund Balance	<u>60,000</u>	<u>60,000</u>	<u>-</u>	
Total Revenues and Appropriated Fund Balance	<u>9,785,004</u>	<u>9,785,004</u>	<u>11,526,822</u>	
Expenditures				
General government support	148,085	140,085	105,328	34,757
Home and community services	6,502,984	6,513,841	6,106,346	407,495
Employee benefits	711,215	711,215	524,802	186,413
Debt service (principal and interest)	<u>2,422,720</u>	<u>2,422,720</u>	<u>2,422,715</u>	<u>5</u>
Total Expenditures	<u>9,785,004</u>	<u>9,787,861</u>	<u>9,159,191</u>	<u>628,670</u>
Excess (Deficiency) of Revenues Over Expenditures				
Before Reserves	<u>\$ -</u>	<u>\$ (2,857)</u>	2,367,631	<u>\$ 2,430,488</u>
Fund Balance - January 1, 2010			<u>2,694,535</u>	
Fund Balance - December 31, 2010			<u>\$ 5,062,166</u>	

CITY OF SCHENECTADY, NEW YORK
SEWER FUND

**Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ -	\$ -	\$ 17,056	\$ 17,056
Departmental income	9,285,691	9,285,691	8,958,323	(327,368)
Use of money and property	96,386	96,386	107,014	10,628
Miscellaneous local sources	-	-	8,400	8,400
Interfund Revenue	<u>7,000</u>	<u>7,000</u>	-	<u>(7,000)</u>
Total Revenues	<u>9,389,077</u>	<u>9,389,077</u>	<u>9,090,793</u>	<u>(298,284)</u>
Appropriated Fund Balance	<u>410,681</u>	<u>423,571</u>	<u>-</u>	
Total Revenues and Appropriated Fund Balance	<u>9,799,758</u>	<u>9,812,648</u>	<u>9,090,793</u>	
Expenditures				
General government support	143,110	143,110	103,130	39,980
Home and community services	6,551,592	6,550,762	6,089,951	460,811
Employee benefits	577,701	591,421	534,318	57,103
Debt service (principal and interest)	<u>2,527,355</u>	<u>2,527,355</u>	<u>2,356,635</u>	<u>170,720</u>
Total Expenditures	<u>9,799,758</u>	<u>9,812,648</u>	<u>9,084,034</u>	<u>728,614</u>
Excess (Deficiency) of Revenues Over Expenditures Before Reserves	<u>\$ -</u>	<u>\$ -</u>	6,759	<u>\$ 430,330</u>
Fund Balance - January 1, 2009			<u>2,687,776</u>	
Fund Balance - December 31, 2009			<u>\$ 2,694,535</u>	

CITY OF SCHENECTADY, NEW YORK
RECREATION FUND

Regulatory Basis Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash - unrestricted	\$ 607,105	\$ 587,313
Cash - restricted	177,351	150,362
Total Assets	<u>\$ 784,456</u>	<u>\$ 737,675</u>
Liabilities		
Accounts payable	\$ 10,624	\$ 41,797
Accrued liabilities	-	2,145
Other liabilities	7,200	7,200
Total Liabilities	<u>17,824</u>	<u>51,142</u>
Fund Balance		
Reserved:		
Capital	45,956	-
Repairs	127,655	148,655
Bonded Debt	3,740	1,707
Unreserved:		
Undesignated	589,281	536,171
Total Fund Balance	<u>766,632</u>	<u>686,533</u>
Total Liabilities and Fund Balance	<u>\$ 784,456</u>	<u>\$ 737,675</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Departmental income	\$ 860,260	\$ 860,260	\$ 848,850	\$ (11,410)
Use of money and property	3,563	3,563	5,122	1,559
Total Revenues	<u>863,823</u>	<u>863,823</u>	<u>853,972</u>	<u>(9,851)</u>
Appropriated Fund Balance				
	<u>-</u>	<u>21,000</u>	<u>-</u>	
Total Revenues and Appropriated Fund Balance	<u>863,823</u>	<u>884,823</u>	<u>853,972</u>	
Expenditures				
General government support	10,208	10,208	7,370	2,838
Culture and recreation	758,222	763,362	666,348	97,014
Employee benefits	31,510	29,370	24,361	5,009
Debt service (principal and interest)	63,883	60,883	54,794	6,089
Total Expenditures	<u>863,823</u>	<u>863,823</u>	<u>752,873</u>	<u>110,950</u>
Other Financing Uses				
Interfund transfers	-	21,000	21,000	-
Total Expenditures and Other Financing Uses	<u>863,823</u>	<u>884,823</u>	<u>773,873</u>	<u>110,950</u>
Excess of Revenues Over Expenditures and Other Financing Uses				
	<u>\$ -</u>	<u>\$ -</u>	80,099	<u>\$ 101,099</u>
Fund Balance - January 1, 2010			<u>686,533</u>	
Fund Balance - December 31, 2010			<u>\$ 766,632</u>	

CITY OF SCHENECTADY, NEW YORK
RECREATION FUND

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2009

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Departmental income	\$ 810,357	\$ 810,357	\$ 867,358	\$ 57,001
Use of money and property	<u>6,500</u>	<u>6,500</u>	<u>4,065</u>	<u>(2,435)</u>
Total Revenues	816,857	816,857	871,423	<u>54,566</u>
Appropriated Fund Balance	<u>-</u>	<u>5,730</u>	<u>-</u>	
Total Revenues and Appropriated Fund Balance	<u>816,857</u>	<u>822,587</u>	<u>871,423</u>	
Expenditures				
General government support	9,722	7,275	7,274	1
Culture and recreation	730,410	727,088	644,817	82,271
Employee benefits	9,510	21,009	19,335	1,674
Debt service (principal and interest)	<u>67,215</u>	<u>67,215</u>	<u>56,823</u>	<u>10,392</u>
Total Expenditures	<u>816,857</u>	<u>822,587</u>	<u>728,249</u>	<u>94,338</u>
Other Financing Uses				
Interfund transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>816,857</u>	<u>822,587</u>	<u>728,249</u>	<u>94,338</u>
Excess of Revenues Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ -</u>	143,174	<u>\$ 148,904</u>
Fund Balance - January 1, 2009			<u>543,359</u>	
Fund Balance - December 31, 2009			<u>\$ 686,533</u>	

Regulatory Basis Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ <u>1</u>	\$ <u>-</u>
Total Assets	<u>1</u>	<u>-</u>
Fund Balance		
Unreserved:		
Undesignated	<u>1</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 1</u>	<u>\$ -</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ <u>-</u>	\$ <u>221,000</u>	<u>221,000</u>	<u>\$ -</u>
Total Revenues	<u>-</u>	<u>221,000</u>	<u>221,000</u>	<u>-</u>
Expenditures				
Transportation	<u>-</u>	<u>221,000</u>	<u>221,000</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>221,000</u>	<u>221,000</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - January 1, 2010			<u>1</u>	
Fund Balance - December 31, 2010			<u>\$ 1</u>	

**Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2009**

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ -	\$ 221,000	\$ 221,000	\$ -
Total Revenues	<u>-</u>	<u>221,000</u>	<u>221,000</u>	<u>-</u>
Expenditures				
Transportation	-	221,000	221,000	-
Total Expenditures	<u>-</u>	<u>221,000</u>	<u>221,000</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - January 1, 2009			<u>-</u>	
Fund Balance - December 31, 2009			<u>\$ -</u>	

CITY OF SCHENECTADY, NEW YORK
MISCELLANEOUS SPECIAL REVENUE

Regulatory Basis Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 11,014	\$ -
Total Assets	<u>\$ 11,014</u>	<u>\$ -</u>
Liabilities		
Accounts Payable	\$ 11,014	\$ -
Fund Balance		
Unreserved:		
Undesignated	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 11,014</u>	<u>\$ -</u>

