

CITY OF ALBANY, NEW YORK



FINANCIAL STATEMENTS AND REPORTS REQUIRED UNDER THE UNIFORM GUIDANCE

December 31, 2017

CITY OF ALBANY, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Albany Parking Authority, the Albany Water Board, the Albany Industrial Development Agency, and certain other component units which collectively represent approximately 66% and 88%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 55 and other required supplementary information on pages 56 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018, on our consideration of the City of Albany, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Albany, New York's internal control over financial reporting and compliance.



Albany, New York
September 27, 2018

Management Discussion & Analysis

OVERVIEW

The Management Discussion and Analysis (MD&A) of the City of Albany, New York is an introduction to the major activities affecting the operation of the City and an overview and analysis of the City's financial statements for the calendar year that ended December 31, 2017. It also provides comparative analysis of the City's overall financial position and results of operations as compared to those reported in the City's financial statements for the calendar year ended December 31, 2016.

The information contained in this MD&A should be considered in conjunction with the information contained in the government-wide financial statements, the governmental funds financial statements, and footnotes to the governmental funds financial statements.

The City's financial statements are prepared using generally accepted accounting principles and are presented in a format prescribed by the Government Accounting Standards Board's (GASB) Statement No. 34 "State and Local Government Financial Statements and MD&A" and other related statements.

FINANCIAL STATEMENTS

In accordance with required reporting standards, the City's financial statements include 1) *government-wide* financial statements and 2) *governmental funds* financial statements.

Government-Wide Financial Statements

Statement of Net Position
Statement of Activities

The *Statement of Net Position* includes Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources of the City as a whole, with the difference between Assets plus Deferred Outflows of Resources and Liabilities plus Deferred Inflows of Resources reported as Net Position. The *Statement of Activities* presents financial information as to how the City's Net Position changed during the fiscal year, with all changes being reported as the underlying event occurs, regardless of the timing of cash flows. Over time, increases or decreases in the City's Net Position are one indicator of whether its financial position is deteriorating or strengthening. However, in contrast to commercial enterprises, the City has no goal of accumulating net position. The *Statement of Net Position* and the *Statement of Activities* delineate between the primary government (the City of Albany, plus the Albany Community Development Agency) and the City's component units¹. Component units are legally separate from the City, but because the City has some financial accountability for them, they are reported in the City's financial statements. Both statements utilize the accrual basis of accounting, the same accounting method used by most private-sector organizations.

Governmental Funds Financial Statements

Balance Sheet
Statement of Revenues, Expenditures and Changes in Fund Balances

The Governmental Funds Financial Statements consist of a *Balance Sheet*, and a *Statement of Revenues, Expenditures and Changes in Fund Balances*. The *Balance Sheet* includes short-term assets such as cash, and short-term liabilities such as accounts payable, but it does not include long-term liabilities such as bonds payable, or capital assets, such as land and buildings. The Statement of Revenues, Expenditures and Changes in Fund Balances report only those revenues and expenditures that were collected in cash or paid with cash during the current period or shortly after the end of the year. The Fund Financial Statements provide financial information about the most significant funds of the City. Governmental Funds focus on near-term inflows, outflows, and resources still available at the end of the fiscal year. This measurement focus is known as the modified accrual basis of accounting.

¹ The component units consist of the Albany Water Board and Municipal Water Finance Authority, the Albany Parking Authority, the Albany Industrial Development Agency, the Albany Port Commission, the three Business Improvement Districts and the City of Albany Capital Resource Corporation. Financial information from these entities, excluding one of the Business Improvement Districts, has been reported in the City's financial statements. The fiduciary funds consist of the City Trust and the payroll accounts. Copies of the complete financial reports for the component units can be obtained by contacting the Treasurer's office of the City of Albany.

Reconciliation of Government-wide Financial Statements with Governmental Funds Financial Statements

Many financial transactions are treated differently on the governmental funds financial statements and the government-wide financial statements. The basic financial statements contain a reconciliation of these items and a full explanation of these differences is contained in Note 2 of the Notes to Financial Statements.

Reconciliation of Balance Sheet with Statement of Net Position

Balances and activities accounted for in the *Balance Sheet* (governmental funds financial statements) and those accounted for in the *Statement of Net Position* (government-wide financial statements) are substantially different because the measurement focus differs between the two statements. For example, long-term liabilities, including bonds payable, vacation, sick time, pending and estimated judgments, and claims are included in the *Statement of Net Position*, but not included in the *Balance Sheet* because they are paid over many years and not with currently available funds.

Net capital assets (fixed assets and infrastructure, minus accumulated depreciation) are reflected in the *Statement of Net Position*, but are not reported on the *Balance Sheet*. Long-term liabilities, such as bonds and loans payable, accrued post-employment benefit obligation, and other long-term liabilities, are not reported as liabilities on the Balance Sheet but are reflected in the Statement of Net Position.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances with Statement of Activities

The *Revenues, Expenditures, and Fund Balances* reported in the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* differ from those reported on the *Statement of Activities* (government-wide financial statements) in several respects:

- Capital outlays are shown as expenditures on the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. However, only the depreciation expense of capital assets is reported on the *Statement of Activities*.
- Vacation expenses, employee retirement benefits, and judgments and claims are expensed as they are paid on the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. However, the *Statement of Activities* shows those expenses incurred during the reporting period. Long-term debt principal paid is reported as an expenditure on the *Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*, but is not reported as an expenditure on the *Statement of Activities*. Rather, principal paid is reported as a reduction of the bonds and loans payable liability in the *Statement of Net Position*. Long-term debt interest is reported as an expenditure when the interest is paid on the *Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. Interest expense reported in the *Statement of Activities* is the interest expense incurred during the year, irrespective of when the interest is paid.

OVERVIEW OF THE CITY'S FINANCIAL POSITION

City of Albany Highlights

The General Fund revenues for 2017 totaled \$170.4 million and were under the final budget by \$5.0 million. The General Fund expenses totaled \$169.4 million and were \$6.0 million lower than the final budget. While the 2017 City budget did not anticipate a change in the fund balance, the fund balance actually decreased \$2.2 million for the year. The \$1.0 million excess of revenues over expenses is subtracted from other financing uses of \$3.2 million which resulted in the fund balance ending the year at \$10.9 million. The unassigned fund balance was at a \$5.1 million surplus by year end.

Government-Wide Financial Statements

Statement of Net Position

Primary government total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$18.6 million. This resulted in a decrease of net position of approximately \$13.8 million from 2016. Most of this decrease is related to the reporting requirements related to net pension liability (net impact of \$7.8 million) and the accrued post employment benefit obligation (increased by \$12.2 million).

Total assets (\$309.8 million) increased from 2016 by \$9.0 million. The primary areas that increased are cash and cash equivalents (increased by \$3.2 million), due from other governments (increased by \$2.9 million), accounts receivable, net (increased by \$0.7 million), mortgage loans receivable (increased by \$0.5 million) and due from component units (increased by \$2.1 million). The area that decreased is prepaid and other assets (decreased by \$0.4 million). The increase in cash and cash equivalents was primarily related to the delay in payment of funds due to other governments. The increase in due from other governments is related to funds due from the federal and state for capital projects and public safety programs. The increase in accounts receivable, net is related to moneys due to the City for police security details and building demolition expenses. The increase in mortgage loans receivable is the result of the Albany Community Development Agency extending loans for residential home improvements. The increase in due from component units is related to an increase in the receivable from the Albany Water Board for operating expenses paid by the City.

Total liabilities (\$359.6 million) decreased by \$7.4 million from 2016. The primary liabilities which decreased were accrued interest payable (decreased by \$0.7 million), bonds and loans payable (decreased by \$15.9 million), net pension liability (decreased by \$20.1 million) and judgments and claims (decreased by \$2.0 million). The primary liabilities which increased were accounts payable and accrued interest (increased by \$1.7 million), unearned revenue (increased by \$0.9 million), due to other governments (increased by \$7.3 million), bond and revenue anticipation notes payable (increased by \$5.7 million), accrued post employment benefit obligation (increased by \$12.2 million) and compensated absences (increased by \$2.8 million).

The decrease in accrued interest payable is the result of paying off outstanding interest on debt. Bonds and loans payable decreased as a result of paying off outstanding principal on debt. Net pension liability decreased as a result of a decrease in the City's proportionate share of the net pension liability. Judgments and claims decreased as a result of a paying off and settling older worker's compensation claims by the City's third party worker's compensation administrator. Accounts payable and accrued interest increased from receiving and not paying a larger volume of vendor invoices before year end. Unearned revenue increased from the Albany Community Development Agency from recording a larger volume of loans as deferred revenue. Due to other governments increased as a result the City making PILOT payments to the City School District and to the County of Albany after the end of 2017. Bond and revenue anticipation notes increased from issuing additional bond anticipation notes for capital projects. Compensated absences increased primarily as a result of police department and fire department salary increases.

The City of Albany's large Post-Employment Benefit Projected Actuarial Accrued liability (\$399.4 million) is driven by the health care plan which has traditionally been extended to retirees. The post-employment benefit obligation recognized in the Statement of Net Position is almost \$97.2 million.

Deferred outflows of resources decreased by \$29.5 million from 2016, deferred inflows of resources increased by \$0.7 million and net pension liability decreased by \$20.1 million mainly as a result of changes to the City's proportionate share of the New York State and Local Retirement System based on an actuarial valuation.

Of the net position, \$156.0 million is net invested in capital assets, and \$1.3 million is restricted for program specific activities and for debt service, leaving a deficit balance in unrestricted net position of \$175.9 million – an increase from 2016 of \$29.5 million. The total net position decreased by \$13.8 million. Most of this decrease is related to the reporting requirements related to net pension liability (net impact of \$7.8 million) and the accrued post employment benefit obligation (increased by \$12.2 million).

Total capital assets including property and equipment after depreciation are valued at \$215.0 million, with increases of approximately \$16.6 million of additions to capital assets. Approximately \$41.9 million of capital assets are not subject to depreciation, including approximately \$5.0 million of land, and \$36.9 million of construction in progress which is related to the City's landfill expansion project and state and federally funded transportation projects. A more detailed description of capital assets is found in Footnote 7.

Governmental Activities - Primary Government
Net Position at December 31, 2017
(in Millions)

	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>
Total assets	\$ 309.8	\$ 300.8	\$ 9.0
Total deferred outflows of resources	44.8	74.3	(29.5)
Total liabilities	359.6	367.0	(7.4)
Total deferred inflows of resources	<u>13.6</u>	<u>12.9</u>	<u>0.7</u>
Excess (deficiency) of assets and deferred outflows of resources over liabilities and deferred inflows of resources	<u>(18.6)</u>	<u>(4.8)</u>	<u>(13.8)</u>
Net invested in capital assets	156.0	140.0	16.0
Restricted for debt service and program activities	1.3	1.6	(0.3)
Unrestricted (deficiency)	<u>(175.9)</u>	<u>(146.4)</u>	<u>(29.5)</u>
Total Net Position (deficiency)	<u>\$ (18.6)</u>	<u>\$ (4.8)</u>	<u>\$ (13.8)</u>

Component Units

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$106.5 million – an increase of \$11.8 million from 2016. Total assets and deferred outflows of resources (\$184.3 million) increased by \$22.3 million. Net invested in capital assets increased by \$13.7 million.

Total liabilities and deferred inflows of resources (\$77.8 million) increased by \$10.5 million. Bonds and notes payable increased \$9.8 million.

Total net position increased \$11.8 million from 2016 to 2017 due mostly to a significant increase in net position of the Water Board/Authority and the Albany Port District Commission primarily related to an increase in cash and cash equivalents, restricted, investments, accounts receivable and net invested in capital assets.

Governmental Activities - Component Units
Net Assets at December 31, 2017
(in Millions)

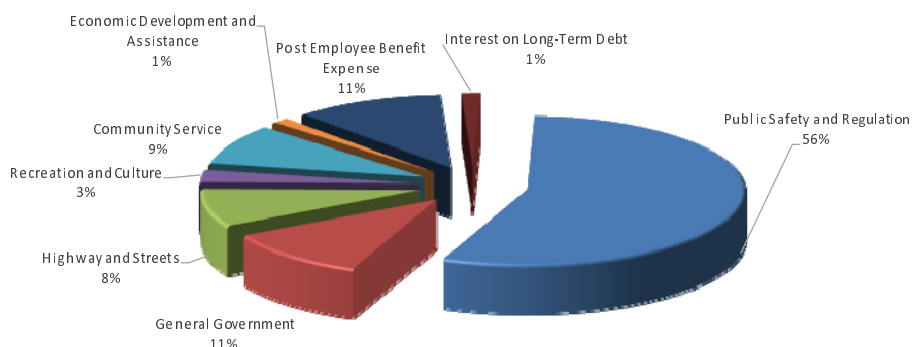
	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>
Total assets and deferred outflows of resources	\$ 184.3	\$ 162.0	\$ 22.3
Total liabilities and deferred inflows of resources	<u>77.8</u>	<u>67.3</u>	<u>10.5</u>
Excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources	106.5	94.7	11.8
Net invested in capital assets	64.5	50.8	13.7
Restricted for debt service and program activities	1.3	1.2	0.1
Unrestricted	<u>40.7</u>	<u>42.7</u>	<u>(2.0)</u>
Total Net Position	<u>\$ 106.5</u>	<u>\$ 94.7</u>	<u>\$ 11.8</u>

Statement of Activities

The *Statement of Activities*: The Statement of Activities describes the cost of the major governmental functions and compares the costs of these functions with revenue attributable to these activities.

Governmental Activities - Expenses (in Millions)				
Governmental Functions	2017	2016	Increase/ (Decrease)	% of Change
Public Safety and Regulation	\$ 110.8	\$ 101.4	\$ 9.4	9%
General Government	21.5	28.7	(7.2)	-25%
Highway and Streets	16.4	14.5	1.9	13%
Recreation and Culture	5.4	5.0	0.4	8%
Community Service	17.6	15.6	2.0	13%
Economic Development and Assistance	2.4	2.6	(0.2)	-8%
Post Employee Benefit Expense	22.2	22.0	0.2	1%
Interest on Long-Term Debt	2.8	2.5	0.3	12%
Total	\$ 199.1	\$ 192.3	\$ 6.8	4%

Functional Expenses – Primary Government



Public Safety accounts for 56 percent of expenses, while General Government is at 11 percent and Community Services accounts for 9 percent. Post-Employment Benefits, which consist of retiree health care costs as well as the accrued liability for health care costs for active employees upon retirement, accounts for 11 percent of expenses.

Expenses increased from 2016 by \$6.8 million.

Public Safety and Regulation expenses of \$110.8 million increased by \$9.4 million and are offset by \$15.4 million in charges for services and operating grants SAFER grant, police court security, urban security, truancy, and motor vehicle theft prevention programs. General Government expenses of \$21.5 million decreased by \$7.2 million and are offset by \$2.8 million in charges for services most of which came from permit, license and inspection fees. General Government expenses are also offset by \$12.6 million most of this is the result of the first Capital City Funding revenue received from the State of New York. Highway and Streets expenses of \$16.4 million increased by \$1.9 million are offset \$1.9 million in charges for services and \$5.3 million in capital grants and contributions. Post-Employment benefit expenses \$22.2 million increased by \$0.2 million. Community Service expenses of \$17.6 million increased by \$2.0 million and are offset by \$3.4 million in grants related to the Albany Community Development Agency and \$8.1 million in charges for services, the largest part of which is revenue generated from private companies and other localities who use the city-owned regional landfill. Interest on long-term debt \$2.8 million increased by \$0.3 million. Some of this increase is related to refinancing of prior debt.