Regulatory Basis Statements of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Real property tax	\$ 45,692	\$ 46,238
Total Revenues	<u>45,692</u>	<u>46,238</u>
Expenditures		
General government support	45,692	46,238
Total Expenditures	<u>45,692</u>	<u>46,238</u>
Excess of Revenues Over Expenditures	-	-
Fund Balance - January 1	<u>-</u>	<u>-</u>
Fund Balance - December 31	<u>\$ -</u>	<u>\$ -</u>

CITY OF SCHENECTADY, NEW YORK
SPECIAL GRANT FUND

Regulatory Basis Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 301,615	\$ 523,753
Other receivables	1,024,996	1,129,187
State and federal aid receivables	1,715,802	1,325,876
Miscellaneous current assets	3,429	5,522
Total Assets	<u>\$ 3,045,842</u>	<u>\$ 2,984,338</u>
Liabilities		
Accounts payable	\$ 637,407	\$ 718,674
Retainages payable	42,585	4,249
Due to other funds	1,021,509	534,158
Due to other governments	14,310	38,773
Deferred revenues	1,164,222	1,300,861
Total Liabilities	<u>2,880,033</u>	<u>2,596,715</u>
Fund Balance		
Reserved:		
Encumbrances	2,240,712	2,917,214
Unreserved:		
Undesignated (Deficit)	<u>(2,074,903)</u>	<u>(2,529,591)</u>
Total Fund Balance	<u>165,809</u>	<u>387,623</u>
Total Liabilities and Fund Balance	<u>\$ 3,045,842</u>	<u>\$ 2,984,338</u>

Regulatory Basis Statements of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Departmental income	\$ 1,009,912	\$ 1,470,297
Use of money and property	21	303
Miscellaneous local sources	235,551	16,496
State aid	3,089,991	414,948
Federal aid	6,253,623	4,613,952
Total Revenues	<u>10,589,098</u>	<u>6,515,996</u>
Expenditures		
Home and community services	<u>10,810,912</u>	<u>6,669,974</u>
Total Expenditures	<u>10,810,912</u>	<u>6,669,974</u>
Excess (Deficiency) of Revenues Over Expenditures	(221,814)	(153,978)
Fund Balance - January 1	<u>387,623</u>	<u>541,601</u>
Fund Balance - December 31	<u>\$ 165,809</u>	<u>\$ 387,623</u>

CITY OF SCHENECTADY, NEW YORK
CAPITAL PROJECTS FUND

Regulatory Basis Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 10,107,612	\$ 16,480,322
Other receivables	-	104,982
State and federal aid receivables	<u>2,182,444</u>	<u>456,033</u>
Total Assets	<u>\$ 12,290,056</u>	<u>\$ 17,041,337</u>
Liabilities		
Accounts payable	2,344,116	894,320
Retained percentages	997,875	891,938
Bond anticipation notes	54,580,593	42,595,000
Due to other funds	803,885	98,166
Deferred revenues	<u>-</u>	<u>2,325</u>
Total Liabilities	<u>58,726,469</u>	<u>44,481,749</u>
Fund Deficit		
Reserved:		
Encumbrances	3,913,351	11,268,112
Unreserved:		
Undesignated Deficit	<u>(50,349,764)</u>	<u>(38,708,524)</u>
Total Fund Deficit	<u>(46,436,413)</u>	<u>(27,440,412)</u>
Total Liabilities and Fund Deficit	<u>\$ 12,290,056</u>	<u>\$ 17,041,337</u>

Regulatory Basis Statements of Revenues, Expenditures and Changes in Fund Deficit
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Use of money and property	\$ 6,204	\$ 4,108
Miscellaneous local sources	571,483	803,178
State aid	1,060,428	923,076
Federal aid	<u>1,993,878</u>	<u>236,211</u>
Total Revenues	3,631,993	1,966,573
Other Financing Sources		
Interfund transfers	566,214	1,839,993
Proceeds from serial bond issuance	10,550,000	-
Notes redeemed from appropriations	550,000	265,000
Installment Purchase Debt	<u>2,516,714</u>	<u>208,000</u>
Total Revenues and Other Financing Sources	<u>17,814,921</u>	<u>4,279,566</u>
Expenditures		
General government support	15,179,784	14,631,237
Public safety	1,081,259	53,278
Transportation	3,145,991	3,599,928
Culture and recreation	140,006	447,446
Home and community services	6,553,668	4,094,006
Debt service (principal and interest)	<u>10,550,000</u>	<u>-</u>
Total Expenditures	36,650,708	22,825,895
Other Financing Uses		
Interfund transfers	<u>160,214</u>	<u>1,841,162</u>
Total Expenditures and Other Financing Uses	<u>36,810,922</u>	<u>24,667,057</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(18,996,001)	(20,387,491)
Fund Deficit - January 1	<u>(27,440,412)</u>	<u>(7,052,921)</u>
Fund Deficit - December 31	<u>\$ (46,436,413)</u>	<u>\$ (27,440,412)</u>

CITY OF SCHENECTADY, NEW YORK
TRUST AND AGENCY FUND

Regulatory Basis Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 535,124	\$ 647,864
Total Assets	<u>\$ 535,124</u>	<u>\$ 647,864</u>
Liabilities		
Agency liabilities	\$ 535,124	\$ 647,864
Total Liabilities	<u>\$ 535,124</u>	<u>\$ 647,864</u>

CITY OF SCHENECTADY, NEW YORK
NON-CURRENT GOVERNMENT LIABILITY ACCOUNT GROUP

Regulatory Basis Balance Sheets
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Provisions to be made in future budgets	\$ 52,797,153	\$ 55,016,797
Total Assets	<u>\$ 52,797,153</u>	<u>\$ 55,016,797</u>
Liabilities		
Installment purchase debt	\$ 5,229,077	\$ 3,319,562
Judgments and claims payable	7,398,164	6,425,258
Compensated absences	2,659,001	2,724,175
Due to retirement systems	856,162	1,107,190
Due to other governments	464,749	485,612
Bonds and capital notes payable	<u>36,190,000</u>	<u>40,955,000</u>
Total Liabilities	<u>\$ 52,797,153</u>	<u>\$ 55,016,797</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as discussed in Note 1G, the financial statements of the City of Schenectady, New York (the “City”) have been prepared in conformity with regulatory 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 differences 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’s Discussion and Analysis
- Capitalization of Infrastructure Assets

The effects on the financial statements taken as a whole 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.

Management has considered the costs and benefits of adopting GASB 34 and determined that auditing the financial statements utilizing another Comprehensive Basis of Accounting (regulatory basis) as opposed to GAAP makes fiscal sense for the City.

A. Financial Reporting Entity

The City of Schenectady was incorporated in 1789 and is governed by the City Charter, other general laws of the State of New York and various local laws and ordinances. The City Council, which is the legislative body responsible for the overall operation of the City, consists of the Mayor and seven council members. The Mayor serves as chief executive officer and the Commissioner of Finance and Administration serves as the chief fiscal officer of the City.

The City provides the following basic services: police and law enforcement, fire protection, maintenance of city streets, water and sewer utilities, parks and recreation programs, health services and refuse and garbage services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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 City 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.

As required by the New York State Office of the State Comptroller, the regulatory basis financial statements include the City of Schenectady as the primary government and its blended component units. The blended component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Blended component units have been included in the special revenue funds of the City.

Operational or financial responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

- Blended Component Units:

The City of Schenectady Community Development Agency (CDA), a legally separate entity, is governed by a board appointed by the City Council. The CDA is reported as if it were part of the City's operations because its sole activity is to administer federal funds received by the City for urban renewal. The CDA has been included in the City's special revenue funds since it was established.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. *Financial Reporting Entity (Continued)*

- Blended Component Units (Continued):

The Schenectady Urban Renewal Agency (SURA) is governed by a board that consists of the members of the City Council of the City of Schenectady and the Mayor of the City of Schenectady. The SURA was formed to undertake activities which benefit the City of Schenectady, and influence is assumed due to the composition of the board.