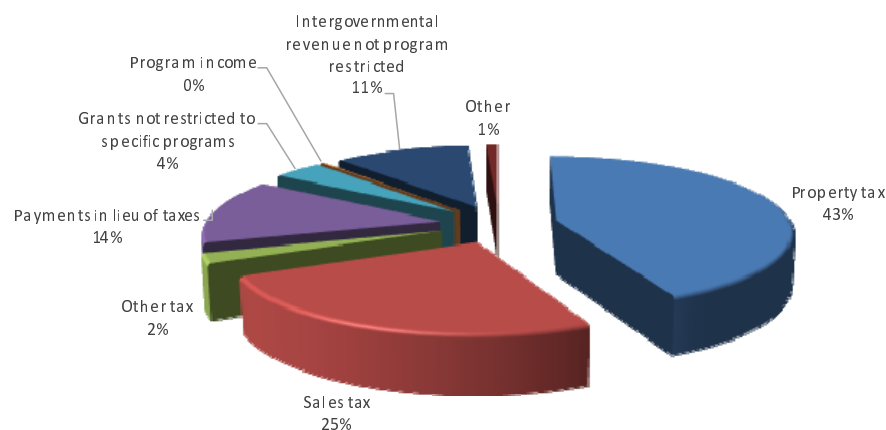
Revenues decreased from 2016 by \$14.9 million.

Total general revenues (\$132.9 million) decreased by \$14.9 million. Payments in lieu of taxes (\$18.5 million) decreased by \$14.0 million primarily from a one-time increase in 2016 to the 19a payment from the State of New York. The decrease in 19a funds resulted in most of the year to year decrease in total revenue. Program income (\$0.2 million) also decreased by \$4.1 million. Most of the other revenue categories increased from 2016. Property taxes (\$57.4 million) increased by \$1.1 million, sales tax revenue (\$33.3 million) increased by \$0.2 million. Grants not restricted to specific programs (\$5.2 million) increased by \$0.7 million. Other revenue (\$1.2 million) increased by \$1.0 million.

Governmental Activities - General Revenues <i>(in Millions)</i>				
<u>Revenues</u>	<u>2017</u>	<u>2016</u>	<u>Increase/ (Decrease)</u>	<u>% of Change</u>
Property tax	\$ 57.4	\$ 56.3	\$ 1.1	2%
Sales tax	33.3	33.2	0.2	1%
Other tax	2.8	2.8	0.1	3%
Payments in lieu of taxes	18.5	32.4	(14.0)	-43%
Grants not restricted to specific programs	5.2	4.5	0.7	16%
Program income	0.2	4.3	(4.1)	-95%
Intergovernmental revenue not program restricted	14.2	14.1	0.1	1%
Other	1.2	0.2	1.0	500%
Total General Revenues	<u>\$ 132.9</u>	<u>\$ 147.8</u>	<u>\$ (14.9)</u>	<u>-10%</u>

The following chart indicates the relative percentages of general revenues:

Governmental Activities – General Revenues



Component Units

Revenues of the Component Units totaled \$48.2 million, which is a decrease of \$2.5 million from 2016. The overall expenses of the Component Units totaled \$42.5 million - an increase of \$1.4 million. The Water Board/Water Authority accounts for the majority of the overall revenues and expenses among the component units. The following is a summary of the relative revenues and expenses of the component units, which excludes the Albany Community Development Agency because it is a blended component unit and is therefore included with the Primary Government in the *Statement of Activities*. The Capitalize Albany Corporation conducted a component unit status review and it was determined it is no longer a component unit of the City effective January 1, 2015.

The following table indicates the relative value of revenues for the component units:

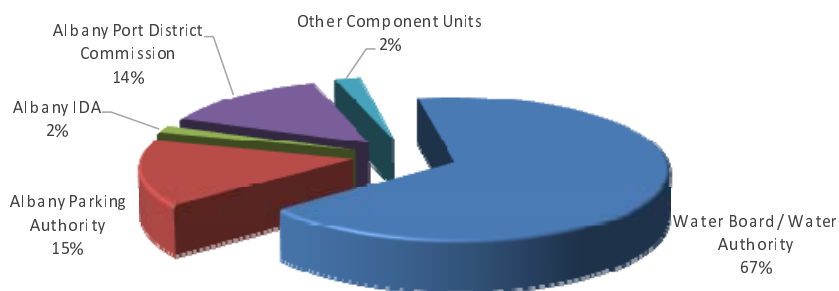
Component Units - Revenues <i>(in Millions)</i>				
Component Units	2017	2016	Increase / (Decrease)	% of Change
Water Board / Water Authority	\$ 33.1	\$ 37.4	\$ (4.3)	-11%
Albany Parking Authority	7.6	7.3	0.3	4%
Albany IDA	0.7	0.2	0.5	250%
Albany Port District Commission	5.7	5.0	0.7	14%
Other Component Units	1.1	0.8	0.3	38%
Total	\$ 48.2	\$ 50.7	\$ (2.5)	-5%

The following table indicates the relative value of expenses (including depreciation) for the component units:

Component Units - Expenses <i>(in Millions)</i>				
Component Units	2017	2016	Increase / (Decrease)	% of Change
Water Board / Water Authority	\$ 28.6	\$ 27.3	\$ 1.3	5%
Albany Parking Authority	6.3	5.8	0.5	9%
Albany IDA	0.7	0.7	-	0%
Albany Port District Commission	6.0	6.0	-	0%
Other Component Units	0.9	1.3	(0.4)	-31%
Total	\$ 42.5	\$ 41.1	\$ 1.4	3%

The following chart indicates the relative percentage of expenses (including depreciation) for the Component units.

**Component Units –
2017 Expenses**



Governmental Funds Financial Statements

Governmental Funds Balance Sheet

Assets increased by \$12.1 million with the largest increase (\$3.2 million) in cash and cash equivalents as a result of a delay in payment of PILOT money due to the City School District and the County which was not paid until early in 2018. Overall there were many large variances year over year which resulted in an increase in the total assets. These variances were explained previously in the Statement of Net Position.

Total liabilities and deferred inflows of resources increased by \$20.9 million due mostly to an increase of \$5.7 million in bond and revenue anticipation notes payable from issuing additional bond anticipation notes for capital projects. Accounts payable and accrued expenses increased \$1.7 million from a higher volume of invoices received by year end. Due to other governments increased \$7.3 million as a result of timing differences in paying PILOTs to the City School District and the County after the end of 2017.

The City's fund balance is classified as: non-spendable, restricted, committed, assigned and unassigned. The City's General Fund Balance at year-end was \$10.9 million. The non-spendable portion consists of \$3.4 million in prepayments, primarily to the state retirement plan. The restricted fund balance includes \$0.8 million for debt service, \$0.9 million for landfill post closure expenses and \$0.4 million for the solid waste management facility. There is no assigned fund balance to be appropriated to the 2018 budget. The unassigned general fund balance totals a surplus of \$5.3 million.

Governmental Funds - Balance Sheet

	2017	2016	Increase / (Decrease)
Total assets and deferred outflows of resources	\$ 106.1	\$ 94.0	\$ 12.1
Total liabilities and deferred inflows of resources	111.1	90.2	20.9
Total fund balance (deficiency)	\$ (5.0)	\$ 3.8	\$ (8.8)

Combined Statement of Revenue and Expenditures -- Budget to Actual

CITY OF ALBANY, NEW YORK								
COMBINED STATEMENT OF REVENUES, EXPENDITURES, MODIFIED BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS (in Millions)								
	General Fund				Special Revenue Fund			
	Original Budget	Modified Budget	Actual	Actual Over/ (Under) Final Budget	Original Budget	Modified Budget	Actual	Actual Over/ (Under) Final Budget
REVENUES								
Real property taxes	\$ 57.7	\$ 57.7	\$ 57.4	\$ (0.3)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Sales and use taxes	34.1	34.1	33.3	(0.8)	0.0	0.0	0.0	0.0
Other taxes	3.0	3.0	2.8	(0.2)	0.0	0.0	0.0	0.0
Payments in lieu of taxes	20.4	20.4	18.5	(1.9)	0.0	0.0	0.0	0.0
Intergovernmental revenue	33.4	34.3	33.2	(1.1)	2.6	2.6	2.1	(0.5)
Charges for services	12.9	12.9	12.2	(0.7)	0.0	0.0	0.0	0.0
Fines, interest and penalties	5.2	5.2	4.7	(0.5)	0.0	0.0	0.0	0.0
Use of money and properties	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Licenses and permits	3.5	5.2	5.0	(0.2)	0.0	0.0	0.0	0.0
Other revenues	2.2	2.4	3.1	0.7	0.0	0.0	0.0	0.0
Total revenues	172.5	175.4	170.4	(5.0)	2.6	2.6	2.1	(0.5)
EXPENDITURES								
Public safety and regulation	92.7	96.7	97.1	0.4	0.0	0.0	0.0	0.0
General government	22.2	21.3	18.9	(2.4)	0.0	0.0	0.0	0.0
Highways and streets	8.7	8.7	8.7	(0.0)	0.0	0.0	0.0	0.0
Recreation and culture	4.2	4.2	4.2	(0.0)	0.0	0.0	0.0	0.0
Community service	7.0	7.1	6.6	(0.5)	0.0	0.0	0.0	0.0
Economic development and assistance	0.0	0.0	0.0	0.0	2.6	2.6	2.1	(0.5)
Employee benefits	15.9	15.6	15.4	(0.2)	0.0	0.0	0.0	0.0
Debt service	21.8	21.8	18.5	(3.3)	0.0	0.0	0.0	0.0
Total expenditures	172.5	175.4	169.4	(6.0)	2.6	2.6	2.1	(0.5)
Excess (deficiency) of revenues and appropriated fund balance over expenditures	(0.0)	0.0	1.0	1.0	0.0	0.0	(0.0)	(0.0)
OTHER FINANCING SOURCES (USES)								
Transfers	0.0	0.0	(3.2)	(3.2)	0.0	0.0	0.0	0.0
Total other financing sources (uses)	0.0	0.0	(3.2)	(3.2)	0.0	0.0	0.0	0.0
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	\$ (0.0)	\$ 0.0	\$ (2.2)	\$ (2.2)	\$ 0.0	\$ 0.0	\$ (0.0)	\$ (0.0)

The City's budget, which is effective on January 1st, is proposed by the Mayor prior to October 1st and is enacted by the Common Council by November 30th. This is the *Original Budget*. Changes to the budget throughout the year are made by the Board of Estimate and Apportionment, composed of the Mayor, the Treasurer, the Chief City Auditor, the President of the Common Council, and the Corporation Counsel. This is the *Modified Budget*. *Actual* reflects the operational results, including any audit adjustments. In this analysis actual is compared to final budget.

Revenues

General Fund revenues (excluding other financing sources) totaled \$170.4 million, which were \$5.0 million less than the final adopted budget and \$1.7 million less than 2016. The most significant variances in revenue include the following:

Real property taxes were under budget by \$0.3 million which is the result of paying more in Supreme Court Orders. The total revenue was \$1.1 million higher than 2016 as a result of the expansion of the tax base.

Sales and use taxes revenue was \$0.8 million under budget however it was \$0.1 million higher than 2016, which reflects some improvement in county-wide economic activity.

Other taxes were \$0.2 million under budget. Other tax revenue ended the year the same as 2016. This category includes penalties on property taxes, utility gross receipts taxes and franchise fees.

Payments in lieu of taxes finished the year lower than budget by \$1.9 million and \$13.9 million less than 2016. The decrease in revenue is the result of the State of New York paying the City an additional one-time payment of \$12.5 million in 19a funds last year. This category was below budget as a result of not receiving payments from some voluntary PILOTS.

Intergovernmental revenue was \$1.1 million lower than budget but was \$13.4 million more than 2016. The increase is primarily from receiving \$12.5 million in a first time payment of Capital City Funding from the State of New York in 2017.

Charges for services were \$0.7 million below budget and \$3.8 million less than 2016. Most of this decrease is related to lower landfill revenues which were anticipated in the budget.

Fines, interest and penalties ended the year \$0.5 million under budget. Most of this is related to traffic violation fines that were lower by \$0.3 million.

Use of money and properties was even with the budget but ended the year \$0.1 higher than 2016. Vehicle and equipment auction proceeds and interest income increased slightly.

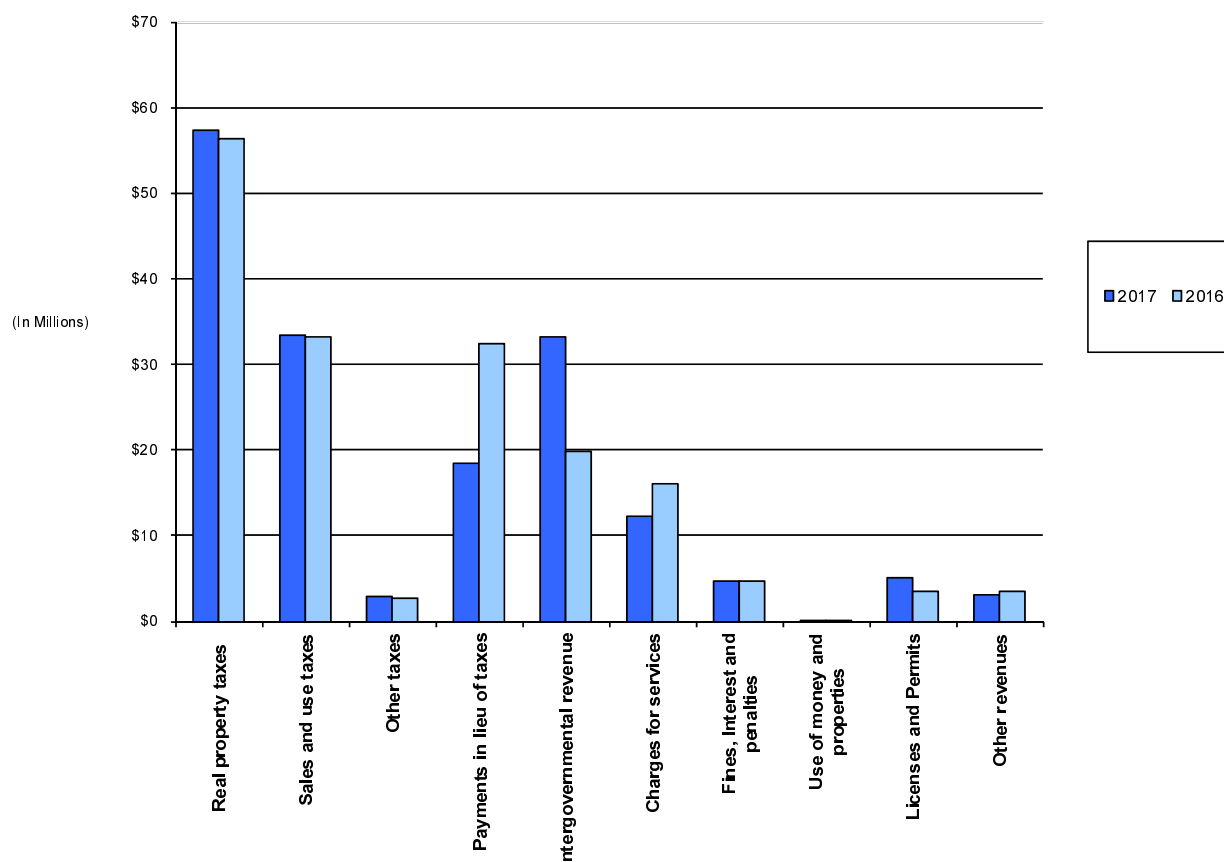
Licenses and permits finished the year \$0.2 million under budget however it was \$1.6 million higher than 2016. Revenues from demolition charges, street opening permits and electrical permits were higher than last year.