The Schenectady Housing Development Fund Corporation (SHDFC) provides down-payment loans to low and moderate income people to purchase homes within the City of Schenectady. The initial funding comes from the CDA. The board is comprised of the Mayor of the City of Schenectady and two Schenectady City Council members who then elect eight other members. The day-to-day operations are performed by City of Schenectady personnel.

The Schenectady Local Development Corporation (SLDC) was chartered for the purpose of furthering economic development in the City of Schenectady. The board is comprised of the Mayor and two Schenectady City Council members who then elect eight other members. The day-to-day operations are performed by City of Schenectady personnel.

These blended component units' financial statements were audited as of and for the year ended December 31, 2010 by other auditors whose reports expressed unqualified opinions.

B. *Basis of Presentation*

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 balance, revenues and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types and account groups are used:

1. Governmental Funds

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

General Fund - The general fund is the principal fund and includes all operations not required to be recorded in other funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

1. Governmental Funds (Continued)

Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds are:

Water Fund - used to account for water district operations.

Sewer Fund - used to account for sewer district operations.

Recreation Fund - used to account primarily for golf course operations and other similar rentals.

Downtown Schenectady Improvement Fund - used to account for the Downtown Schenectady Improvement Corporation (DSIC) working with the City to expand the functions of the DSIC to provide a broader focus on the revitalization of Downtown Schenectady.

Miscellaneous Special Revenue Fund - used to account for the Upper Union Street Revitalization Program.

Special Grant Fund - used to account for special federal, state or local grants that are legally restricted to expenditures for a specific grant purpose.

Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

2. Fiduciary Fund Types

Trust and Agency Group - Used to account for money and/or property received and held in the capacity of trustee, custodian or agent.

3. Account Group

Used to establish accounting control and accountability for general long-term debt. Account groups are not “funds.” They are concerned with measurement of financial position and not results of operations.

The Non-Current Government Liability Account Group is used to account for general obligation bonds and other forms of long-term debt not required to be recorded in other funds. The bonds are backed by the full faith and credit of the City and are supported by general revenues to be provided for in future budgets. Other obligations include: compensated absences, amounts due to employee retirement systems, claims and judgments, and capital leases to be provided for in future budgets. The account group does not constitute a fund as such but is a supplementary self-balancing group of accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the regulatory basis financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus. Measurement focus is the determination of what should be measured.

Modified Accrual Basis - All governmental funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter, within one year, to be used to pay liabilities of the current period with the exception of water and sewer rents, in which a sixty day collection period is utilized.

Material revenues that are accrued include state and federal aid and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made unless it has not been received within one year after the fiscal year has ended, with the exception of property taxes, water and sewer rents in which a sixty day collection period is utilized.

Expenditures are recorded when the fund liability is incurred except that:

- a. Principal and interest on indebtedness are recognized as an expenditure when due.
- b. Compensated absences, such as vacation and sick leave which vest or accumulate, are charged as an expenditure if anticipated to be paid with available current resources.
- c. Inventory is valued at cost utilizing the first-in, first-out method.
- d. Non-current government liabilities are recorded at the par value of the principal amount; no liability is recorded for interest payable to maturity.

D. Excluded from the Financial Reporting Entity

The following component units have been excluded from the regulatory basis of reporting because they are not required to be included.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Excluded from the Financial Reporting Entity (Continued)

a. Municipal Housing Authority (“MHA”)

The Housing Authority of the City of Schenectady (“MHA”) is organized under the laws of the State of New York by the City of Schenectady for the purpose of providing adequate housing for qualified low-income individuals. To accomplish this purpose, the City appoints a Governing Board for five-year staggered terms but the Board designates its own management. Additionally, the MHA has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (“HUD”) to be the administrator of the housing and housing related programs. The MHA is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The MHA is considered to be a component unit because five of the members are appointed by the Mayor of the City of Schenectady, and the MHA must receive City Council approval to expand their operations. Additionally, all assets and operations can revert to the City after 40 years, if the City Council chooses to take up operations.

The MHA is not considered a blended component unit and, therefore, not included in the reporting entity as the day-to-day operations are independent of City personnel. The MHA’s financial statements can be obtained from City Hall, Schenectady, New York 12305.

b. City of Schenectady Industrial Development Agency

The City of Schenectady Industrial Development Agency (“IDA”) was created during 1977 by the City Council of the City of Schenectady under the provisions of Chapter 783, Section 856.1-a of General Municipal Laws of New York State for the purpose of encouraging economic growth in the City of Schenectady. The IDA is a separate entity and operates independently of the City of Schenectady.

The IDA is not considered a blended component unit and, therefore, not included in the reporting entity as the day-to-day operations are independent of City personnel. The IDA’s financial statements can be obtained from City Hall, Schenectady, New York 12305.

The following organization is excluded from the reporting entity.

a. Schenectady City School District

The Schenectady City School District was created by State legislation which designates the school board as the governing authority. School board members are elected by the qualified voters of the District. The school board designates management and exercises complete responsibility for all fiscal matters. The City Council exercises no oversight over school district operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Taxes and Collections

City property taxes are levied annually on January 1st on real property in the City. The annual levy includes City and County taxes, water and sewer rents, and delinquent metered charges for water and sewer. The Schenectady City School District returns its delinquent taxes to the City for collection. The City assumes the responsibility of collection of all unpaid taxes.

F. Budgetary Data

1. Budget Policies - The budget policies are as follows:

- a. No later than October 1, the Mayor submits a tentative budget to the City Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds, except for the Special Grant Fund.
- b. After public hearings are conducted to obtain taxpayer comments, but no later than November 1st, the City Council adopts the budget.
- c. The Commissioner of Finance and Administration, with the approval of the Mayor, is authorized to transfer certain budgeted amounts within departments; however, all revisions that alter appropriations of any department or fund must be approved by the Mayor and City Council.
- d. Budgetary controls are established for the capital project fund through resolutions authorizing individual projects and a capital program budget which remains in effect for the life of the project.

2. Encumbrances

Encumbrances are reservations of fund balance for outstanding purchase commitments. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting

- a. Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years.
- b. Budgetary controls for the Special Grant Fund are established in accordance with applicable grant agreements which generally cover a period other than the City's fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Data (Continued)

3. Budget Basis of Accounting (Continued)

- c. Budgetary controls for the component units are established in accordance with internal policies and applicable grant agreements which may cover a period other than the City's fiscal year.

G. Departures from Regulatory Basis of Accounting

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 non-current governmental asset 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 .

In addition to providing pension benefits, the City also provides certain health care benefits for retired employees. Substantially all the City employees may become eligible for those benefits if they reach normal retirement age while working for the City.

Effective for the year ended December 31, 2007, Governmental Accounting Standards Board Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" ("GASB 45") requires the City to recognize the cost of other postemployment benefits ("OPEB") in the financial statements in the periods in which the exchange occurs rather than in the periods when the benefits are paid. GASB 45 requires the services of an actuary to calculate current OPEB costs and to amortize prior service costs over a period not to exceed thirty years. The expense recognized under this policy would be significantly larger than prior practice which recognized expense on a pay-as-you-go basis.

The City has evaluated the costs and benefits of adopting GASB 45 and determined that at this time the costs outweighs the benefit. Therefore, the City has continued to recognize OPEB costs on a pay-as-you-go basis, which is not in accordance with generally accepted accounting principles. The amount that would be recorded in the non-current governmental liability account group had GASB 45 been adopted in not known.

OPEB costs on a pay-as-you-go basis were approximately \$6.3 million for the years ended December 31, 2010 and 2009, for over 500 retirees.

H. Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. *Estimates (Continued)*

The significant estimates included in the regulatory basis financial statements include the estimated incurred but not recorded (“IBNR”) liability for workers’ compensation, health insurance and the realizable value of the taxes receivable. It is at least reasonably possible that the estimate of the effect on the regulatory basis financial statements of a condition, situation, or set of circumstances that existed at the date of the regulatory basis financial statements will change in the near term due to one or more future events.