Other revenues were \$0.7 million over budget although they were \$0.4 million lower than 2016. Most of the revenue in this category is derived from grants and the timing and amounts received vary from year to year.

Govermental Funds - General Fund Revenues 2017 to 2016 Variance (In Millions)

<u>Revenues</u>	<u>2017</u>	<u>2016</u>	<u>2017 Over/(Under) 2016</u>
Real property taxes	\$ 57.4	\$ 56.3	\$ 1.1
Sales and use taxes	33.3	33.2	0.1
Other taxes	2.8	2.8	(0.0)
Payments in lieu of taxes	18.5	32.4	(13.9)
Intergovernmental revenue	33.2	19.8	13.4
Charges for services	12.2	16.0	(3.8)
Fines, interest and penalties	4.7	4.6	0.1
Use of money and properties	0.2	0.1	(0.1)
Licenses and permits	5.0	3.4	1.6
Other revenues	3.1	3.5	(0.4)
Total revenues	<u>\$ 170.4</u>	<u>\$ 172.1</u>	<u>\$ (1.7)</u>

Governmental Funds – General Fund Revenues 2017 to 2016 Variance



Expenses

Total expenditures of \$169.4 million were \$6.0 million less than the final budget and \$7.6 million higher than 2016.

Public safety and regulation spending (\$97.1 million) was \$0.4 million higher than the final budget and was \$5.2 million more than 2016. The increase is mostly related to police department and fire department salary increases and increases in overtime expenses for these departments.

General government spending (\$18.9 million) was \$2.4 million less than final budget but ended the year \$0.2 million higher than 2016. Judgements and claims expense was \$0.1 million under budget for the year. Gasoline expense and motor vehicle repair expenses when combined came under budget by \$0.2 million under budget for 2016. Most of the departments in this category came in at or below budget in salary expense and operational expenses which provided the most of the savings.

Highway and streets spending (\$8.7 million) was even with the budget for 2017. Actual expenses were \$0.6 million more than 2016. In the early months of 2017 snow storms increased snow removal supplies and expenses by \$0.3 million. Salary and overtime expenses which were related to snow removal increased by \$0.2 million in 2017.

Recreation and culture spending (\$4.2 million) was even with the budget but \$0.4 million more than 2016. Recreation programs which include the summer youth program, boxing, swimming pools and Bleecker Stadium combines for an increase of \$0.4 million.

Community service spending (\$6.6 million) was \$0.5 million less than final budget and \$0.2 million lower than 2016. Landfill waste collection and recycling expenses and landfill disposal expenses were under budget and decreased by \$0.3 million from 2016.

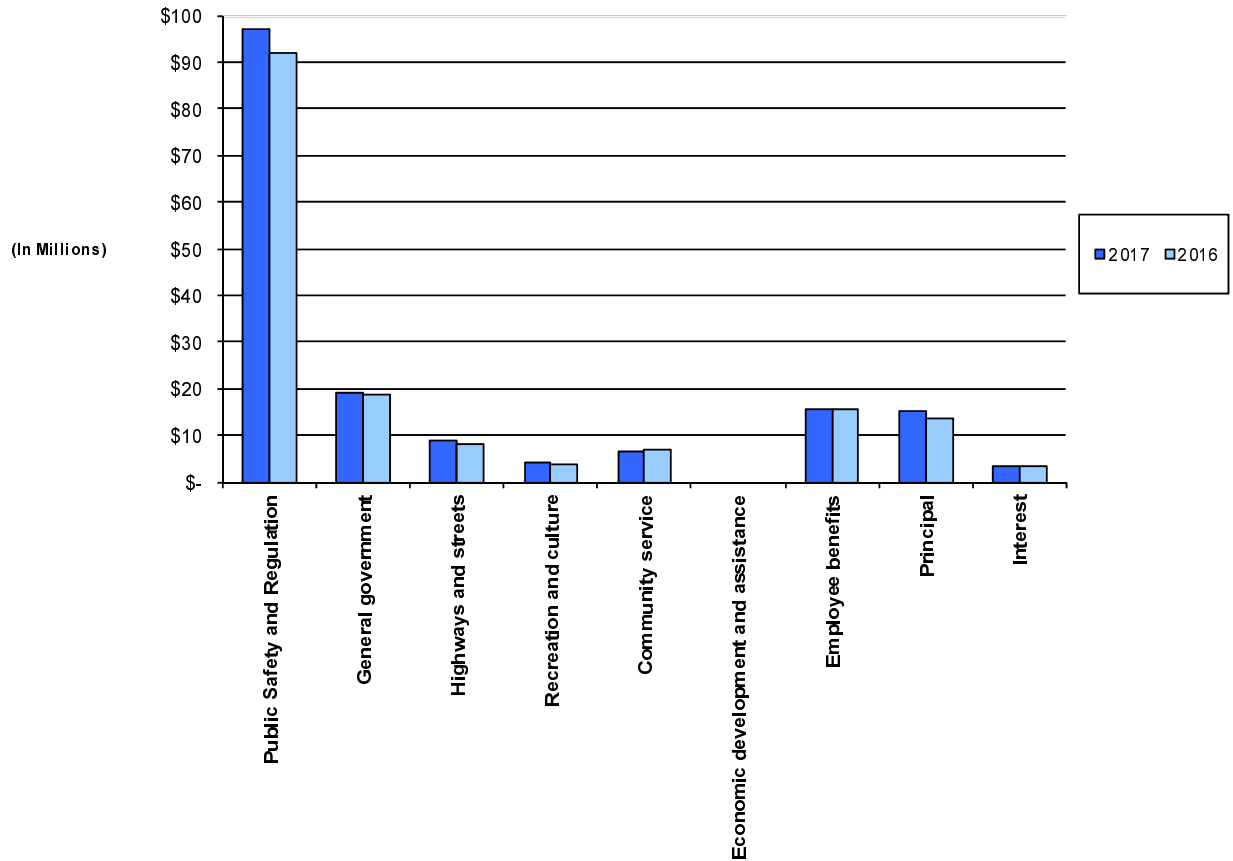
Employee benefits expense (\$15.4 million) was \$0.2 million under budget and \$0.2 million lower when compared to last year. Retiree health insurance expense was \$9.4 million and under budget by \$0.1 million. The City is self-insured and pays the actual claims for employees in the Empire Blue Cross plan. These expenses can vary widely from year to year. Actual expenses related to these claims resulted in a decrease of \$0.1 million in costs from 2016. NYS Retirement expenses were just under budget by \$0.1 million and lower by \$0.2 million from last year. Worker's compensation expenses came in over budget by \$0.1 million but actual expenses increased by \$0.8 million for 2017.

Debt service payments (\$18.5 million) was \$3.3 million below budget but \$1.5 million more than 2016. The increase is the result of making the first payments of the bonds issued in 2016 this year.

**Governmental Funds - General Fund Expense 2017 to 2016 Variance
(In Millions)**

<u>Expenditures</u>	<u>2017</u>	<u>2016</u>	<u>2017 Over/(Under) 2016</u>
Public safety and regulation	\$ 97.1	\$ 91.9	\$ 5.2
General government	18.9	18.7	0.2
Highways and streets	8.7	8.1	0.6
Recreation and culture	4.2	3.8	0.4
Community service	6.6	6.8	(0.2)
Economic development and assistance	0.0	0.0	0.0
Employee benefits	15.4	15.6	(0.2)
Principal	15.1	13.4	1.7
Interest	3.4	3.5	(0.2)
Total expenditures	<u>\$ 169.4</u>	<u>\$ 161.8</u>	<u>\$ 7.6</u>
Excess of operating revenues over expenditures	<u>\$ 1.0</u>	<u>\$ 10.3</u>	<u>\$ (9.3)</u>

General Government – General Fund Expenditures 2017 to 2016 Variance



DEBT

The City's long-term debt and short-term debt are described in detail in Notes 12-13.

In June 2017, the City issued various BANS of \$44,596,417 at an interest rate of 1.19%.

The proceeds of the notes, along with available funds were used to redeem a portion of the \$38,846,812 BANS issued in June 30, 2016 and matured on June 30, 2017 and to provide new funds for the expenses of current capital projects including the landfill expansion.

Capital Leases

The City entered into no new capital lease agreements in 2017.

Debt Ceiling

Of the outstanding indebtedness, approximately \$102,226,000 was subject to the statutory debt limit, using approximately 30% of the City's \$335,487,438 statutory debt limit.

CREDIT RATINGS AND BOND INSURANCE

Standard and Poor's latest rating for the bonds is A+ (with a stable outlook). All outstanding debt is backed by insurance policies from municipal insurance companies except issues secured through the New York State Environmental Facilities Corporation (EFC).

CAPITAL ACQUISITION AND CONSTRUCTION ACTIVITIES

During 2017, the City expended \$16.6 million on capital projects and acquisitions. This includes the landfill expansion and Federal and State funds for transportation and infrastructure projects, funds secured through General Obligation Bonds and Bond Anticipation Notes, and appropriations from the City's General Fund. The following are some of the major sources of capital expenditures:

<u>Capital Acquisition, Construction and Expenditures</u>	
Buildings and Infrastructure Improvements	\$ 1.3 Million
Street and Sidewalk Construction	\$ 7.5 Million
Recreation	\$ 1.2 Million
Vehicles and Equipment	\$ 0.8 Million
Landfill Equipment and Expansion	\$ 0.7 Million
Public Safety Equipment	\$ 3.7 Million
Local Economic Development	\$ 1.4 Million

This Annual Financial Report is intended to provide information on the City of Albany's operations and is available to all with an interest in the financial matters related to the City of Albany, New York. Questions concerning any of the information provided in this report or any request for additional information should be either in writing or by e-mail.

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CITY OF ALBANY, NEW YORK
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government	Component Units
ASSETS		
Cash and cash equivalents	\$ 48,027,028	\$ 13,833,072
Cash and cash equivalents - restricted	1,891,996	14,599,909
Investments	-	23,153,538
Investments, restricted	-	4,439,477
Taxes receivable	4,044,679	-
Accounts receivable, net	5,779,796	13,593,336
Mortgage loans receivable	5,052,753	131,970
Grant receivable	-	95,835
Due from primary government	-	4,245,051
Due from other governments	17,082,584	-
Due from component units	11,394,129	-
Prepaid and other assets	1,000,314	1,373,218
Property held for investment, lease or sale	522,913	-
Capital assets, net	214,986,787	107,647,469
Total assets	<u>309,782,979</u>	<u>183,112,875</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows resulting from refunding of debt, net	588,911	203,155
Deferred bond insurance premiums, net	-	105,127
Deferred outflows related to net pension liability	44,232,639	871,922
Total deferred outflows of resources	<u>44,821,550</u>	<u>1,180,204</u>
LIABILITIES		
Accounts payable and accrued expenses	12,744,237	7,566,947
Accrued interest payable	419,762	280,424
Unearned revenue	6,197,424	167,330
Due to other governments	23,812,049	-
Due to primary government	-	154,133
Due to component units	12,307,289	-
Other liabilities	810,510	131,812
Bond and revenue anticipation notes payable	44,596,417	-
Bonds and loans payable	59,301,203	62,201,462
Accrued post employment benefit obligation	97,226,838	5,217,530
Net pension liability	40,831,070	951,799
Compensated absences	20,918,408	-
Due to NYS Retirement System	13,037,137	-
Judgments and claims	17,895,464	-
Landfill post-closure costs	9,323,017	-
Retainage payable on long-term contracts	54,999	-
Capital lease obligations	160,000	631,101
Total liabilities	<u>359,635,824</u>	<u>77,302,538</u>
DEFERRED INFLOWS OF RESOURCES		
Grant advances	-	169,645
Deferred inflows related to net pension liability	11,353,445	197,081
Deferred inflows related to sales of future revenue	-	84,384
Deferred inflows related to property taxes received in advance	2,241,477	-
Total deferred inflows of resources	<u>13,594,922</u>	<u>451,110</u>
NET POSITION		
Net invested in capital assets	156,048,497	64,537,884
Restricted for:		
Program specific activities	434,703	1,325,677
Debt service	899,654	-
Unrestricted (deficiency)	(176,009,071)	40,675,870
Total net position (deficiency)	<u>\$ (18,626,217)</u>	<u>\$ 106,539,431</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Units
Primary Government:						
Public safety and regulation	\$ 110,835,479	\$ 11,729,003	\$ 3,668,298	\$ -	\$ (95,438,178)	\$ -
General government	21,467,318	2,761,403	12,568,443	-	(6,137,472)	-
Highways and streets	16,409,058	1,975,858	-	5,326,040	(9,107,160)	-
Recreation and culture	5,399,151	1,473,968	-	1,410,219	(2,514,964)	-
Community service	17,642,467	8,067,686	3,480,225	-	(6,094,556)	-
Economic development and assistance	2,409,970	-	-	-	(2,409,970)	-
Post employment benefit expense	22,239,928	-	-	-	(22,239,928)	-
Interest on long-term debt	2,746,486	-	-	-	(2,746,486)	-
Total governmental activities	<u>199,149,857</u>	<u>26,007,918</u>	<u>19,716,966</u>	<u>6,736,259</u>	<u>(146,688,714)</u>	<u>-</u>
Component Units:						
Albany Water Board and Municipal Water Finance Authority	29,891,711	33,126,630	1,718,407	-	-	4,953,326
Albany Parking Authority	7,146,974	7,593,984	-	-	-	447,010
Albany Industrial Development Agency	678,779	703,885	-	-	-	25,106
Albany Port District Commission	6,287,930	5,722,772	7,836,141	-	-	7,270,983
Other component units	949,332	1,078,081	-	-	-	128,749
Total component units	<u>\$ 44,954,726</u>	<u>\$ 48,225,352</u>	<u>\$ 9,554,548</u>	<u>\$ -</u>	<u>-</u>	<u>12,825,174</u>
General Revenues:						
Property tax					57,422,204	-
Sales tax					33,349,774	-
Other tax					2,841,731	-
Payments in lieu of taxes					18,479,096	-
Grants not restricted to specific programs					5,184,904	-
Program income					182,378	-
Intergovernmental revenue not program-restricted					14,197,947	-
Gain on sale of capital assets					45,533	3,388
Other revenues					1,137,503	-
Unrestricted investment earnings					39,960	559,139
Total general revenues					<u>132,881,030</u>	<u>562,527</u>
Change in net position					<u>(13,807,684)</u>	<u>13,387,701</u>
Net position (deficiency), beginning of year, as previously reported					(4,818,533)	94,737,844
Cumulative effect of adjustments relating to prior periods					-	(1,586,114)
Net position (deficiency), beginning of year, adjusted					<u>(4,818,533)</u>	<u>93,151,730</u>
Net position (deficiency), end of year					<u>\$ (18,626,217)</u>	<u>\$ 106,539,431</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2017