I. *Self-Insurance, Risk Retention, Workers’ Compensation and Health Insurance Plans*

The City is self-insured for a portion of health insurance and all workers’ compensation. The portion of health insurance is determined by employee enrollment choice.

The City has retained a portion of the liability to cover losses under §207-C and §207-A of the Workers’ Compensation Law of police officers and firefighters. Employees are entitled to their full pay when out on leave. The City is required to cover any amount of losses not reimbursed by workers’ compensation.

Workers’ compensation claims are subject to approval by a Workers’ Compensation board. Approved claims are paid and charged to the appropriate fund.

The City maintains general liability insurance which carries a deductible of \$50,000 per claim.

The City pays health insurance on a cost-reimbursement basis. The plan allows for a 20% coinsurance by the employee/subscriber. Each fund is responsible for the claims incurred for their employees. In 2010, the City is self-insured up to \$75,000 per individual, and is commercially insured for claims exceeding \$75,000 up to \$925,000 per subscriber per year. Individual claims exceeding \$925,000 per subscriber per year are self-insured. The risk of future claims is retained by the City.

The City establishes workers compensation and health insurance claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculations because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Self-Insurance, Risk Retention, Workers' Compensation and Health Insurance Plans (Continued)

As discussed above, the City establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the City during the past two years:

	2010			2009		
	<u>Workers' Compensation</u>	<u>Health Insurance</u>	<u>Risk Retention</u>	<u>Workers' Compensation</u>	<u>Health Insurance</u>	<u>Risk Retention</u>
Unpaid Claims and Claims Adjustment Expenses at Beginning of Year	\$ 5,900,344	\$ 284,176	\$ 449,954	\$ 5,961,175	\$ 274,728	\$ 286,955
Provision for (Recoveries of) Incurred Claims Expenses for Events of the Current and Prior Years	3,363,622	4,275,864	62,186	1,113,721	3,768,101	258,911
Payments Made During the Current Year	<u>(2,066,414)</u>	<u>(4,241,380)</u>	<u>(62,186)</u>	<u>(1,174,552)</u>	<u>(3,758,653)</u>	<u>(95,910)</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$ 7,197,552</u>	<u>\$ 318,660</u>	<u>\$ 449,954</u>	<u>\$ 5,900,344</u>	<u>\$ 284,176</u>	<u>\$ 449,954</u>
Reflected as Follows:						
General Fund	\$ 1,799,388	\$ 318,660	\$ 449,954	\$ 1,475,086	\$ 284,176	\$ 449,954
Non-Current Government Liability Account Group	<u>5,398,164</u>	<u>-</u>	<u>-</u>	<u>4,425,258</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,197,552</u>	<u>\$ 318,660</u>	<u>\$ 449,954</u>	<u>\$ 5,900,344</u>	<u>\$ 284,176</u>	<u>\$ 449,954</u>

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. Deficit Fund Balances (Unreserved Fund Balance)

Capital Projects Fund

Capital projects had deficits totaling \$46,193,254 at December 31, 2010, which was caused by the temporary financing of project costs through the issuance of bond anticipation notes (BANs). This portion of the deficit will be offset when permanent financing is issued and/or BAN principal payments are budgeted and paid in the governmental fund(s) responsible for the debt.

Measures will have to be taken in ensuing years budgets to reduce the deficits, through the issuance of debt or transfers from other funds. The amount of the deficit attributed to letting contracts before the permanent financing is obtained is \$50,349,764.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Assets

Cash and Investments

The City's investment policies are governed by State statutes. The City's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The City 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 102 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.

At December 31, 2010, the book amount of the primary government's deposits (excluding \$6,900 in petty cash) was \$29,848,163 and the bank balances were \$31,499,335. The insured and collateral status of the year-end bank balances was as follows:

	<u>Amount</u>
Covered by federal deposit insurance	\$ 976,033
Covered by FDIC's Transaction Account Guarantee Program	408,752
Collateralized with securities held by a third party custodian for the benefit of the City, pursuant to a three-party custody agreement.	<u>31,200,397</u>
Total	<u><u>\$ 32,585,182</u></u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

A. Assets (Continued)

Cash and Investments (Continued)

For the year ended December 31, 2010, the SLDC may at times have had operating cash accounts held by banks in excess of federally insured limits. No amount was subject to credit risk at December 31, 2010. Their Board seeks to minimize any potential credit risk by carefully monitoring the strength of the financial institutions it uses. The book amount and bank balances were \$68,692.

For the year ended December 31, 2010, the SURA's book amount and bank balance was \$20,111.

For the year ended December 31, 2010, the SHDFC's book amount and bank balances were \$13,297.

B. Cash Restricted

Cash restricted consists of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<u>General Fund</u>		
Reserve for Debt	\$ 706,023	\$ 921,587
Miscellaneous Reserves	1,246,710	2,035,214
Reserve for Employee Benefits	4,488,876	5,988,876
Reserve for Repairs	77,000	112,942
Snow and Ice Removal	350,000	250,000
Tax Stabilization	6,148,693	6,720,000
Worker's Compensation	-	700,000
	<u>13,017,302</u>	<u>16,728,619</u>
<u>Water Fund</u>		
Reserve for Debt	140,675	119,865
Reserve for Capital	-	385,000
Reserve for Tax Stabilization	263,534	-
	<u>404,209</u>	<u>504,865</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

B. Cash Restricted (Continued)

	<u>2010</u>	<u>2009</u>
<u>Sewer Fund</u>		
Reserve for Capital	1,135,098	410,000
Reserve for Repairs	219,956	219,956
Reserve for Debt	<u>214,013</u>	<u>220,973</u>
	<u>1,569,067</u>	<u>850,929</u>
 <u>Recreation Fund</u>		
Reserve for Repairs	127,655	148,655
Reserve for Debt	3,740	1,707
Reserve for Capital	<u>45,956</u>	<u>-</u>
	<u>177,351</u>	<u>150,362</u>
Total Cash - Restricted	<u>\$ 15,167,929</u>	<u>\$ 18,234,775</u>

C. Property Taxes

The City tax levy may be paid in four equal installments due January 1st, April 1st, July 1st, and October 1st.

At December 31, 2010, the total real property tax asset of \$14,135,313 is reduced by an allowance for uncollectible taxes in the amount of \$10,793,859 resulting in net realizable taxes receivable of \$3,341,454.

At December 31, 2009, the total real property tax asset of \$11,056,947 is reduced by an allowance for uncollectible taxes in the amount of \$6,718,168 resulting in net realizable taxes receivable of \$4,338,779.

The above-mentioned net realized taxes receivable at December 31, 2010 and 2009 also includes the amount of taxes the City must collect on behalf of the Schenectady City School district.

During March 2010 and January 2009, the City sold a majority of its property tax liens to a third party, generating approximately \$ 3.7 and \$6.2 million, including interest, which is included in revenues for the years ended December 31, 2010 and 2009, respectively.

D. Other Receivables and Deferred Revenue

A majority of the other receivables and deferred revenue in the City's Special Grant Fund is comprised of the following loan activities at December 31, 2010 and 2009:

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

D. Other Receivables and Deferred Revenue (Continued)

Community Development Agency (a blended component unit)

The CDA is the recipient of Community Development Entitlement Grants to operate revolving loan funds. These funds are to be loaned to industry, not-for-profit organizations and individuals for the purpose of creating and retaining permanent jobs within the City or for rehabilitation of property. Loans outstanding at December 31, 2010 and 2009 require periodic payments of principal and interest, or interest only for loans that have not been fully drawn down. The principal loan balances at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Total Loans Outstanding	\$ 1,566,588	\$ 1,670,778
Less Allowance for Uncollectible Accounts	<u>(541,591)</u>	<u>(541,591)</u>
Net Loans Receivable	<u>\$ 1,024,997</u>	<u>\$ 1,129,187</u>

Deferred revenue represents the amount of the outstanding loans receivable that, when repaid, would become available for additional loans. When the loan payments are received, revenue is recognized to the extent of principal received. As funds are reloaned a corresponding expenditure is recorded. When a loan is written off as uncollectible, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

Schenectady Local Development Corporation (a blended component unit)

The SLDC is a subrecipient of federal funds received by the City through its Community Development Block Grant (CDBG). Draw down requests are made to the City as CDBG funds are needed to meet loan commitments and revenue is recognized when the draw down request is approved by the City.