	General	Special Revenue	Capital Projects	Other Governmental Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Cash and cash equivalents	\$ 14,345,900	\$ 402,906	\$ 28,992,766	\$ 4,285,456	\$ 48,027,028
Cash and cash equivalents - restricted	1,891,996	-	-	-	1,891,996
Taxes receivable	4,044,679	-	-	-	4,044,679
Accounts receivable, net	5,319,024	-	39,300	-	5,358,324
Landfill receivable, net	421,472	-	-	-	421,472
Mortgage loans receivable	-	-	-	5,052,753	5,052,753
Due from other funds	8,447,353	-	-	9,965	8,457,318
Due from component units	11,394,129	-	-	-	11,394,129
Due from federal and state governments	2,308,730	32,916	2,911,607	1,918,634	7,171,887
Due from other governments	9,585,113	25,584	300,000	-	9,910,697
Other assets	3,387,268	40,954	-	984,298	4,412,520
Total assets	61,145,664	502,360	32,243,673	12,251,106	106,142,803
Deferred outflows of resources					
	-	-	-	-	-
Total assets plus deferred outflows of resources	\$ 61,145,664	\$ 502,360	\$ 32,243,673	\$ 12,251,106	\$ 106,142,803
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Bond and revenue anticipation notes payable	\$ -	\$ -	\$ 44,596,417	\$ -	\$ 44,596,417
Accounts payable and accrued expenses	8,859,473	66,690	2,564,625	1,253,449	12,744,237
Due to other funds	2,053,468	648,820	5,019,860	735,170	8,457,318
Due to component units	12,307,289	-	-	-	12,307,289
Due to other governments	23,812,049	-	-	-	23,812,049
Unearned revenue	136,083	210,391	-	5,850,950	6,197,424
Other liabilities	793,470	-	-	17,040	810,510
Total liabilities	47,961,832	925,901	52,180,902	7,856,609	108,925,244
Deferred inflows of resources					
	2,241,477	-	-	-	2,241,477
Fund Balances					
Nonspendable:					
Prepayments	3,371,252	40,954	-	2,878	3,415,084
Restricted for:					
Debt Service	899,654	-	-	-	899,654
Landfill Postclosure	916,264	-	-	-	916,264
Solid Waste Management Facility	434,703	-	-	-	434,703
Committed for:					
Choose Albany Program	-	-	-	83,112	83,112
Neighborhood Commercial Façade Program	-	-	-	166,089	166,089
West Hill Neighborhood Strategic Plan	-	-	-	35,000	35,000
Dream Center	-	-	-	11,800	11,800
Vacant Buildings	-	-	-	996,245	996,245
Rehabilitation Assistance Program	-	-	-	282,400	282,400
Land Bank	-	-	-	50,000	50,000
Assigned for:					
Other purposes	-	-	-	2,766,973	2,766,973
Unassigned balances (deficiency):	5,320,482	(464,495)	(19,937,229)	-	(15,081,242)
Total fund balances (deficiency)	10,942,355	(423,541)	(19,937,229)	4,394,497	(5,023,918)
Total liabilities, deferred inflows of resources and fund balances	\$ 61,145,664	\$ 502,360	\$ 32,243,673	\$ 12,251,106	\$ 106,142,803

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Real property taxes	\$ 57,422,204	\$ -	\$ -	\$ -	\$ 57,422,204
Sales and use taxes	33,349,774	-	-	-	33,349,774
Other taxes	2,841,731	-	-	-	2,841,731
Payments in lieu of taxes	18,479,096	-	-	-	18,479,096
Intergovernmental revenue	33,216,263	2,075,615	6,736,259	5,896,410	47,924,547
Charges for services	12,202,411	-	-	182,378	12,384,789
Fines, interest and penalties	4,671,791	-	-	-	4,671,791
Uses of money and properties	167,136	-	-	-	167,136
License and permits	5,011,325	-	-	-	5,011,325
Other revenues	3,094,297	-	-	3,535	3,097,832
Total revenues	<u>170,456,028</u>	<u>2,075,615</u>	<u>6,736,259</u>	<u>6,082,323</u>	<u>185,350,225</u>
EXPENDITURES					
Public safety and regulation	97,114,365	-	2,702,482	-	99,816,847
General government	18,900,908	-	3,579,106	-	22,480,014
Highways and streets	8,673,161	-	6,401,347	-	15,074,508
Recreation and culture	4,174,837	-	1,280,609	-	5,455,446
Community service	6,589,861	-	750,685	6,215,593	13,556,139
Economic development and assistance	-	2,132,134	1,404,348	-	3,536,482
Employee benefits	15,418,935	-	-	-	15,418,935
Debt service:					
Principal	15,094,579	-	-	234,610	15,329,189
Interest	3,465,512	-	-	31,948	3,497,460
Total expenditures	<u>169,432,158</u>	<u>2,132,134</u>	<u>16,118,577</u>	<u>6,482,151</u>	<u>194,165,020</u>
Excess (deficiency) of revenues over expenditures	<u>1,023,870</u>	<u>(56,519)</u>	<u>(9,382,318)</u>	<u>(399,828)</u>	<u>(8,814,795)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	50,640	-	3,258,700	-	3,309,340
Transfers out	(3,258,700)	-	(50,640)	-	(3,309,340)
Total other financing sources (uses)	<u>(3,208,060)</u>	<u>-</u>	<u>3,208,060</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,184,190)	(56,519)	(6,174,258)	(399,828)	(8,814,795)
FUND BALANCE (DEFICIENCY), beginning of year	<u>13,126,545</u>	<u>(367,022)</u>	<u>(13,762,971)</u>	<u>4,794,325</u>	<u>3,790,877</u>
FUND BALANCE (DEFICIENCY), ending	<u>\$ 10,942,355</u>	<u>\$ (423,541)</u>	<u>\$ (19,937,229)</u>	<u>\$ 4,394,497</u>	<u>\$ (5,023,918)</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET POSITION
December 31, 2017

Total fund balance (deficiency) - governmental funds \$ (5,023,918)

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Property held for sale	522,913	
Cost of capital assets	522,584,820	
Accumulated depreciation	<u>(307,598,033)</u>	215,509,700

Long-term liabilities, including bonds payable, that are not due and payable in the current period are not reported as liabilities in the funds. Long-term liabilities not due and payable at year end consist of:

Bonds and loans payable	(57,976,247)	
Bond Premium	(1,324,956)	
Deferred outflow relating to bond refunding	588,911	
Due to NYS Retirement System	(13,037,137)	
Net pension liability	(40,831,070)	
Accrued post employment benefit obligation	(97,226,838)	
Accrued interest on bonds	(419,762)	
Compensated absences	(20,918,408)	
Landfill closure and postclosure obligation	(9,323,017)	
Retainage payable on long-term contracts	(54,999)	
Capital lease obligations	(160,000)	
Judgments and claims	<u>(17,895,464)</u>	(258,578,987)

Interest payments on long-term liabilities, that are not due and payable in the current period, are recorded in the funds as prepaid expenses, however are not reported as assets in the statement of net position. Prepaid expenses relating to net pension liability are recorded in the funds, however are included in deferred outflows of resources in the statement of net position. Deferred outflows and inflows of resources related to net pension liability are not recorded in the funds.

Prepaid expenses	(3,412,206)	
Deferred outflows and inflows	<u>32,879,194</u>	29,466,988
Net position (deficiency) of governmental activities		<u>\$ (18,626,217)</u>

CITY OF ALBANY, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Total net change in fund balance - governmental funds \$ (8,814,795)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	16,611,409	
Depreciation expense	(16,615,720)	
Loss on disposal of assets and other	<u>(8,052)</u>	(12,363)

In the statement of activities, certain operating expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Thus, the change in net assets differs from the change in fund balance as follows:

Compensated absences	(2,813,234)	
Landfill closure and postclosure costs	(300,100)	
Retainage incurred in current year	(54,999)	
Retainage incurred in prior year	-	
Judgments and claims	<u>2,034,586</u>	(1,133,747)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets.

Amortization of Bond Premium	693,332	
Amortization of Deferred Outflow resulting from refunding of debt	(144,273)	
Principal repaid	<u>15,329,189</u>	15,878,248

Accrued post employment benefit obligation liability increases long-term liabilities in the statement of net assets and related expenditures in the statement of activities, but not to governmental funds. Net post employment benefit contribution is an expenditure in governmental funds, but the contribution reduces long-term liabilities in the statement of net assets. This is the amount by which accrued post employment benefit liability adjustment exceeds the contribution.

Accrued post employment benefit liability adjustment	(28,787,840)	
Post employment benefit contribution paid	<u>16,537,523</u>	(12,250,317)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

201,915

Changes in prepaids, accrued liabilities, deferred inflows and outflows of resources related to net pension liability

(7,676,625)

Change in net position of governmental activities

\$ (13,807,684)

CITY OF ALBANY, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
December 31, 2017

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 529,335
Cash and equivalents - restricted	1,478,973
Accounts receivable	21,206
Due from other funds	<u>-</u>
Total assets	<u>2,029,514</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
LIABILITIES	
Accounts payable	7,715
Seized forfeitures	1,478,973
Due to other funds	-
Other liabilities	<u>542,826</u>
Total liabilities	<u>2,029,514</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	<u><u>\$ -</u></u>

See notes to financial statements.

CITY OF ALBANY

COMBINING STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS

December 31, 2017

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	City of Albany Industrial Development Agency	Albany Port District Commission	Other Component Units	Totals
ASSETS						
Cash and cash equivalents	\$ 5,330,278	\$ 1,107,204	\$ 1,874,123	\$ 4,804,608	\$ 716,859	\$ 13,833,072
Cash and cash equivalents, restricted	10,652,943	3,946,966	-	-	-	14,599,909
Investments	19,832,835	-	-	3,320,703	-	23,153,538
Investments, restricted	4,439,477	-	-	-	-	4,439,477
Receivables, net:						
Accounts	9,004,428	25,511	51,278	4,364,132	147,987	13,593,336
Other	-	-	-	-	95,835	95,835
Mortgage loans and notes receivable	-	-	131,970	-	-	131,970
Due from primary government	4,245,051	-	-	-	-	4,245,051
Prepaid and other assets	1,070,230	68,317	-	226,316	8,355	1,373,218
Capital assets, net	43,937,221	14,337,413	-	48,953,855	418,980	107,647,469
Total assets	<u>98,512,463</u>	<u>19,485,411</u>	<u>2,057,371</u>	<u>61,669,614</u>	<u>1,388,016</u>	<u>183,112,875</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows resulting from refunding of debt, net	-	203,155	-	-	-	203,155
Deferred bond insurance premiums, net	-	105,127	-	-	-	105,127
Deferred outflows related to net pension liability	-	633,068	-	238,854	-	871,922
Total deferred outflows of resources	<u>-</u>	<u>941,350</u>	<u>-</u>	<u>238,854</u>	<u>-</u>	<u>1,180,204</u>
LIABILITIES						
Accounts payable and accrued expenses	5,286,339	292,515	97,226	1,722,011	168,856	7,566,947
Current maturities of long-term debt	3,305,000	2,225,000	-	805,266	6,527	6,341,793
OPEB obligation, current portion	-	51,786	-	77,000	-	128,786
Current installments of capital lease obligation	-	302,528	-	-	-	302,528
Accrued interest payable	-	280,424	-	-	-	280,424
Due to primary government	-	22,163	131,970	-	-	154,133
Unearned revenues	-	104,645	-	62,685	-	167,330
Other liabilities	-	-	-	127,099	4,713	131,812
OPEB obligation, net of current portion	-	2,613,272	-	2,475,472	-	5,088,744
Net pension liability	-	600,192	-	351,607	-	951,799
Capital lease obligation, less current installments	-	328,573	-	-	-	328,573
Bonds and notes payable	39,574,077	11,117,557	-	4,893,927	274,108	55,859,669
Total liabilities	<u>48,165,416</u>	<u>17,938,655</u>	<u>229,196</u>	<u>10,515,067</u>	<u>454,204</u>	<u>77,302,538</u>
DEFERRED INFLOWS OF RESOURCES						
Grant advances	169,645	-	-	-	-	169,645
Deferred inflows related to net pension liability	-	136,804	-	60,277	-	197,081
Deferred inflows related to sales of future revenues	84,384	-	-	-	-	84,384
Total deferred inflows of resources	<u>254,029</u>	<u>136,804</u>	<u>-</u>	<u>60,277</u>	<u>-</u>	<u>451,110</u>
NET POSITION						
Net invested in capital assets	15,748,733	5,534,489	-	43,254,662	-	64,537,884
Restricted	-	1,229,842	-	-	95,835	1,325,677
Unrestricted (deficit)	34,344,285	(4,413,029)	1,828,175	8,078,462	837,977	40,675,870
Total net position	<u>\$ 50,093,018</u>	<u>\$ 2,351,302</u>	<u>\$ 1,828,175</u>	<u>\$ 51,333,124</u>	<u>\$ 933,812</u>	<u>\$ 106,539,431</u>

See notes to financial statements.

CITY OF ALBANY
COMBINING STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2017

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	City of Albany Industrial Development Agency	Albany Port District Commission	Other Component Units	Totals
Operating revenue	<u>\$ 33,126,630</u>	<u>\$ 7,593,984</u>	<u>\$ 703,885</u>	<u>\$ 5,722,772</u>	<u>\$ 1,078,081</u>	<u>\$ 48,225,352</u>
Operating expenses						
Costs of services	-	3,459,552	364,387	853,374	803,448	5,480,761
Source of supply and purification	3,340,516	-	-	-	-	3,340,516
Transmission and distribution	4,506,580	-	-	-	-	4,506,580
General and administrative	5,248,311	260,799	-	3,122,869	145,754	8,777,733
Real estate taxes paid to other governments	1,978,681	-	-	-	-	1,978,681
Sewer contract	9,844,899	-	-	-	-	9,844,899
Depreciation and amortization	3,703,096	1,003,834	-	2,008,017	130	6,715,077
Grants	-	-	314,392	-	-	314,392
Miscellaneous	-	1,601,890	-	-	-	1,601,890
Total operating expenses	<u>28,622,083</u>	<u>6,326,075</u>	<u>678,779</u>	<u>5,984,260</u>	<u>949,332</u>	<u>42,560,529</u>
Excess (deficiency) of operating revenue over expenses before nonoperating revenue (expenses)	<u>4,504,547</u>	<u>1,267,909</u>	<u>25,106</u>	<u>(261,488)</u>	<u>128,749</u>	<u>5,664,823</u>
Nonoperating revenue (expenses)						
Amortization of bond insurance premiums	-	(38,704)	-	-	-	(38,704)
Decrease in fair value of investments	(127,052)	-	-	-	-	(127,052)
Interest income	479,179	39,127	10,188	30,645	-	559,139
Interest expense	(1,142,576)	(782,195)	-	(53,414)	-	(1,978,185)
Gain (loss) on sale of assets	28,162	(24,774)	-	-	-	3,388
Waterfront development expenses	-	-	-	(250,256)	-	(250,256)
Net nonoperating revenue (expenses)	<u>(762,287)</u>	<u>(806,546)</u>	<u>10,188</u>	<u>(273,025)</u>	<u>-</u>	<u>(1,831,670)</u>
Excess (deficiency) of revenue over expenses before transfers	<u>3,742,260</u>	<u>461,363</u>	<u>35,294</u>	<u>(534,513)</u>	<u>128,749</u>	<u>3,833,153</u>
Grant funding	<u>1,718,407</u>	<u>-</u>	<u>-</u>	<u>7,836,141</u>	<u>-</u>	<u>9,554,548</u>
Excess of revenue over expenses	<u>5,460,667</u>	<u>461,363</u>	<u>35,294</u>	<u>7,301,628</u>	<u>128,749</u>	<u>13,387,701</u>
NET POSITION, beginning of year, as previously reported	<u>46,244,880</u>	<u>1,889,939</u>	<u>1,792,881</u>	<u>44,031,496</u>	<u>778,648</u>	<u>94,737,844</u>
Cumulative effect of adjustments relating to prior periods	<u>(1,612,529)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,415</u>	<u>(1,586,114)</u>
NET POSITION, beginning of year, adjusted	<u>44,632,351</u>	<u>1,889,939</u>	<u>1,792,881</u>	<u>44,031,496</u>	<u>805,063</u>	<u>93,151,730</u>
NET POSITION, end of year	<u>\$ 50,093,018</u>	<u>\$ 2,351,302</u>	<u>\$ 1,828,175</u>	<u>\$ 51,333,124</u>	<u>\$ 933,812</u>	<u>\$ 106,539,431</u>

See notes to financial statements.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The City of Albany, New York (City) was established in 1614, chartered in 1686, and is governed by a Mayor and the City's Common Council. The City, as the primary government, performs local governmental functions within its jurisdiction, including general governmental support, public safety, culture and recreation, transportation, health, and economic assistance and opportunity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing state and local governmental accounting and financial reporting principles.