Loans made are recorded as a receivable with a corresponding entry to deferred revenue. As loans are repaid, the principal is recognized as revenue, to be used for future economic development loans. As funds are reloaned, a corresponding expenditure is recorded. The amount of deferred revenue represents the amount of the outstanding loans receivable that are expected to be repaid and become available for additional loans. When a loan is written off as uncollectible, a corresponding decrease reduces the overall amount of funds available for future loans. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

In keeping with the SLDC's stated purposes, some of these loans may be made to start-up companies and/or established businesses experiencing cash flow problems. Accordingly, many of these loans are subject to a higher than normal risk of default. The SLDC obtains personal guarantees and, where possible, collateral to help reduce the risk of nonpayment.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

D. Other Receivables and Deferred Revenue (Continued)

Loans receivable consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Loans receivable, January 1	\$ 716,897	\$ 793,486
Add new loans made	152,566	100,000
Less principal payments received	(96,102)	(134,412)
Write-offs and adjustments	<u>(51,205)</u>	<u>(42,177)</u>
Total Loans Receivable, December 31	722,156	716,897
Less allowance for uncollectible accounts	<u>(119,236)</u>	<u>(74,227)</u>
Net Loans Receivable, December 31	<u>\$ 602,920</u>	<u>\$ 642,670</u>

Schenectady Housing Development Fund Corporation (a blended component unit)

The SHDFC is a subrecipient of federal funds received by the City through its Community Development Block Grant (CDBG). Draw down requests are made to the City as CDBG funds are needed to meet loans commitments, and revenue is recognized when received by the SHDFC.

Loans are recorded as a receivable with a corresponding entry to deferred revenue. As loans are repaid, the principal is recognized as revenue to be used for future housing loans. As funds are reloaned, a corresponding expenditure is recorded. Many of these loans are subject to a higher than normal risk of default.

Loans receivable consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Loans receivable, January 1	\$ 62,892	\$ 47,981
Add new loans made	25,351	33,225
Less principal payments received	27,542	(18,314)
Write-offs and adjustments	<u>-</u>	<u>-</u>
Loans Receivable, December 31	<u>\$ 60,701</u>	<u>\$ 62,892</u>

Other receivables in the general fund are comprised primarily of franchise, trash and code violation fees, while other receivables in the water and sewer funds are comprised primarily of rents and metered sales.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities

1. Pension Plans

Plan Description

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

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July, 1976 who contribute 3% of their salary until such time as they obtain ten years of service credit and employees who joined on or after January 1, 2010 who generally contribute 3% of their salary for their 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.

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

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

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

On July 30, 2004, Chapter 260 of the Laws of 2004 of the State of New York was enacted that allowed local employees to bond or amortize a portion of their retirement bill for up to 10 years. This 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, 2006 through 2007. The City of Schenectady elected to amortize \$2,278,289 of their total balance due over 10 years. During 2008, the outstanding balance due was paid in full by the City.

Change in Payment Due Date

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.

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

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
2010	\$ 1,505,142	\$ 3,780,652	\$ 5,285,794
2009	\$ 1,016,129	\$ 4,206,970	\$ 5,223,099
2008	\$ 1,143,366	\$ 3,492,666	\$ 4,636,032

The City's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Pursuant to the Chapter 260 of the Laws of 2002, the state legislature authorized local governments to make available retirement incentive programs. Additional retirement incentive programs were authorized in 2004 and 2007.

The costs of these programs are being billed and paid over ten years beginning December 15, 2002, 2004 and 2007, respectively and include interest at 8.75%.

The outstanding balances as of December 31, 2010 and 2009 for these liabilities were \$856,162 and \$1,107,190, respectively.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

2. Compensated Absences

Pursuant to contractual agreements, City employees are entitled to accrue sick, vacation and personal leave. The maximum accrual of these absences depends upon the contractual agreement each employee falls under. The City has eleven different agreements with its employees. All employees, except police and fire, who leave the employment of the City are entitled to be paid for unused vacation leave. Upon retirement, unused vacation and unused sick leave, at rates ranging from twenty-five to seventy-five percent, depending on the contract and hire date, is paid to the employee. Police and fire employees are not entitled to receive payouts of unused vacation and sick leave when they leave the employment of the City.

The expenditure is recorded at the time the benefit is paid or when anticipated to be paid with available current resources. Estimated vested vacation and sick leave and compensated absences accumulated by City employees have been recorded in the General Fund, for those amounts anticipated to be paid with available current resources, with the remainder recorded in the Non-Current Government Liability account group.

The City has accrued compensated absences for vacation, vesting sick leave and other compensated absences with similar characteristics in accordance with Governmental Accounting Standards Board (GASB) Pronouncement Number 16 - Accounting For Compensated Absences. In accordance with GASB No. 16, additional amounts for employees who are expected to attain vested status and the related fringe benefits have also been accrued.

3. Short-Term Debt

Liabilities for bond anticipation notes (BANs) are generally accounted for in the Capital Project Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date.

At December 31, 2010 and 2009, BANs outstanding of \$54,580,593 and \$42,595,000, respectively, are reflected in the Capital Projects Fund, are used to fund various improvements and have maturity dates of April - May 2010 and 2009 with interest from 1.03-1.50% and 2.28-2.50%, respectively.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

3. Short-Term Debt (Continued)

The following is a summary of changes in short-term debt for the year ended December 31, 2010 and 2009:

	<u>Payable at January 1, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Payable at December 31, 2010</u>
Bond anticipation notes	\$ <u>42,595,000</u>	\$ <u>54,580,593</u>	\$ <u>42,595,000</u>	\$ <u>54,580,593</u>

	<u>Payable at January 1, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Payable at December 31, 2009</u>
Bond anticipation notes	\$ <u>14,950,000</u>	\$ <u>42,595,000</u>	\$ <u>14,950,000</u>	\$ <u>42,595,000</u>

4. Long -Term Debt

At December 31, 2010 and 2009 the total outstanding serial bonds and capital notes indebtedness of the primary government aggregated \$36,190,000 and \$40,955,000, respectively. Of these amounts, \$15,416,290 and \$17,866,603 was subject to the constitutional debt limit at December 31, 2010 and 2009, respectively, representing approximately 9.9% and 12.4%, respectively, of the City's debt limit.

Serial Bonds - The local government, like most governmental units, borrows money in order to acquire land or equipment or construct buildings and improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of these capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Non-Current Government Liability Account Group. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long -Term Debt (Continued)

Other Long-Term Debt - In addition to the above long-term debt the City has the following noncurrent liabilities:

Installment Purchase Debt- Represents the future minimum lease payments on capital leases.

Judgments and Claims - Represents legal judgments and claims and tax certiorari proceedings that have been or will probably be settled against the City. See Note 4D and 4E.

Workers' Compensation and Health Insurance Claims - Represents the estimate of the City's share of incurred but not reported claim costs for the self-insured workers' compensation and health insurance obligations, net of the amounts recorded in the general fund. See Note 1J.

Compensated Absences - Represents the value of earned and unused portion of the liability for compensated absences.

Due to Employees' Retirement Systems - Represents amounts accrued primarily for early retirement incentives adopted by the City Council.

Capital Notes Payable - Represents the principal outstanding on proceeds of long-term loans.

Joint Venture - Represents the City's portion of the Kings Road bridge repair debt as more fully described in Note 5A.