In preparing financial statements in conformity with GAAP, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and accordingly data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

The decision to include a component unit in the City's reporting entity is based on several criteria, including legal standing, fiscal dependency, financial accountability, selection of governing authority and ability to significantly influence operations. Based on the application of these criteria, the following is a brief review of significant entities considered in determining the City's reporting entity. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

The City's component units are legally separate entities that are not operating departments of the City. The component units are managed independently, largely outside the appropriated budget process, and their powers generally are vested in a governing board. The governing boards of the component units are either entirely or partially appointed by the mayor.

Substantially all of the financial data was derived from audited annual financial statements and summarized in the financial statements. Additional information about each of the component units can be obtained from their annual financial statements.

Fund Balance Classifications

Fund balances are classified as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Fund Balance Classifications (Continued)

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Common Council.

Assigned - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Common Council or through the Common Council delegating this responsibility to the Agency director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. The Unassigned classification would also include negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Blended Component Unit

Albany Community Development Agency (ACDA or the Agency) is a public benefit corporation, established by State law and governed by a seven member Board of Directors who are City officials. The objectives of ACDA are to provide a suitable living environment and to expand economic opportunities for persons of low and moderate income within the City. ACDA has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs.

The City has the ability to significantly influence operations, select the governing board and participate in fiscal management, accordingly, ACDA is treated as a blended component unit of the City and its activities are included as a special revenue fund of the primary government and reported separately as an other governmental fund in the governmental fund statements.

Discretely Presented Component Units

The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City:

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Albany Water Board and Albany Municipal Water Finance Authority

The City of Albany Water and Sewer System (the System) provides water supply and distribution, and the collection and disposal of sewage for the City. The System began operations in February 1988, and consists of two legally separate and independent entities, the Albany Municipal Water Finance Authority (the Authority) and the Albany Water Board (the Board).

The Authority, a public benefit corporation, was established in 1986 for the purpose of issuing revenue bonds to pay for the purchase, future improvement, and construction of the System. Among its powers, the Authority may borrow money, issue debt, and require that the Board charge and collect sufficient rates to pay the costs of operating and financing the System. The Authority consists of seven members, two members of which are appointed by the Governor of New York State and five members of which are appointed by the Mayor of the City.

The Board, a corporate municipal instrumentality, was established in 1986 with the power to set and collect water and sewer fees in the amounts sufficient to pay the debt service on the bonds of the Authority, as well as to provide for the costs of the operation and maintenance of the System. The primary responsibility of the Board is to charge, collect, and enforce rates and other charges for the System. The Board consists of five members who are appointed by the Mayor of the City.

Albany Parking Authority

The Albany Parking Authority (the Parking Authority) was established in 1982 as a public benefit corporation of the State of New York. The Authority's existence is for a period of fifteen years, and thereafter until all of its liabilities have been met, and its bonds have been discharged. All rights and properties shall pass to the City upon the cessation of the Authority's existence. The Parking Authority is authorized to construct, operate and maintain areas or places in the City for the parking or storing of motor vehicles and is governed by a Board of Directors, which consists of five members appointed by the Mayor of the City with the advice and consent of the City Common Council.

City of Albany Industrial Development Agency

The City of Albany Industrial Development Agency (IDA) is a public benefit corporation established July 1, 1983 under the mandate of Article 18-A, "New York State Industrial Development Agency Act," of New York State general municipal law.

The IDA was established to promote and assist in acquiring or constructing various business and recreational facilities and, in the process, advance the job opportunities, health, general prosperity and economic welfare of the people of the City of Albany. A function of the IDA is to authorize the issuance of industrial revenue bonds for industrial development projects. The IDA reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The IDA receives application fees from applicants and closing fees from those accepted for industrial revenue financing. The IDA is governed by a seven-member board appointed by the City Common Council.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Albany Port District Commission

The Albany Port District Commission (the Commission) was established in 1925 by Chapter 192 of the Laws of the State of New York (the State). The law, as amended through December 31, 1986, grants the Commission regulatory powers over the development and operations of the port facilities of the Albany Port District (the Port). The Commission is a public corporation with perpetual existence and has the right of eminent domain, with the power to construct, develop and operate Port facilities including a terminal railroad; to fix fees, rates, rentals and other charges for its facilities; to regulate and supervise the construction and operations of Port facilities by private enterprise; to issue bonds and notes and to do all things necessary to make the Port useful and productive.

The Laws of 1925 provide that the municipalities of Albany and Rensselaer be assessed for the Commission's deficit, if any, from operations and financing. A reapportionment determination made April 1, 1932 established the rates of 88 percent for Albany and 12 percent for Rensselaer. These rates are still in effect and although the rates are subject to change under the provisions of the law, in recent years, there have been no such changes.

Lark Street Area District Management Association, Inc.

Lark Street Area District Management Association, Inc. (Association) is a tax exempt organization organized in 1996 under the Not-for-Profit Corporation Laws of New York State. The Association was created to execute responsibilities of a Comprehensive Business Improvement District. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the Lark Street business improvement district. The Association may be dissolved by legislative body with all the assets reverting back to the City.

Central District Management Association, Inc.

The Central District Management Association, Inc. doing business as the Central Business Improvement District, Inc. (CBID) is a non-profit organization formed in January 1998 under the Not-for-Profit Corporation Law of New York State. The primary purpose of the CBID is to promote the preservation and development of the Central Avenue business corridor of the City of Albany and to make the area more attractive and accessible. To this end the CBID will work to enhance the public perception of the Central Avenue business corridor through overseeing and managing the appearance, security and cleanliness of the business improvement district. The CBID may be dissolved by legislative body with all the assets reverting back to the City.

City of Albany Capital Resource Corporation

The City of Albany Capital Resource Corporation (CRC) a non-profit organization formed in April 2010 under the Not-for-Profit Corporation Law of New York State. The primary purpose of the CRC is to promote community and economic development and the creation of jobs in the non-profit and for-profit sectors for the citizens of the City of Albany by developing and providing programs for not-for-profit institutions, manufacturing and industrial businesses, and other entities to access low interest tax-exempt and non-tax-exempt financing for their eligible projects. The Directors of the CRC are appointed by the City of Albany's governing body.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Association, CBID and CRC have been combined for financial statement reporting purposes and are reported as “other component units” in the combining statement of net position and combining statement of activities.

Downtown Albany Restoration Program, Inc.

Downtown Albany Restoration Program, Inc. d/b/a Downtown Albany Business Improvement District, Inc. (BID) is a tax-exempt organization organized in 1996 under the Not-for-Profit Corporation Law of New York State. BID was created to execute the responsibility of a comprehensive business improvement district. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the downtown business improvement district. The BID may be dissolved by legislative body with all the assets reverting back to the City.

Since the most recent financial information is not available at the date of the financial statements issuance, the BID is not included in discretely presented component units in the City's 2017 financial statements. Management believes that the impact of this omission is not material to the City's 2017 financial statements.

Entities excluded from the reporting entity:

Albany Housing Authority

The Albany Housing Authority (Housing Authority) was established by state statute. The Mayor of the City of Albany appoints the Board of Directors of the Housing Authority; however, the City is not financially accountable for the Housing Authority, the City cannot significantly influence the activities of the Housing Authority and the Housing Authority does not provide specific financial benefits to or impose specific financial burdens on the City.

Albany City School District

The Albany City School District (the School District) operates the elementary and high schools in the City. The City is not accountable for the School District as the School District has the authority to levy taxes and School District Board members are elected officials.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund, but not interprimary government and component unit, transactions have generally been eliminated from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The City's activities are all classified as governmental activities. The primary government is reported separately from certain legally separate component units for which the City is financially accountable.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset with program revenues. Direct expenses are those which are clearly identifiable with a specific function or activity. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements.

Major individual governmental funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the grantor have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within one year. Expenditures are generally recorded when a liability is incurred, in the same manner as accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, postemployment benefit obligations, claims and judgments and similar long-term liabilities are recorded only when payment is due.

Property taxes, sales taxes, licenses and other fees are all recognized as revenues of the current period. Special assessments are recorded as receivable and deferred revenue at the time the related project is completed and levied. Revenue is recognized as assessments become measurable and available, normally as received.

The City reports the following major governmental funds:

Governmental fund types

General Fund – The General Fund is the principal fund of the City. All financial transactions related to revenue and expenditures for delivery of those services traditionally provided by a municipal government, which are not accounted for in other funds, are accounted for in the General Fund.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)*

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than major capital projects that are legally restricted to expenditures for specified purposes). The following Special Revenue Funds operate within financial limits of an annual budget adopted by the City Council. Special Revenue Funds of the City include the following:

Special Grant Fund – Used to account for the use of state and federal monies received under the Workforce Investment Act.

Miscellaneous Special Revenue Fund – Principally used to account for the use of state and federal monies received under the Corporation for National and Community Services program as well as Department of Justice and other youth and recreational funds.

Capital Projects Fund – Resources used to construct or acquire capital improvements, and general fixed assets are accounted for in this fund. Resources are derived principally from proceeds of long-term debt and Federal and State aid.

Other governmental fund

Albany Community Development Agency (ACDA) is a public benefit corporation, which has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs. As previously discussed, it is accounted for as a blended component unit of the City.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, operating grants and contributions, and capital grants and charges, including special assessments. Internally dedicated resources are reported as general revenues, which includes all taxes.

D. *Assets, Liabilities and Net Position*

Cash and Investments

The City's investment policies must comply with State statutes as well as their own written investment policy. City monies must be deposited into Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City is authorized to use money market accounts and certificates of deposit. Permissible investments include obligations of the United States Treasurer, and United States agencies that are backed by the full faith and credit of the United States, repurchase agreements, and with the permission of the State Comptroller, obligations of New York State or its localities.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

Deposits in excess of the FDIC limits are required to be fully collateralized by obligations of New York State or Federal agencies, the principal and interest of which are guaranteed by the United States or obligations of New York State local governments. The securities are held in a separate, segregated account in the name of the financial institution for the benefit of the City.

The City considers highly liquid investments (including restricted assets) with an original maturity date of three months or less, and money market accounts to be cash equivalents.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either due to/from other funds or advances to/from other funds.

All landfill and other accounts receivable are shown net of an appropriate allowance for uncollectible accounts, where such a provision is required.

Inventories and Prepaid Items

The City does not maintain inventories of supplies and records expenditures when purchased rather than when consumed. Likewise, it records payments to vendors for prepaid expenses as expenditures when paid.

Restricted Assets

Restricted assets, which consist principally of cash and cash equivalents, are assets to be used for the reduction of future debt service payments and to provide resources to offset the costs of future capital improvements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (including roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated life of three years or more. These assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Normal maintenance and repair costs that do not add to the value of the asset or materially extend their lives are not capitalized.

Major classes of capital assets are depreciated using the straight-line method over various useful lives. Useful lives for the major classes of capital assets are summarized as follows:

Buildings, capital leases and improvements	20 - 50 years
Machinery and equipment	3 - 20 years
Infrastructure	30 years

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

Compensated Absences

Employees earn vacation and sick leave as they provide service. Pursuant to collective bargaining agreements, they may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. In addition, certain employees may accumulate unused sick time earned and upon retirement, termination, or death, may be compensated for such accumulated time. The cost of accumulated vacation pay and sick time expected to be paid from future expendable resources of the Governmental Funds are accounted for as a liability in the General Long-Term Debt Account Group and recognized in the respective Governmental Funds when the expenditures are paid.

Leave paid in the current period is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements.

Retirement Benefits

The City of Albany provides retirement benefits for its employees through contributions to the New York State Employees' Retirement System (ERS) and the New York State Police and Fire Retirement System (PFRS). These retirement programs provide various plans and options, some of which require employee contributions.

The City uses GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) to recognize the net pension asset (liability), deferred outflows and deferred inflows of resources, pension expense (benefit), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

Judgments and Claims

The liability for claims in process represents estimates for all known workers' compensation claims and probable legal settlements at year end.

Deferred Revenue

Deferred revenues principally represent unpaid loan balances resulting from various community development home loan programs operated by the City. When loan payments are received, revenue is recognized to the extent of principal received. When grant funds are reloaned, a corresponding expenditure is recorded. When the allowance for loan losses is increased, 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.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are recognized as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, bond premiums and discounts are reported in the current period. The face amount of debt issued is reported as other financing sources. Payments on such debt are recognized as expenditures in the period made. Premiums and discounts are reported as other financing sources or use and issuance costs are reported as debt service expenditures.

E. Tax Abatements

The City has several real property tax abatement agreements with various entities that generally follow along two methods from two different enabling sources which are used for two different general purposes, with a few agreements that overlap the categories. These agreements all call for a form of Payment In Lieu of Taxes (PILOT) in return for a 100% abatement of real property taxes.

Generally the tax abatements are issued under the NYS Private Housing Finance Law (PHFL) or the City of Albany Industrial Development Agency (CAIDA), incorporated pursuant to State Law. There are also separate PILOT agreements with NYS (19-a PILOTs) that are not included for the purposes of GASB 77, *Tax Abatement Disclosures*. PILOT agreements are in place under both categories, with shelter rents (a percentage of the rents from the housing) being the predominant PILOT method for PHFL agreements, and payments of a percentage of taxable assessed value being the predominant PILOT method for IDA agreements. The PHFL properties are mostly organized under the Albany Housing Authority, which is a separate, but component unit of the City of Albany. These properties contain almost exclusively “affordable housing” units. The IDA properties are commercial properties comprised of a mix of hotel, office, retail, and both market rate and affordable apartment units.

The total assessed value of all affordable housing properties, including the IDA properties, is approximately \$390,000,000 for the Property Tax Year and approximately \$388,500,000 for the School Tax year, with taxable assessed values of approximately \$38,100,000 and \$32,200,000 respectively. The total PILOT payments on these properties to date were approximately \$550,000, \$128,000 and \$885,000 to the City, County and School Districts respectively. (Some of the shelter rents have not yet been received.) This value is an expression of what the total value of collected shelter rents would be if they were collected and apportioned as taxes. This constitutes approximately a \$5,700,000 abatement of County/City property taxes and a \$9,600,000 abatement of school taxes.