Other Liability - Represents the estimated net present value of the liability to the Downtown Schenectady Improvement Corporation.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2010 and 2009:

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long -Term Debt (Continued)

	<u>Payable at</u> <u>January 1, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Other</u> <u>Increase</u> <u>(Decrease)</u>	<u>Payable at</u> <u>December 31, 2010</u>
Capital Notes Payable	\$ 1,070,000	\$ -	\$ 145,000	\$ -	\$ 925,000
Serial Bonds	39,885,000	10,550,000	15,170,000	-	35,265,000
Due to Employees'					
Retirement Systems	1,107,190	-	251,028	-	856,162
Compensated Absences	2,724,175	-	-	(65,174)	2,659,001
Installment Purchase Debt	3,319,562	2,516,714	607,199	-	5,229,077
Judgment and Claims					
Payable	6,425,258	-	-	972,906	7,398,164
Other Liability	485,612	-	-	(20,863)	464,749
Total	<u>\$ 55,016,797</u>	<u>\$ 13,066,714</u>	<u>\$ 16,173,227</u>	<u>\$ 886,869</u>	<u>\$ 52,797,153</u>

	<u>Payable at</u> <u>January 1, 2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Other</u> <u>Increase</u> <u>(Decrease)</u>	<u>Payable at</u> <u>December 31, 2009</u>
Capital Notes Payable	\$ 1,210,000	\$ -	\$ 140,000	\$ -	\$ 1,070,000
Serial Bonds	44,530,500	-	4,645,500	-	39,885,000
Due to Employees'					
Retirement Systems	1,345,391	-	238,201	-	1,107,190
Compensated Absences	2,555,310	-	-	168,865	2,724,175
Installment Purchase Debt	3,801,237	208,000	689,675	-	3,319,562
Workers' Compensation					
and Health Insurance Claims	4,470,881	-	-	1,954,377	6,425,258
Other Liability	505,295	-	-	(19,683)	485,612
Total	<u>\$ 58,418,614</u>	<u>\$ 208,000</u>	<u>\$ 5,713,376</u>	<u>\$ 2,103,559</u>	<u>\$ 55,016,797</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

<u>Payable From/ Description</u>	<u>Issued</u>	<u>Original Amounts</u>	<u>Interest Rate (%)</u>	<u>Final Maturity</u>	<u>Balance Outstanding 2010</u>	<u>Balance Outstanding 2009</u>
General Fund						
General Purpose	1996	\$ 5,722,650	5.25%-5.60%	2011	\$ 523,400	\$ 1,024,800
General Purpose	1997	6,178,500	5.25%-5.35%	2012	1,139,000	1,664,200
General Purpose	1998	4,574,380	4.9%-5.0%	2017	-	1,513,900
General Purpose	1999	3,182,000	4.70%-4.75%	2019	-	700,000
General Purpose	2000	1,407,000	5.25%-5.395%	2015	-	465,300
General Purpose	2001	4,282,200	4.00%-4.125%	2016	-	1,904,600
General Purpose	2002	4,184,925	4.00%-4.125%	2017	1,600,000	1,860,000
General Purpose	2007	4,973,643	3.29%-4.25%	2026	4,422,410	4,611,670
General Purpose	2008	3,985,323	4.00%-4.5%	2030	3,760,560	3,875,466
General Purpose	2010	3,768,600	2.00%-3.00%	2019	3,768,600	-
Water Fund						
Water Fund	1996	849,750	5.25%-5.60%	2011	79,600	155,200
Water Fund	1997	3,507,600	5.25%-5.35%	2012	645,600	943,300
Water Fund	1998	1,160,931	4.90%-5.0%	2017	-	394,600
Water Fund	1999	4,068,000	4.70%-4.75%	2019	-	2,197,000
Water Fund	2000	1,275,000	5.25%-5.375%	2015	-	577,300
Water Fund	2001	1,020,000	4.00%-4.125%	2016	-	509,600
Water Fund	2002	1,231,344	4.00%-4.125%	2017	650,000	730,000
Water Fund	2007	1,012,300	3.29%-4.25%	2026	900,100	938,630
Water Fund	2008	1,891,941	4.00%-4.25%	2030	1,785,240	1,839,789
Water Fund	2010	3,220,000	2.00%-3.00%	2019	3,220,000	-
Sewer Fund						
Sewer Fund	1996	923,600	5.25%-5.60%	2011	87,000	170,000
Sewer Fund	1997	843,900	5.25-5.35%	2012	155,400	227,500
Sewer Fund	1998	3,799,689	4.9%-5.0%	2017	-	1,315,500
Sewer Fund	1999	1,765,000	4.70%-4.75%	2019	-	953,000
Sewer Fund	2000	2,280,000	5.25%-5.375%	2015	-	1,032,400
Sewer Fund	2001	1,672,800	4.00%-4.125%	2016	-	835,800
Sewer Fund	2002	1,314,731	4.00%-4.125%	2017	670,000	750,000
Sewer Fund	2007	3,343,000	3.29%-4.25%	2026	2,972,490	3,099,700
Sewer Fund	2008	5,500,708	4.00%-4.5%	2030	5,190,480	5,349,078
Sewer Fund	2010	3,492,800	2.00%-3.00%	2019	3,492,800	-
Recreation Fund						
Golf Course	1998	410,000	4.9%-5.0%	2017	-	101,000
Golf Course	2002	153,000	4.9%-5.0%	2017	70,000	80,000
Golf Course	2008	67,528	4.00%-4.5%	2030	63,720	65,667
Golf Course	2010	68,600	2.00%-3.00%	2019	<u>68,600</u>	<u>-</u>
Total Serial Bonds					<u>\$ 35,265,000</u>	<u>\$ 39,885,000</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

The following is a schedule of capital notes payable at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
New York State Environmental Facilities Corporation, interest 3.40%-5.65%, maturing in 2016.	\$ 680,000	\$ 790,000
New York State Environmental Facilities Corporation, interest 3.60%-5.90%, maturing in 2016.	<u>245,000</u>	<u>280,000</u>
Total Capital Notes Payable	<u>\$ 925,000</u>	<u>\$ 1,070,000</u>

Serial bond and capital note maturities, and the related interest, are as follows:

	<u>Serial Bonds</u>	<u>Capital Notes</u>	<u>Interest</u>
2011	\$ 4,945,000	\$ 145,000	\$ 1,312,804
2012	4,255,000	150,000	948,831
2013	2,815,000	155,000	863,635
2014	2,705,000	155,000	801,931
2015	2,685,000	160,000	737,423
Thereafter	<u>17,860,000</u>	<u>160,000</u>	<u>4,880,025</u>
Total	<u>\$ 35,265,000</u>	<u>\$ 925,000</u>	<u>\$ 9,544,649</u>

Installment Purchase Debt

Minimum future lease payments are:

2011	\$	1,135,503
2012		1,097,680
2013		679,559
2014		605,028
2015		880,236
Thereafter		<u>1,610,081</u>
Total Payments		6,008,087
Less: amount representing interest		<u>(779,010)</u>
Total Minimum Lease Payments	\$	<u>5,229,077</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Due to Employees' Retirement Systems and Police and Fire Retirement Systems

The due to employees' retirement systems maturities are as follows:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 264,882	\$ 31,121
2012	279,844	16,159
2013	77,859	-
2014	77,859	-
2015	77,859	-
Thereafter	<u>77,859</u>	<u>-</u>
	<u>\$ 856,162</u>	<u>\$ 47,280</u>

5. Deferred Revenue

Deferred revenue at December 31, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
<u>General Fund</u>		
Real property taxes (See Note 3 C)	\$ -	\$ 192,126
Parking fees and unpaid municipal voucher billings	<u>377,166</u>	<u>214,230</u>
	<u>\$ 377,166</u>	<u>\$ 406,356</u>
<u>Water Fund</u>		
Water rents	<u>\$ 296,616</u>	<u>\$ 344,788</u>
<u>Sewer Fund</u>		
Sewer rents	<u>\$ 560,747</u>	<u>\$ 1,083,511</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