The total assessed value of Commercial (almost exclusively IDA) properties is approximately \$235,300,000 for the Property Tax Year and approximately \$261,300,000 for the School Tax Year, with taxable assessed values of approximately \$113,700,000 and \$122,600,000 respectively. The total PILOT payments on these properties to date were approximately \$1,450,000, \$385,000 and \$3,080,000 to the City, County and School Districts respectively. This constitutes approximately a \$2,200,000 abatement of County/City property taxes and a \$3,700,000 abatement of school taxes.

Copies of the agreements may be obtained from the Darius Shahinfar, Albany City Treasurer, City Hall, 24 Eagle St., Rm. 109, Albany, NY 12207, dshahinfar@albanyny.gov.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the City's governmental funds differ from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

i. Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

ii. Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

iii. Long-term liability transaction differences:

Long-term liability transaction differences relate principally to bonds, post-employment benefits and accrued compensated absences. Both interest and principal payments on bonds and other long-term debt are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (Continued)

iii. Long-term liability transaction differences: (Continued)

Employees earn vacation and sick leave as they provide service. They may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. The cost of vacation pay and sick time are recognized in the statement of revenues, expenditures and changes in fund balance when the expenditures are paid. The cost of vacation and sick time earned within the reporting period, including that which is not expected to be paid with expendable available financial resources, is reported in the government-wide financial statements as a liability and expensed in the statement of activities.

Employees earn retirement benefits as they provide service. The benefit is based on factors such as the applicable employee agreement, the employees' hiring date and the number of years of service to the City. The costs of retirement benefits are recognized in the statement of revenues, expenditures and changes in fund balance when the expenditures are paid. Pension benefits are accounted for in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and are reported in the government-wide financial statements as a liability/asset, deferred outflows of resources/deferred inflows of resources and expensed in the statement of activities accordingly. Other postemployment benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and are reported in the government-wide financial statements as a liability and expensed in the statement of activities accordingly.

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Pursuant to Article 6 of the Second Class Cities Law of the State of New York and its own charter, the City legally adopts calendar year budgets for the General and Special Revenue Funds. Any amendments to the original budget during the year require the approval of the Board of Estimate and Apportionment.

The appropriated budget is prepared by fund, function and department, encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 4 — CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS - RESTRICTED

At December 31, 2017, cash and cash equivalents and cash and cash equivalents - restricted are comprised of interest bearing and non-interest bearing deposits in various financial institutions.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 — CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS - RESTRICTED (Continued)

It is the City's policy for all deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2017, all cash and cash equivalents, as well as restricted cash and cash equivalents in excess of FDIC insurance, were fully collateralized by securities in the name of the financial institution held in a separate account.

The City has approximately \$1,892,000 in cash and cash equivalents that have been restricted as follows:

General Fund	
Debt service	\$ 900,000
Landfill postclosure	916,000
NYS Power Authority grant	76,000
	<hr/>
	<u>\$ 1,892,000</u>

The City's investment policy attempts to limit exposure to losses arising from interest rate risk, credit risk, custodial risk, and concentration of credit risk. Further, statutes authorize the City to invest in obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

NOTE 5 — LANDFILL RECEIVABLE

The City currently has one landfill accepting waste from various public and private entities. These entities are billed monthly based on the tonnage deposited at the landfill for the previous month. At December 31, 2017, the City had outstanding landfill receivables of approximately \$431,000, with an allowance of approximately \$10,000.

NOTE 6 — PROPERTY TAXES

Property taxes are levied and payable in January. Any property taxes not paid by the following December 31 are purchased without recourse by the County of Albany. Accordingly, the total levy is considered measurable and available, and there is no allowance for uncollectible property taxes at December 31, 2017.

The taxable assessed value of real property, as adjusted by New York State, included in the tax levy of 2016 (revenue in 2017), was \$4,837,259,196. The effective tax rate on this value is \$10.79 per thousand for residential and \$14.06 per thousand for non-residential properties. The constitutional tax limit is 2% of the 5-year average of the full value assessment. The 2016 levy represents approximately 65% of the constitutional tax limit. The taxable assessed value of real property included in the tax levy of 2017 (revenue in 2018), was \$4,824,076,379. The effective tax rate on this value is \$10.91 per thousand for residential and \$14.50 per thousand for non-residential properties. The 2017 levy represents approximately 64% of the constitutional tax limit.

In 2017, the City accepted payments of 2018 property taxes beginning on December 28, 2017 as a result of the amended federal tax code and the suspension of the New York State law prohibiting prepayment of such taxes. Approximately \$2,240,000 was recorded in deferred inflows of resources as of December 31, 2017.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 — CAPITAL ASSETS

Property and equipment is comprised of the following:

	Balance January 1 2017	Additions	Deletions and Reclassifications	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$ 5,007,396	-	-	\$ 5,007,396
Construction in process	31,252,069	12,893,053	(7,286,848)	36,858,274
	<u>36,259,465</u>	<u>12,893,053</u>	<u>(7,286,848)</u>	<u>41,865,670</u>
Capital assets being depreciated:				
Buildings, capital leases and improvements	54,959,812	-	2,406,820	57,366,632
Machinery and equipment	66,118,868	3,718,356	(472,392)	69,364,832
Infrastructure	349,370,766	-	4,616,920	353,987,686
	<u>470,449,446</u>	<u>3,718,356</u>	<u>6,551,348</u>	<u>480,719,150</u>
Less accumulated depreciation for:				
Buildings, capital leases and improvements	30,793,029	1,518,924	-	32,311,953
Machinery and equipment	53,548,488	3,328,018	(727,448)	56,149,058
Infrastructure	207,368,244	11,768,778	-	219,137,022
	<u>291,709,761</u>	<u>16,615,720</u>	<u>(727,448)</u>	<u>307,598,033</u>
Total capital assets, net	<u>\$ 214,999,150</u>			<u>\$ 214,986,787</u>

Depreciation expense was approximately \$16,616,000 for the year ended December 31, 2017. In the statement of activities, depreciation expense is allocated to each function as follows:

Function/Programs	Depreciation Expense
Public safety and regulation	\$ 2,379,976
General government	4,968,068
Highway and streets	4,757,143
Recreation and culture	499,119
Community service	3,820,797
Economic development and assistance	190,617
	<u>\$ 16,615,720</u>

NOTE 8 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES

The City, through its blended component unit ACDA, lends monies received through Federal grants (principally HUD CDBG) to individuals, businesses, and non-profit agencies at low interest rates to fund the acquisition and rehabilitation of low income housing and other community development projects in the City. Loan disbursements are recorded as grant expenditures and loan repayments are recorded as program income. Mortgage loans receivable and the related deferred revenue account consist of principal to be collected in future periods or principal amounts that are forgiven annually in accordance with grant provisions.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES (Continued)

Interest rates and loan periods are determined using criteria established by the granting agency. Interest rates on these loans range between 0% and 8% and loan periods are either for a period of up to 15 years or deferred and forgiven as long as the beneficiary is in compliance with the loan agreement.

Funds received from the NYSHTFC were used to establish loans with various not-for-profit organizations, for use in the acquisition and rehabilitation of low income housing. In accordance with applicable grant provisions, loan disbursements are reflected as Due to New York Housing Trust Fund Corporation (NYSHTFC). Funds disbursed to participants generally do not bear interest and are repayable over a period of 15 to 25 years. In accordance with loan agreements, annually, on the anniversary date of completion of the project, one fifteenth or twenty-fifth of the loan is forgiven as long as the beneficiary is in compliance with the loan agreement.

In 2011, the Agency initiated a Choose Albany revolving loan fund utilizing general funds. The revolving loan fund promotes home ownership in Albany and will be for 8% of the purchase price up to \$15,000. The loan can be utilized for down payment assistance or closing costs. The loans have a ten year term with zero percent interest.

The balance of mortgage loans receivable, net of related allowances, is comprised of the following at December 31, 2017:

<u>Program</u>	<u>Balance</u>
HUD	\$2,343,526
HUD, forgivable grant loans	2,530,742
NYSHTFC, net of allowance	17,040
Choose Albany, net of allowance	161,445
	<u>\$5,052,753</u>

NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at December 31, 2017 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 8,447,353	\$ 2,053,468
Special Revenue	-	648,820
Capital Projects	-	5,019,860
Albany Community Development Agency	9,965	735,170
	<u>\$ 8,457,318</u>	<u>\$ 8,457,318</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES (Continued)

Fiduciary fund balances are not reported in the government wide financial statements or fund financial statements. Rather, they are reported separately in the statement of fiduciary net position – fiduciary funds.

NOTE 10 — DUE FROM/TO COMPONENT UNITS

The City has reported approximately \$913,000 as the amount due to the Component Units, net at December 31, 2017. The Component Units reported approximately net \$4,091,000 as the amount due from the primary government, net. The net difference as reported by the City and its Component Units is approximately \$3,178,000 which is primarily caused by timing difference related to the recording of tax assessment adjustments. Other activity giving rise to difference in amounts due between the City and the Component Units relates to payroll, benefits, grant reimbursements and other administrative costs paid for by the City and reimbursed to the City by the Component Units or paid for by the Component Units and reimbursed by the City.

NOTE 11 — PENSION PLANS

The City of Albany participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (collectively, the Systems). These are cost-sharing multi-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, NYS Comptroller State Office Building, 110 State Street, Albany, NY 12207.

The Systems are contributory at a rate of 3% of salary, except for employees who joined before July 27, 1976 and Tier 3 and 4 members with ten or more years of membership, or ten years of credited service for whom no contribution is required. Employee contributions are deducted from their salaries and remitted on a current basis to the Systems. Employer contributions are actuarially determined for the Systems.

The City of Albany is required to contribute at an actuarially determined rate. Since 2012, the City of Albany has elected to amortize a portion of its retirement contributions in accordance with the provisions of Chapter 57, laws of 2013 and Chapter 57, laws of 2010. In 2017, the City elected to amortize an additional \$1,605,000, approximately, of its calculated pension contribution to the retirement system for its fiscal year ended December 31, 2017. The City's contributions made to the Systems were equal to 100 percent of the minimum required contributions. At December 31, 2017, approximately \$13,037,000 was deferred and recorded as due to New York State Retirement System in the statement of net position (Note 13(c)).

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 — PENSION PLANS (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At December 31, 2017, the City reported the following liability for its proportionate share of the net pension liability for each of the plans.

	PFRS	ERS
Actuarial Valuation Date	April 1, 2016	April 1, 2016
Net Pension Asset Liability	\$ (30,147,273)	\$ (10,683,797)
Proportionate Share of the Plan's		
Total Net Pension Liability	1.4545265%	0.1137031%
Proportionate Share of Pension Expense	\$ 17,734,489	\$ 6,118,146

The PFRS and ERS net pension liability was measured as of March 31, 2017, and the total pension liability was determined by an actuarial valuation as of April 1, 2016, with updated procedures used to roll forward the total pension liability to March 31, 2017. The City's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to PFRS's and ERS's total actuarially determined employer contribution for the fiscal year ended on the measurement date.

At December 31, 2017, the City reported deferred outflows and deferred inflows of resources as follows:

	PFRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,954,803	\$ 5,208,781	\$ 267,726	\$ 1,622,395
Net difference between projected and actual earnings on pension plan investments	4,502,451	-	2,133,987	-
Changes in assumptions	14,852,294	-	3,649,977	-
Changes in proportion and differences between City contributions and proportionate share of contributions	170,174	2,818,991	-	1,703,278
City contributions subsequent to the measurement date	10,718,641	-	3,982,586	-
	<u>\$ 34,198,363</u>	<u>\$ 8,027,772</u>	<u>\$ 10,034,276</u>	<u>\$ 3,325,673</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 — PENSION PLANS (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources (Continued)

Contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018 for PFRS and ERS. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended March 31,	PFRS	ERS
2018	\$ 5,270,566	\$ 1,449,873
2019	5,270,566	1,449,873
2020	4,934,520	1,394,798
2021	(628,572)	(1,568,527)
2022	604,870	-
	<u>\$ 15,451,950</u>	<u>\$ 2,726,017</u>

Actuarial Assumptions

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016 with update procedures used to roll forward the total pension liability to March 31, 2017. These actuarial valuations for both ERS and PFRS used the following actuarial assumptions:

Actuarial cost method – Entry age normal

Inflation – 2.5%

Salary increases – 3.8% in ERS, 4.5% in PFRS, indexed by service

Investment rate of return – 7.0% compounded annually, net of investment expense, including inflation

Cost of living adjustments – 1.3% annually

Mortality – Based on the plan's experience from April 1, 2010 – March 31, 2015 with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014

Discount rate – 7.0%

The long-term expected rate of return on the Systems' pension plan investments was determined using a building-block method in accordance with Actuarial Standard of Practice No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 — PENSION PLANS (Continued)

Investment Asset Allocation

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	36%	4.55%
International equities	14%	6.35%
Private equities	10%	7.75%
Real estate	10%	5.80%
Absolute return strategies	2%	4.00%
Opportunistic portfolio	3%	5.89%
Real assets	3%	5.54%
Bonds and mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-Indexed bonds	4%	1.50%
	100%	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset / (liability).

The following presents the City's proportionate share of its net pension asset and liability calculated using the discount rate of 7.0% (ERS and PFRS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	Discount Rate	1.0% Increase
City's proportionate share of the PFRS net pension asset (liability)	<u><u>\$ (85,465,771)</u></u>	<u><u>\$ (30,147,273)</u></u>	<u><u>\$ 16,251,404</u></u>
City's proportionate share of the ERS net pension asset (liability)	<u><u>\$ (34,121,933)</u></u>	<u><u>\$ (10,683,797)</u></u>	<u><u>\$ 9,133,101</u></u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 12 — NOTES PAYABLE

The City may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years.

In June 2017, the City issued various BANs of \$44,596,417 at an interest rate of 1.19%. The proceeds of the BANs, along with available funds, were used to redeem part of the \$38,846,812 BANs issued in 2016 which matured in June 2017 and also provided new funds for various capital purchases and improvements. These BANs were subsequently redeemed in June 2018 (see Note 15 – Subsequent Events).

Interest expense on BANs totaled approximately \$777,000 for the year ended December 31, 2017.

NOTE 13 — INDEBTEDNESS

Indebtedness of the City include loans, certain accruals, and serial and Environmental Facilities Corporation (EFC) bonds. Bonds are guaranteed by the full faith and credit of the City.