5. Deferred Revenue (Continued)

	<u>2010</u>	<u>2009</u>
<u>Special Grant Fund</u>		
Community Development Agency State Aid	20,922	20,922
Community Development Agency loans (see Note 1 A)	361,375	425,322
Community Development Agency Program Income	1,770	-
Schenectady Local Development Corporation loans (see Note 3 D)	602,920	642,670
Schenectady Housing Development Fund Corporation (see Note 3 D)	60,701	62,892
Miscellaneous Grant	116,214	131,204
Home Investment Partnership Program	320	301
Home Shop Program	-	17,550
Total	<u>\$ 1,164,222</u>	<u>\$ 1,300,861</u>
 <u>Capital Projects</u>		
Due from others	\$ -	\$ 2,325
Total	<u>\$ -</u>	<u>\$ 2,325</u>

F. Interfund Receivables

Interfund receivables and payables at December 31, 2010 and 2009 are as follows:

<u>Fund</u>	<u>2010</u>		<u>2009</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Receivables</u>	<u>Payables</u>
General	\$ 360,115	\$ -	\$ 632,324	\$ -
Special Grant	-	1,021,509	-	534,158
Capital Projects	-	803,885	-	98,166
Water Fund	1,465,279	-	-	-
Total	<u>\$ 1,825,394</u>	<u>\$ 1,825,394</u>	<u>\$ 632,324</u>	<u>\$ 632,324</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

G. Fund Equity Reserves

Reserve for Encumbrances

At December 31, 2010 and 2009 the reservations of fund balances for outstanding purchase commitments by fund are as follows:

	<u>2010</u>	<u>2009</u>
General Fund	\$ 93,584	\$ 203,257
Water Fund	-	1,457
Sewer Fund	3,200	10,857
Special Grant Fund	2,340,712	2,917,214
Capital Projects Fund	<u>3,965,874</u>	<u>11,268,112</u>
Total	<u>\$ 6,403,370</u>	<u>\$ 14,400,897</u>

Reserve for Repairs

Established pursuant to General Municipal Law, Article 62, Section 6-D, there may be paid into the reserve such amounts as are provided by budgetary appropriation or such revenues as are not required by law to be paid into any other fund or account. Monies in the reserve for repairs may be appropriated only for repairs of capital improvements or equipment, which repairs are of a type not recurring annually or at shorter intervals, or to certain other reserve funds pursuant to law. At December 31, 2010 and 2009 the balance of the reserve in the General Fund is \$77,000 and \$112,942, respectively. At December 31, 2010 and 2009 the balance in the Sewer Fund is \$219,956 and \$219,956, respectively. At December 31, 2010 and 2009 the balance in the Recreation Fund is \$127,655 and \$148,655, respectively.

Reserve for Retirement Contribution

Chapter 260 of the Laws of 2004 added a new section 6-r to the General Municipal Law authorizing most participating employers to establish a retirement contribution reserve for reserving funds for future payments of retirement contributions at December 31, 2004. The City has established a reserve representing twenty-five percent of its retirement systems invoice, due in 2008, which was originally budgeted for payment in December 2006. During 2006 the City increased this reserve to equal the remaining principal balance on the amounts the City borrowed to make the full payment to the New York State and Local Employees' Retirement System in February 2006. The remaining balance was paid off in 2008.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

G. Fund Equity Reserves (Continued)

Reserve for Employee Benefits

In accordance with General Municipal Law 6-p, the City has established a reserve for employee benefits. The purpose of this reserve is for the City to reserve the costs of benefits due an employee upon retirement or other termination of service. The City has established the reserve at approximately one hundred percent of the estimated current cost of providing one year's health insurance to City retirees and their departments, or \$4,488,876 and \$5,988,876 at December 31, 2010 and 2009, respectively.

Reserve for Debt

Pursuant to Local Finance Law, Section 165, the unused portion of proceeds of the sale of bonds or capital notes, and any interest earned, may be used only for the payment of principal and interest on such obligations. In addition, residual equity of closed capital projects funded by debt are transferred to the reserve in the fund servicing the debt. Monies in the reserve may be appropriated only for payment of interest and principal on debt. At December 31, 2010 and 2009, the balance of the reserve is as follows:

	<u>2010</u>	<u>2009</u>
General Fund	\$ 706,023	\$ 921,587
Water Fund	140,675	119,865
Sewer Fund	214,013	220,973
Recreation Fund	<u>3,740</u>	<u>1,707</u>
Total	<u>\$ 1,064,451</u>	<u>\$ 1,264,132</u>

Miscellaneous Reserves

Miscellaneous reserves in the General and Water Funds are comprised of a reserve for uninsured judgments and claims, unbudgeted salary and expenditure increases and reserve for building demolition. The reserves represents management's estimate of the potential cost to the City at December 31, 2010 and 2009.

The following is a breakdown of the miscellaneous reserve at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Uninsured Judgments and Claims	\$ 699,954	\$ 449,954
Restricted for Unbudgeted Salary Increases	351,047	1,484,760
Reserved for Demolition	95,709	100,500
Reserve for Unbudgeted Gas and Oil Price Increases	<u>100,000</u>	<u>-</u>
	<u>\$ 1,246,710</u>	<u>\$ 2,035,214</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

G. Fund Equity Reserves (Continued)

Reserve for Snow and Ice Removal

In accordance with General Municipal Law 6-f, the City has established a reserve for snow and ice removal and road repair. The purpose of this reserve is for the City to pay for the cost of removal of snow and ice from public thoroughfares and public places of the City and the cost of repairing and maintaining roadways to the extent that such damage was caused by removal of snow and ice. At December 31, 2010 and 2009 the balance of the reserve in the General Fund are \$350,000 and \$250,000, respectively.

Reserve for Capital

In accordance with General Municipal Law 6-c and 6-d, the City has established capital reserves. These reserves were established for the reconstruction of property and substantial repairs. At December 31, 2010 and 2009 the balance of the reserve in the Sewer Fund was \$1,135,098 and \$410,000, respectively. The balance in the Water Fund of \$385,000 at December 31, 2009 was liquidated in 2010. The balance of \$45,956 was established in the Recreation Fund at December 31, 2010.

Tax Stabilization Reserve

The City has established a tax stabilization reserve at December 31, 2010 and 2009 to offset anticipated revenue shortfalls budgeted in 2010 and 2011. In the General Fund the reserve at December 31, 2010 and 2009 is \$6,148,693 and \$6,720,000, respectively. In the Water Fund a tax stabilization reserve of \$263,524 was established at December 31, 2010.

Reserve for Workers' Compensation

The City self insures its workers' compensation and established a reserve of \$700,000 at December 31, 2009 to offset future claim payments in excess of budgeted amounts. The reserve was liquidated in 2010.

4. COMMITMENTS AND CONTINGENCIES

- A. The City has received several federal and state grants for special purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, would not be material.

- B. In 2004, the City of Schenectady entered into an agreement with Schenectady Metroplex Authority (Metroplex) for the sale of five parking lots and the Broadway Center Garage facility for \$1,000,000 with an option for the purchase of two additional parking lots for \$4. The options shall be for a term of ten years commencing on June 29, 2004.

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Metroplex agreed to assume the outstanding principal balance of the Broadway Garage serial bond amounting to \$4,645,000. In addition to assuming the debt, Metroplex has received the rights to any and all bonded debt service reserves which were \$900,487 at December 31, 2003.

As part of the sale agreement the City has agreed to pay the Downtown Schenectady Improvement Corporation the total sum of \$1,000,000 in annual installments of \$50,000 per year for a term of twenty years. The estimated net present value of the liability of \$464,749 and \$485,612, calculated using an assumed rate of interest of 6%, has been recorded in the non-current government liability account group at December 31, 2010 and 2009, respectively.