The following is a summary of certain long-term liability transactions of the City for the year ended December 31, 2017:

	Balance January 1, 2017	New Issues/ Increase in Estimates	Payments/ Decrease in Estimates	Balance December 31, 2017
Bonds	\$ 72,724,579	\$ -	\$ (15,094,579)	\$ 57,630,000
Premiums on Bonds	2,018,288	-	(693,332)	1,324,956
Loans payable (ACDA)	430,857	-	(84,610)	346,247
Post employment benefit obligation (Note 14)	84,976,521	28,787,840	(16,537,523)	97,226,838
Vacation/sick pay obligations	18,105,174	2,813,234	-	20,918,408
Due to NYS Retirement System	12,956,026	1,503,291	(1,422,180)	13,037,137
Net pension liability	60,898,458	23,992,897	(44,060,285)	40,831,070
Litigation and contingent liabilities	19,930,050	2,616,513	(4,651,099)	17,895,464
Landfill closure and postclosure care costs	9,022,917	300,100	-	9,323,017
Retainage payable on long-term contracts	-	54,999	-	54,999
Capital lease obligations	310,000	-	(150,000)	160,000
Total	\$ 281,372,870	\$ 60,068,874	\$ (82,693,608)	\$ 258,748,136

Of the total outstanding indebtedness of the City at December 31, 2017, approximately \$102,226,000 was subject to the statutory debt limit. Amounts subject to the statutory debt limit include bonds and bond anticipation notes payable. This represents approximately 30% of the City's \$335,487,438 statutory debt limit.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds

Serial and New York State Environmental Facilities (EFC) bonds, the proceeds of which have been used primarily to provide funds for various capital projects, consists of the following at December 31, 2017:

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2017	Annual Principal Installments (Range)
Serial Bonds					
3.75%	2009	2018	\$ 19,974,950	\$ 1,485,000	\$ 1,485,000
4.00 - 5.00%	2011	2025	11,075,000	4,175,000	195,000 - 890,000
2.25 - 3.00%	2011	2021	7,922,026	3,425,000	825,000 - 890,000
2.00%	2012	2020	24,027,579	9,500,000	3,120,000 - 3,230,000
4.00%	2012	2021	10,010,248	4,765,000	1,114,000 - 1,240,000
5.00%	2012	2018	12,590,000	1,770,000	1,770,000
4.50%	2013	2020	9,890,000	4,580,000	1,460,000 - 1,595,000
4.00%	2015	2018	4,545,000	1,545,000	1,545,000
1.588 - 2.324%	2015	2020	4,670,000	2,750,000	900,000 - 935,000
2.00 - 5.00%	2016	2023	10,210,000	8,875,000	110,000 - 1,835,000
2.00%	2016	2025	13,474,579	12,115,000	1,285,000 - 1,665,000
EFC Bonds					
3.301 - 3.829%	2011	2020	3,995,000	1,310,000	430,000- 445,000
4.862 - 5.002%	2012	2022	2,730,000	1,335,000	250,000-285,000
				\$ 57,630,000	
Add: Unamortized Premiums				1,324,956	
				<u>\$ 58,954,956</u>	

The following are details of bonds outstanding at December 31, 2017:

During 2009, the City issued \$19,974,950 in General Obligation Bonds. The proceeds, along with \$2,462,000 in available funds, were used to redeem \$28,525,600 Bond Anticipation Notes of 2008, originally issued for various capital projects. \$9,830,000 was refunded in 2016. The final bond issue matures on July 1, 2018.

In March 2011, the City issued \$12,775,000 in General Obligation Refunding Bonds. The Bonds carry interest rates ranging from 3.00% to 5.00% and a premium of \$1,017,305. The final bond issue matures on August 1, 2025. The proceeds of the Bonds were to advance refund \$1,735,000 of outstanding 1997 General Obligation Bonds with interest rates ranging from 4.8% to 5.0%, \$5,565,000 of outstanding 2000 General Obligation Bonds, with interest rates ranging from 5.00% to 5.50%, and \$5,955,000 of outstanding 2001 General Obligation Bonds with interest rates ranging from 4.125% to 5.000%.

In July 2011, the City issued \$7,922,026 in General Obligation Bonds. The Bonds carry interest rates ranging from 1.50% to 3.00%. The final bond issue matures on July 1, 2021.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds (continued)

In July 2012, the City issued \$34,037,827 in General Obligation Bonds. The Bonds carry interest rates ranging from 2.00% to 4.00%. The final bond issue matures on July 1, 2021. The proceeds of the Bonds, along with available funds, were used to redeem part of the \$46,471,326 BANS issued in 2011 and matured July 6, 2012 and also provided new funds for the purchase of land, equipment and vehicle purchases as well as costs associated with the expansion of the City's landfill.

In July 2012, the City issued \$12,590,000 in General Obligation Refunding Bonds. The Bonds carry interest rates ranging from 2.00% to 5.00%. The final bond issue matures on July 15, 2018. The proceeds of the Bonds were to advance refund \$10,240,000 of outstanding 2003 General Obligation Bonds with interest rates ranging from 4.0% to 4.25% and \$3,155,000 of outstanding 2004 General Obligation Bonds, with interest rate of 4.00%.

In July 2013, the City issued \$9,890,000 in General Obligation Bonds. The Bonds carry interest rates ranging from 3.00% to 4.50%. The final bond matures on July 1, 2020.

In May 2015, the City issued \$9,215,000 in General Obligation Refunding Bonds. The issue included \$4,545,000 in tax exempt bonds and \$4,670,000 in federally taxable bonds. The 2015 tax exempt Bonds carry interest rates ranging from 0.455% - 2.324%. The issue matures on June 1, 2018. The 2015 taxable bonds bear interest rates from 2.00% - 4.00% and mature on June 1, 2020. The proceeds of the Bonds were to advance refund \$4,630,000 in outstanding callable principal of 2006 tax exempt General Obligation Bonds with interest rates ranging from 4.00% - 4.125% and \$4,495,000 in outstanding callable principal of 2006 federally taxable General Obligation Bonds bearing interest of 5.25%.

In July 2016, the City issued \$10,210,000 in General Obligation Refunding Bonds. The bonds carry interest rates ranging from 1.50% - 5.00%. The issue matures on July 1, 2023. The proceeds of the Bonds are to advance refund \$9,830,000 in outstanding 2009 General Obligation Bonds with interest rates ranging from 3.50 – 4.25%.

In June 2016, the City issued \$13,474,579 in General Obligation Serial Bonds. The Bonds carry an interest rate of 2.00%. The Bonds have maturity dates ranging from June 15, 2017 through June 15, 2025. The proceeds of the Bonds, along with available funds, were used to redeem \$16,089,085 of the \$43,425,299 BANS that were issued in 2015 and matured July 1, 2016.

In March of 2011, EFC completed a refinancing initiative on behalf of the City of Albany that initially financed projects through the State Clean Water and Drinking Water Revolving Funds (SRF) Series 2000B. The EFC refunding reduced the City's future interest cost on the SRF financing that was funded through the Series 2000B bonds. This resulted in refunded principal in the amount of \$3,995,000 from EFC with interest rate of 0.807% maturing in 2020.

In June of 2012, EFC completed a refinancing initiative on behalf of the City of Albany that initially financed projects through the State Clean Water and Drinking Water Revolving Funds (SRF) Series 2002A. The EFC refunding reduced the City's future interest cost on the SRF financing that was funded through the Series 2002A bonds. This resulted in refunded principal in the amount of \$2,730,000 from EFC with interest rates ranging from 4.132% to 5.002% maturing in 2022.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds (continued)

Future maturities of general long-term debt as of December 31, 2017 are as follows:

Year Ending December 31	Principal	Interest	Total
2018	\$ 15,360,000	\$ 1,646,290	\$ 17,006,290
2019	12,370,000	1,169,832	13,539,832
2020	12,715,000	815,301	13,530,301
2021	6,545,000	455,169	7,000,169
2022	3,905,000	255,168	4,160,168
2023-2025	6,735,000	240,650	6,975,650
	<u>\$ 57,630,000</u>	<u>\$ 4,582,410</u>	<u>\$ 62,212,410</u>

Interest expense for bonds was approximately \$2,192,000 for the year ended December 31, 2017.

(b) Loans payable

Loans payable are further broken down as follows:

	Balance January 1, 2017	New Issues/ Increase in Estimates	Retirement/ Decrease in Estimates	Balance December 31, 2017
Note payable (1)	\$ 49,000	\$ -	\$ (23,000)	\$ 26,000
Note payable (2)	92,149	-	(11,089)	81,060
Note payable (3)	289,708	-	(50,521)	239,187
	<u>\$430,857</u>	<u>\$ -</u>	<u>\$ (84,610)</u>	<u>\$346,247</u>

- (1) As part of the capitalized lease obligation for the Agency's facility located at 200 Henry Johnson Boulevard, the Agency executed a note payable to CAC to pay for all previously unreimbursed tenant expenses. The note has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to CAC through 2018.
- (2) Note payable from CAC to fund improvements made to one of the Agency's properties located at 388 Clinton Avenue. The note is collateralized by a mortgage agreement on the building located at 388 Clinton Avenue. The note is being amortized over a period of twenty years, with monthly principal and interest payments. The interest rate for the first five years of the note is fixed at 4%, and is subject to every five years thereafter to prime plus 1%.
- (3) During 2011, the Agency borrowed the sum of \$500,000 from the Capitalize Albany Corporation to purchase property at 25 Delaware Avenue. The note is collateralized by a mortgage agreement on the property located at 25 Delaware Avenue. The note is being paid over a period of ten years, with monthly principal and interest payments. The balance is due in full at the time of sale or change in ownership of the property. The interest rate is 5.75%. The property acquired was recorded as property held for sale and included in other assets in the statement of net position.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(c) Due to New York State and Local Retirement System

Each year from 2011 through 2017, the City elected to defer part of their New York State Pension contributions. The deferred portions of the contributions are amortized over twelve or ten years, depending on the year of deferral, at rates of 2.62% - 3.76%.

A summary of future NYSLRS payment obligations as of December 31, 2017 is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ -	\$ -
2019	1,554,004	444,204	1,998,207
2020	1,606,923	391,283	1,998,206
2021	1,661,666	336,540	1,998,206
2022	1,718,294	279,912	1,998,206
2023-2027	5,835,051	644,681	6,479,732
2028-2029	661,199	34,870	696,069
	<u>\$ 13,037,137</u>	<u>\$ 2,131,489</u>	<u>\$ 15,168,626</u>

(d) Litigation and contingent liabilities

(1) Judgments and Claims

There are various suits and claims pending against the City. The City has recognized an accrued liability of approximately \$720,000 related to future claims on certain other matters. In the opinion of City officials and Corporation Counsel, there are no other proceedings against the City in which the likelihood the City will be held liable is probable and the amount of claims relating to such proceedings are reasonably estimable.

(2) Workers' Compensation Claims

The City self-insures workers' compensation claims. The City and its component units, with the exception of the BID, the Association, and the CBID, all participate in the self-insurance program.

Under the program, the City utilizes a program administrator to process claims as they occur. A liability for unpaid claims based upon individual case estimates for claims incurred as well as claims incurred but not reported (IBNR) at December 31, 2017 has been recorded in the caption "Judgments and Claims." This liability is the City's best estimate based on available information. Changes in the reported liability for 2017 are as follows:

	<u>Balance as of January 1 2017</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance as of December 31, 2017</u>
Workers' compensation liability	<u>\$ 19,969,210</u>	<u>\$ 1,857,353</u>	<u>\$ (4,651,099)</u>	<u>\$ 17,175,464</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(d) *Litigation and contingent liabilities (continued)*

(3) *Grant Programs*

City

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted periodically in accordance with grantor requirements. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

ACDA

The Agency receives a major portion of its annual revenues through Federal and New York State grants. Any significant reduction in grant funding levels could have a negative impact on the Agency and the services it offers. The Agency's grant funding is typically awarded for specific programs or purposes and is subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the applicable grant. Management believes that all grant funds were expended in accordance with applicable terms and does not expect any significant disallowance claims will be made by grantor agencies.

(e) *Landfill closure and post closure care costs*

The City has four landfills, three of which stopped accepting waste prior to December 1993. The fourth, Albany Interim Landfill (AIL), together with its expansions added in 2010 and 2012, is still accepting waste at December 31, 2017. In June 2009, the New York State Department of Environmental Conservation (NYSDEC) issued a renewal permit to the City to continue operations of the existing landfill through June 2019.

State and federal laws and regulations require the City to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste. The City reports closure and post closure care costs based on landfill capacity used as of each balance sheet date.

Accrued landfill closure and post closure care costs of approximately \$9,323,000 at December 31, 2017, represent the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of all previously closed landfills and 85 percent of the estimated capacity of the AIL as determined by an independent engineer. The estimated remaining life of the AIL is approximately 3.2 to 3.8 years. The City will recognize the remaining estimated cost of closure and post closure care of \$1,586,000 as the remaining AIL capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City currently has restricted cash of approximately \$916,000 for payment of closure and post closure care costs.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 — INDEBTEDNESS (Continued)

(f) Capital lease obligations

ACDA

ACDA amended its lease for office space at a facility located at 200 Henry Johnson Boulevard. The amended lease has a sixteen year term and the agreement requires ACDA to remit semi-annual payments to the Capitalize Albany Corporation (“CAC”) through 2018. The agreement qualifies as a capital lease. The interest portion of future minimum lease payments approximate \$4,600 and the net present value at December 31, 2017 approximates \$160,000.

A summary of future minimum lease payments and future minimum maturities of the capital lease obligations as of December 31, 2017 is as follows:

<u>Year Ending December 31</u>	<u>ACDA</u>
2018	<u>\$ 164,600</u>
Total minimum lease payments	164,600
Less amounts representing interest	<u>(4,600)</u>
Total principal	<u><u>\$ 160,000</u></u>

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS

City

In addition to providing pension benefits (see Note 11), the City also provides health care benefits for retired employees, their dependents and certain survivors. Substantially all of the City’s employees, as well as employees of the Albany Water Board, may become eligible for those benefits if they reach normal retirement age while working for the City.

The City follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosure.

Plan Description

The City administers its Retiree Medical Plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for the continuation of medical benefits to certain qualifying retirees of the City and the Albany Water Board, and their dependents and certain survivors and can be amended by action of the City. The Plan does not currently issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy

The obligations of the Plan members, employers and other entities are established by the City. The required contribution rates of the employer and the members vary depending on the retiree's hiring date and number of years of service to the City. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of prefunding additional benefits if so determined by the City. For 2017, the City contributed approximately \$16,538,000 for current costs. The costs of administering the plan are paid by the City.

Funded Status and Funding Progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year (when available) trend information that is useful in determining whether the actuarial value of Plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of December 31, 2017 based on January 1, 2016 valuation date.

<u>Actuarial Accrued Liability (AAL)</u>	
Currently retired	\$ 293,880,126
Actives eligible to retire	46,524,615
Actives not yet eligible to retire	58,963,802
Actuarial accrued liability	<u>399,368,543</u>
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 399,368,543</u></u>
Funded ratio	<u><u>0%</u></u>
Annual covered payroll	\$ 84,405,263
Ratio of unfunded actuarial accrued liability to covered payroll	473%
2017 normal cost	<u><u>\$ 6,976,869</u></u>

The following table summarizes the amortization calculation of the UAAL (level annual payment method) as of the latest valuation date:

UAAL	\$ 399,368,543
Amortization period (years)	30
Amortization discount rate	4%
2017 UAAL amortization amount	\$ 13,117,306

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for 2017:

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Normal cost	\$ 6,976,869
Amortization of UAAL	13,117,306
Interest	524,692
ARC	20,618,867
Interest on OPEB obligation	3,399,061
Adjustment to ARC	4,769,912
OPEB expense	<u>\$ 28,787,840</u>

The City's OPEB obligation for the current year was as follows:

	2017
Net OPEB obligation at beginning of year	\$ 84,976,521
OPEB expense	28,787,840
OPEB contributions	(16,537,523)
Net OPEB obligation at end of year	97,226,838
Less: estimated current portion of OPEB obligation	16,673,713
Estimated long-term portion of OPEB obligation	<u>\$ 80,553,125</u>
Percentage of expense contributed	<u>57.4%</u>

Trend Information

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 13,761,575	\$ 9,941,835	72.2%	\$73,682,506
12/31/2016	\$ 27,883,470	\$16,589,455	59.5%	\$84,976,521
12/31/2017	\$ 28,787,840	\$16,537,523	57.4%	\$97,226,838

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, the AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

The valuation date for the calculation was January 1, 2016 and the discount rate utilized was 4%. No salary increases were assumed since benefits are not based on compensation. Health care costs for governmental activities were assumed to increase as follows:

<u>Year</u>	<u>Trend</u>
2018	8.0%
2019	7.5%
2020	7.0%
2021	6.5%
2022	6.0%
Thereafter	5.5% - 5.0%

NOTE 15 — SUBSEQUENT EVENTS

In June 2018, the City issued \$33,310,417 in General Obligation Serial Bonds. The Bonds carry an interest rate of 4.0%, with a premium of \$2,711,918. The Bonds have maturity dates ranging from June 15, 2019 through June 15, 2028.