- C. The City entered into a 10-year contract effective January 1, 2002 with U.S. Filter Operations Services, Inc. (USFOS) (taken over by Veolia Water) to manage and operate the wastewater treatment, compost and related facilities, and to implement an advanced odor control program. All grounds, equipment and vehicles owned by the City or acquired by the City remain the property of the City. The City pays an annual fee to USFOS plus capital expenditures not included in the contract and repairs and maintenance in excess of an annual limit agreed to by the City and USFOS. The fee for 2010 is \$3,414,504 (\$3,440,536 in 2009). The fee is increased or decreased in succeeding years based on the consumer price index.

The contract provides for other fees and costs to be paid to the management company if certain circumstances are encountered.

- D. Tax review cases are pending against the City for reductions in the assessed value of property. The petitions are for taxes collected in 1991 through 2009. Management believes that the likelihood of reductions is probable. Provision for losses for cases settled after December 31, 2009, and the City's estimate of losses for cases unsettled to date of \$2,000,000, are included in the non-current government liability group of accounts in the judgments and claims payable line item.
- E. The City has been named defendant in various actions. A review of these actions with the City's Attorney indicates that the risk of loss to the City is probable for certain cases, reasonably possible for other cases or unable to assess risk of loss. The remaining cases are either fully covered by insurance or without substantial merit. Provision for losses for these cases that have a probable risk of loss and those that are reasonably possible for which a range of loss has been estimated is included in the miscellaneous reserves in the General Fund, at December 31, 2010.
- F. The City has entered into an agreement with the Downtown Schenectady Improvement Corporation (the "Corporation") to provide certain services to the Downtown Special Assessment District (the "District"). If unanticipated expenses are incurred by the Corporation as a result of performing the contracted services, the District would be required to pay the Corporation the additional amount. For the year ended December 31, 2010, no additional amount was owed.

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

G. The City of Schenectady has been notified by the New York State Department of Justice that the City Court does not meet certain facility standards. The City is unable to estimate the anticipated costs and potential funding available to bring the facility up to standards.

H. The City entered into a five year contract through 2007 with Northeast Turf & Irrigation for maintenance at the municipal golf course for a total amount of \$977,250. The City renewed this contract in March 2008 for another five years with Northeast Turf & Irrigation for a total amount of \$1,398,648. The future payments due under the contract, by calendar years, are as follows:

2011	\$	238,555
2012	\$	300,081
2013	\$	50,336

I. The City is the lead agency for a Consortium consisting of the City of Troy and the Town of Colonie and is responsible for the administration of the HOME Investment Partnership Program Grant (HOME) awarded to the Consortium by the U.S. Department of Housing and Urban Development. The City of Troy was not able to commit the funds as required by the grant. To prevent the loss of HOME Grant, the City acting in its fiduciary capacity on behalf of the Consortium, prudently and lawfully recaptured the sum of \$1,108,519 allocated to Troy for fiscal year 2004 and reallocated to the Town of Colonie and the City. For ten years commencing 2016, the City will pay the City of Troy \$100,000 each year from the City's HOME Grant.

5. JOINT VENTURES

The following activities are undertaken jointly with other municipalities. These activities are excluded from the financial statements of all participating municipalities. Separate financial statements are issued for such joint ventures.

A. Kings Road Bridge Repair

In June 1992, the City entered into an agreement with Schenectady County and the Town of Rotterdam for a joint project to repair the Kings Road Bridge. The cost of the project was \$395,000 and was funded as follows:

<u>Entity</u>	<u>Contribution</u>
Schenectady County	\$ 125,000
Town of Rotterdam	125,000
City of Schenectady	145,000

Bonds of \$465,000 were issued to fund the project, with interest at 5.15%, and then matured during 2008.

5. JOINT VENTURES (CONTINUED)

B. Intermunicipal Watershed Rules and Regulations Board

The City of Schenectady and the Towns of Niskayuna, Glenville, Rotterdam and the Village of Scotia, New York, jointly comprise the Intermunicipal Watershed Rules and Regulations Board. The venture operates under the terms of an agreement dated July 11, 1991. The agreement is for the period of five years with an option for renewal increments of five year periods. The first option for renewal was executed in 1996. Although no written extension has been negotiated since, the venture has been operating as if renewal options have been exercised. Significant provisions of the agreement are as follows:

1. The board of each municipality jointly act as the governing body for the joint venture.
2. The governing body has established a contribution formula to fund the costs of the Board. The initial formula for municipal contributions to the operating budget of the Board was based upon the total number of gallons pumped from the aquifer by each of the municipalities between 1980 and 1989. In subsequent years the allocation has been based on actual gallons used during that year. The fee based on the water used by the Town of Niskayuna was initially reported and paid for by the City of Schenectady and is included in the cost of the water purchased by the Town of Niskayuna from the City of Schenectady.

The following is an unaudited summary of financial information included in financial statements issued for the joint venture for the years ended November 1, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Total Assets	\$ 45,108	\$ 61,784
Total Liabilities	\$ 7,419	\$ 17,686
Joint Venture Equity	\$ 37,689	\$ 44,098
Total Revenues	\$ 3,010	\$ 1,463
Total Expenses	\$ 9,419	\$ 10,279

C. Great Flats Aquifer

In 1987 the City of Schenectady and the Town of Niskayuna entered into an agreement on the use of \$300,000 received from a developer as a settlement of a legal proceeding. The two parties agreed to use the proceeds for matters related to the Great Flats Aquifer and to require all expenditures of these funds and the related interest earned to be approved by the Chief Executive Officer of each municipality.

5. JOINT VENTURES (CONTINUED)

The following is an unaudited summary of financial information included in financial statements issued for the joint venture for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Total Assets	\$ 184,668	\$ 183,750
Joint Venture Equity	\$ 184,668	\$ 183,750
Total Revenues	\$ 918	\$ 497
Total Expenses	\$ -	\$ -

6. SALES TAX

The City entered into a sales tax agreement with the County of Schenectady which took effect December 1, 1999 and continued through November 1, 2008 wherein the County imposed a 3.5% county-wide sales tax to be allocated among the initial 3% and additional .5%, and distributed as follows:

3% Sales Tax Revenues Distribution

<u>Sales Tax Period</u>	<u>City</u>	<u>Towns as a Unit</u>
12/1/99 - 12/31/08	<u>\$ 11,000,000</u>	<u>\$ 7,772,064</u>

1/2% Sales Tax Revenues

The City does not participate in the first 30% of the additional 1/2%.

If in any of the sales tax periods, the County shall receive in excess of 60% of the total sales tax revenue collected for such period based upon a 3.5% tax rate only, then 100% of such excess shall be distributed proportionately among the City and the towns such that one-half of such excess shall be distributed on the basis of the respective populations of the City and the Towns determined in accordance with the latest Federal Census and the remaining one-half of such excess shall be distributed on the basis of the ratio which the full valuation of real property in the City and each Town bears to the aggregate full valuation of real property in the County of Schenectady.

The City has renegotiated the above agreement during December 2008 as follows:

3% Sales Tax Revenues Distribution

<u>Sales Tax Period</u>	<u>City</u>
1/11/09 - 12/31/12	<u>\$ 11,000,000</u>

6. SALES TAX (CONTINUED)

The agreement includes a base amount of \$11,000,000 plus an additional \$25,000 per year for the four year period above. The City agreed to give up all rights to sharing the excess sales tax revenue the county may generate as detailed in the agreement ending December 31, 2008.

7. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts deferred under the plan, all property rights and rights purchased with such amounts, and all income attributed to such amounts, property, or rights, are solely the property and rights of the employees. Therefore, the fair value of the plan assets and corresponding liability to employees is not reported in these general purpose financial statements.

8. SUBSEQUENT EVENTS

The City anticipates an additional BAN borrowing of \$9,490,000 in May 2011 for various capital projects and the refinancing of \$51,845,594 in existing BAN's through the issuance of long-term serial bonds (\$12,565,000) and BAN renewals (\$39,280,594). Management has evaluated subsequent events or transactions occurring through May 16, 2011 the date the financial statements were available to be issued.