The proceeds of the Bonds, along with available funds, were used to redeem \$39,390,417 of the \$44,596,417 BANs that were issued in 2017 and matured June 29, 2018, and also provide new funds for various capital purposes and improvements.

In June 2018, the City issued \$18,854,100 in BANs. The BANs are due June 28, 2019 and carry an interest rate of 2.75%, with a premium of \$153,474.

The proceeds of the BANs, along with available funds, were used to redeem \$5,206,000 of the \$44,596,417 BANs that were issued in 2017 and matured June 29, 2018, and also provide new funds for various capital purposes and improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALBANY, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES AND MODIFIED BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUND

For the Year Ended December 31, 2017

	General Fund				Special Revenue Fund			
	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget
REVENUES								
Real property taxes	\$ 57,700,000	\$ 57,700,000	\$ 57,422,204	\$ (277,796)	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	34,111,580	34,111,580	33,349,774	(761,806)	-	-	-	-
Other taxes	2,969,000	2,969,000	2,841,731	(127,269)	-	-	-	-
Payments in lieu of taxes	20,428,973	20,428,973	18,479,096	(1,949,877)	-	-	-	-
Intergovernmental revenue	33,480,021	34,332,335	33,216,263	(1,116,072)	2,587,825	2,587,825	2,075,615	(512,210)
Charges for services	12,900,271	12,900,271	12,202,411	(697,860)	-	-	-	-
Fines, interest and penalties	5,204,300	5,204,300	4,671,791	(532,509)	-	-	-	-
Use of money and properties	96,880	235,342	167,136	(68,206)	-	-	-	-
Licenses and permits	3,460,700	5,235,421	5,011,325	(224,096)	-	-	-	-
Other revenues	2,199,000	2,349,000	3,094,297	745,297	-	-	-	-
Total revenues	172,550,725	175,466,222	170,456,028	(5,010,194)	2,587,825	2,587,825	2,075,615	(512,210)
EXPENDITURES								
Public safety and regulation	92,664,787	96,650,835	97,114,365	463,530	-	-	-	-
General government	22,247,374	21,286,152	18,900,908	(2,385,244)	-	-	-	-
Highways and streets	8,729,759	8,716,682	8,673,161	(43,521)	-	-	-	-
Recreation and culture	4,207,823	4,207,824	4,174,837	(32,987)	-	-	-	-
Community service	6,953,670	7,104,748	6,589,861	(514,887)	-	-	-	-
Economic development and assistance	-	-	-	-	2,580,460	2,580,460	2,132,134	(448,326)
Employee benefits	15,901,045	15,653,714	15,418,935	(234,779)	-	-	-	-
Debt service	21,846,267	21,846,267	18,560,091	(3,286,176)	-	-	-	-
Total expenditures	172,550,725	175,466,222	169,432,158	(6,034,064)	2,580,460	2,580,460	2,132,134	(448,326)
Excess (deficiency) of revenues and appropriated fund balance over expenditures	-	-	1,023,870	1,023,870	7,365	7,365	(56,519)	(63,884)
OTHER FINANCING SOURCES (USES)								
Transfers	-	-	(3,208,060)	(3,208,060)	-	-	-	-
Total other financing sources (uses)	-	-	(3,208,060)	(3,208,060)	-	-	-	-
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ (2,184,190)	\$ (2,184,190)	\$ 7,365	\$ 7,365	\$ (56,519)	\$ (63,884)

CITY OF ALBANY, NEW YORK

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET / (LIABILITY) NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM

<u>As of the measurement date of March 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	1.454527%	1.408760%	1.465709%
City's proportionate share of the net pension liability	\$(30,147,273)	\$(41,710,392)	\$ (4,034,505)
City's covered-employee payroll	\$ 49,618,689	\$ 45,463,467	\$48,692,865
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.76%	91.74%	8.29%
Plan fiduciary net position as a percentage of the total pension liability	<u>93.50%</u>	<u>90.20%</u>	<u>97.90%</u>

Data prior to 2015 is unavailable.

The following is a summary of assumption changes:

	<u>2016</u>	<u>2015</u>
Inflation	2.5%	2.7%
Salary increases	4.5%	6.0%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.00%	7.5%
Discount rate	7.00%	7.5%

No changes in assumptions from 2016 to 2017.

CITY OF ALBANY, NEW YORK
SCHEDULE OF CONTRIBUTIONS
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM
(LAST 10 FISCAL YEARS)

March 31,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 12,145,867	\$ 10,552,391	\$ 12,094,801	\$ 13,912,995	\$ 11,250,128	\$ 8,931,589	\$ 7,911,276	\$ 7,058,207	\$ 6,115,240	\$ 6,198,299
Contribution in relation to the contractually required contribution	<u>(12,145,867)</u>	<u>(10,552,391)</u>	<u>(12,094,801)</u>	<u>(13,912,995)</u>	<u>(11,250,128)</u>	<u>(8,931,589)</u>	<u>(7,911,276)</u>	<u>(7,058,207)</u>	<u>(6,115,240)</u>	<u>(6,198,299)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 49,618,689	\$ 45,463,467	\$ 48,692,865	\$ 49,765,799	\$ 45,236,096	\$ 45,132,856	\$ 47,211,057	\$ 47,051,033	\$ 42,485,016	\$ 41,743,128
Contributions as a percentage of covered-employee payroll	<u>24.48%</u>	<u>23.21%</u>	<u>24.84%</u>	<u>27.96%</u>	<u>24.87%</u>	<u>19.79%</u>	<u>16.76%</u>	<u>15.00%</u>	<u>14.39%</u>	<u>14.85%</u>

CITY OF ALBANY, NEW YORK

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET / (LIABILITY) NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM

<u>As of the measurement date of March 31,</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.113703%	0.119550%	0.132978%
City's proportionate share of the net pension liability	\$(10,683,797)	\$(19,188,066)	\$ (4,492,317)
City's covered-employee payroll	\$ 27,923,236	\$ 27,697,230	\$ 31,518,901
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.26%	69.28%	14.25%
Plan fiduciary net position as a percentage of the total pension liability	<u>94.70%</u>	<u>90.70%</u>	<u>99.00%</u>

Data prior to 2015 is unavailable.

The following is a summary of assumption changes:

	<u>2016</u>	<u>2015</u>
Inflation	2.5%	2.7%
Salary increases	3.8%	4.9%
Cost of living adjustments	1.3%	1.4%
Investment rate of return	7.0%	7.5%
Discount rate	7.0%	7.5%

No changes to assumptions from 2016 to 2017.

CITY OF ALBANY, NEW YORK
SCHEDULE OF CONTRIBUTIONS
NEW YORK STATE AND LOCAL EMPLOYEES' RETIREMENT SYSTEM
(LAST 10 FISCAL YEARS)

March 31,	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 4,880,229	\$ 4,859,954	\$ 6,368,984	\$ 6,424,534	\$ 5,449,165	\$ 4,539,660	\$ 3,619,931	\$ 2,318,239	\$ 2,375,239	\$ 2,645,737
Contribution in relation to the contractually required contribution	<u>(4,880,229)</u>	<u>(4,859,954)</u>	<u>(6,368,984)</u>	<u>(6,424,534)</u>	<u>(5,449,165)</u>	<u>(4,539,660)</u>	<u>(3,619,931)</u>	<u>(2,318,239)</u>	<u>(2,375,239)</u>	<u>(2,645,737)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 27,923,236	\$ 27,697,230	\$ 31,518,901	\$ 30,963,158	\$ 30,566,919	\$ 31,109,237	\$ 32,607,589	\$ 32,261,084	\$ 31,174,867	\$ 31,004,507
Contributions as a percentage of covered-employee payroll	<u>17.48%</u>	<u>17.55%</u>	<u>20.21%</u>	<u>20.75%</u>	<u>17.83%</u>	<u>14.59%</u>	<u>11.10%</u>	<u>7.19%</u>	<u>7.62%</u>	<u>8.53%</u>

ADDITIONAL REPORTS

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

Mayor and Members of the City Council
City of Albany

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Albany, New York (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Albany, New York's basic financial statements, and have issued our report thereon dated September 27, 2018. Our report includes a reference to other auditors who audited the financial statements of the Albany Parking Authority, the Albany Water Board or the Albany Industrial Development Agency, which are component units, as described in our report on the City of Albany, New York's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

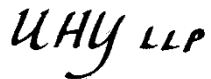
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Albany, New York
September 27, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Mayor and Members of the City Council
City of Albany

Report on Compliance for Each Major Federal Program

We have audited City of Albany, New York's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of Albany Community Development Agency (ACDA), a blended component unit, which expended \$5,323,694 in Federal awards. Our audit, described below, did not include the operations of ACDA because this component unit was separately audited in accordance with Uniform Guidance and the related reports have been separately submitted. Federal expenditures, if any, relating to other component units are not included since they are audited and reported as separate entities.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Albany, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

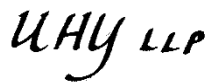
Report on Internal Control over Compliance

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

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

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

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



Albany, New York
September 27, 2018

CITY OF ALBANY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct Program				
Community Development Block Grants/Entitlement Grants	14.218	Not Applicable	\$ 3,556,433	\$ 3,406,284
Emergency Solutions Grant Program	14.231	Not Applicable	280,737	280,737
Home Investment Partnerships Program	14.239	Not Applicable	1,103,015	1,103,015
Housing Opportunities for Persons with AIDS	14.241	Not Applicable	533,658	533,658
Total Department of Housing and Urban Development			5,473,843	5,323,694
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Passed Through NYS Office for Victims of Crime				
Antiterrorism Emergency Reserve	16.321	Not Applicable	16,380	-
Total Passed Through NYS Office for Victims of Crime			16,380	-
Passed Through NYS Bureau of Justice Assistance:				
Edward Byrne Memorial Justice Assistance Grant Program 2015	16.738	2015-DJ-BX-0078	17,843	-
Edward Byrne Memorial Justice Assistance Grant Program 2016	16.738	2016-DJ-BX-0087	29,109	-
Bulletproof Vest Partnership Program	16.607	Not Applicable	45,265	-
Total Passed Through NYS Bureau of Justice Assistance			92,217	-
Total U.S. Department of Justice			108,597	-
<u>U.S. DEPARTMENT OF LABOR</u>				
Passed Through NYS Department of Labor				
WIA Cluster				
Workforce Investment and Opportunity Act - WIOA Adult Program	17.258	Not Applicable	394,357	-
Workforce Investment and Opportunity Act - WIOA Youth Activities	17.259	Not Applicable	724,398	-
Workforce Investment and Opportunity Act - WIOA Dislocated Worker	17.278	Not Applicable	383,587	-
Total WIA Cluster			1,502,342	-
Trade Adjustment Assistance	17.245	Not Applicable	47,842	-
Employment Service/Wagner-Peyser Funded Activities	17.207	Not Applicable	207,561	-
Total Passed Through NYS Department of Labor			1,757,745	-
Total U.S. Department of Labor			\$ 1,757,745	\$ -

The accompanying notes are an integral part of this Schedule.

CITY OF ALBANY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Passed Through National Highway Traffic Safety Administration				
Police Traffic Services Grant	20.600	Not Applicable	\$ 36,138	\$ -
Total Passed Through National Highway Traffic Safety Administration			<u>36,138</u>	<u>-</u>
Passed Through NYS Department of Transportation				
Highway Planning and Construction				
Madison Ave Road Diet	20.205	1759.74 & 1760.25	1,418,847	-
ITS Washington/Western Ave	20.205	1756.63	335,009	-
Pavement Preservation Project	20.205	1759.79.121	879,281	-
Albany Waterfront/Corning Riverfront	20.205	1756.86.322	381,891	-
Henry Johnson Boulevard Bridge	20.205	1760.13.121	86,287	-
New Scotland and Pearl Street Pavement Preservation	20.205	1760.27.121	43,130	-
Total Highway Planning and Construction			<u>3,144,445</u>	<u>-</u>
Total U.S. Department of Transportation			<u>3,180,583</u>	<u>-</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Passed Through NYS Corps Collaboration				
AmeriCorps	94.006	Not Applicable	84,112	-
Total Passed Through NYS Corps Collaboration			<u>84,112</u>	<u>-</u>
Total Corporation for National and Community Service			<u>84,112</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed Through U.S. Federal Emergency Management Agency				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2014-FH-00588	914,423	-
Total Passed Through U.S. Federal Emergency Management Agency			<u>914,423</u>	<u>-</u>
Passed Through NYS Division of Homeland Security and Emergency Services				
Tactical Team Targeted Program	97.067	WM14164259	18,626	-
LETPP/SLETPP 2015	97.067	WM15153652	217,718	-
LETPP/SLETPP 2017	97.067	WM17883972	4,524	-
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	473V0	303,818	-
Total Passed Through NYS Division of Homeland Security and Emergency Services			<u>544,686</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>1,459,109</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 12,063,989</u>	<u>\$ 5,323,694</u>

The accompanying notes are an integral part of this Schedule.

CITY OF ALBANY, NEW YORK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

NOTE A – SUMMARY OF ACCOUNTING POLICIES

1. Scope of Single Audit

The accompanying Schedule of Expenditures of Federal Awards presents all activity of federal award programs of the City of Albany (City) (primary government) but does not include the activity of the federal awards programs, if any, of the component units for the year ended December 31, 2017. Only the primary government's awards received directly from federal and state agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting used by the City in reporting these programs to the federal government.

NOTE B – NONCASH ASSISTANCE

The City had no awards expended in the form of noncash assistance during the year ended December 31, 2017.

NOTE C – LOANS AND LOAN GUARANTEES

The City had no federal loans or federal loan guarantees outstanding as of December 31, 2017.

NOTE D – INSURANCE

The City did not participate in any federal insurance programs as of December 31, 2017.

NOTE E – INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented.

CITY OF ALBANY, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ☐ yes ☒ no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
97.036	Disaster Grants- Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II—Financial Statement Findings

None Reported

Section III—Federal Award Findings and Questioned Costs

None Reported

CITY OF ALBANY, NEW YORK
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2017

Finding Number 2016-001

CFDA Number: 97.083 Staffing for Adequate Fire and Emergency Response (SAFER)

Condition: For 1 of the 2 submissions tested, the FFR failed to meet the criteria of submission within 30 days of the end of each semi-annual reporting period.

Current Year Status: No such instances were noted in connection with the City's financial statement audit for the year ended December 31, 2017.