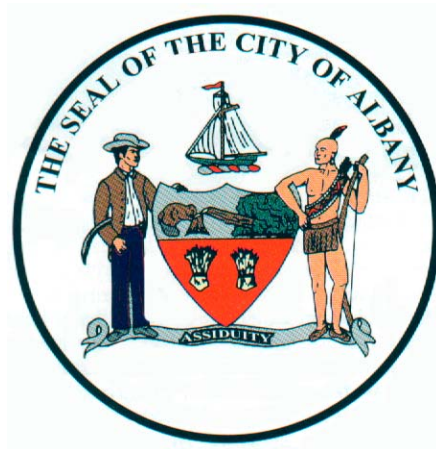


**CITY OF ALBANY,  
NEW YORK**

AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Year ended December 31, 2018



# CITY OF ALBANY, NEW YORK

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## **INDEPENDENT AUDITOR'S REPORT**

Members of the City Council  
City of Albany, New York

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, 2018, 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. 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, 2018, 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.

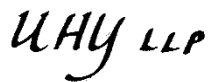
## Other Matters

### *Change in Accounting Principle*

As described in Note 1 to the financial statements, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this item.

### *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 54 and other required supplementary information on pages 55 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.



Albany, New York  
September 23, 2019

# 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, 2018. 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, 2017.

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 units<sup>1</sup>. 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.

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<sup>1</sup> 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 two 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 2018 totaled \$174.4 million and were under the final budget by \$0.3 million. The General Fund expenses totaled \$168.4 million and were \$6.3 million lower than the final budget. While the 2018 City budget did not anticipate a change in the fund balance, the fund balance actually increased \$6.7 million for the year. The \$6.0 million excess of revenues over expenses is added to other financing sources of \$0.7 million which resulted in the fund balance ending the year at \$17.6 million. The unassigned fund balance was at a \$7.6 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 \$403.1 million. This resulted in a decrease of net position of approximately \$384.4 million from 2017. Most of this decrease is related to the reporting requirements related to the accrued post employment benefit obligation (increased by \$393.3 million).

Total assets (\$306.5 million) decreased from 2017 by \$3.3 million. The primary areas that decreased are cash and cash equivalents (decreased by \$13.1 million), due from other governments (decreased by \$2.2 million) and prepaid and other assets (decreased by \$0.9 million). The areas that increased are cash and cash equivalents –restricted (increased by \$3.7 million), taxes receivable (increased by \$0.7 million), accounts receivable, net (increased by \$0.8 million), mortgage loans receivable (increased by \$1.2 million) and due from component units (increased by \$7.5 million). The decrease in cash and cash equivalents was primarily related to paying expenses on behalf of the Albany Water Board for their long term control plan and the County of Albany collecting a portion of property taxes directly instead of the City receiving these payments. The decrease in due from other governments is related to receiving funds due from the federal and state for capital projects and public safety programs. The decrease in prepaid and other assets is related to a decrease in prepaid debt expenses on debt service due at the beginning of the next year.

Total liabilities (\$718.4 million) increased by \$358.8 million from 2017. The primary liabilities which increased were accrued interest payable (increased by \$0.8 million), due to component units (increased by \$3.5 million), bonds and loans payable (increased by \$20.0 million) and accrued post employment benefit obligation (increased by \$393.3 million). The primary liabilities which decreased were accounts payable and accrued expenses (decreased by \$2.0 million), due to other governments (decreased by \$4.2 million), bond and revenue anticipation notes payable (decreased by \$25.7 million), net pension liability (decreased by \$23.3) and compensated absences (decreased by \$2.2 million), due to NYS Retirement System (decreased by \$0.5 million) and judgements and claims (decreased by \$1.1 million).

The increase in accrued interest payable is the result of issuing new bonds which increased the outstanding interest on debt. Due to component units increased from not transferring money due to the Albany Water Board before the end of the year. Bonds and loans payable increased as a result of issuing new bonds which increased the outstanding principal on debt. The increase in accrued post employment benefit obligation is related to the new GASB requirements requiring the full liability to be included on the Statement of Net Position. Accounts payable and accrued expenses decreased as a result of accruing less in vendor invoices by the end of the year. The decrease in due to other governments is related to the County of Albany collecting a portion of property tax payments directly. Bond and revenue anticipation notes payable decreased from paying off outstanding bond anticipation notes and converting them to bonds. Net pension liability decreased as a result of a decrease in the City's proportionate share of the net pension liability. The decrease in compensated absences is related to paying out accrued balances to retired employees and improved record keeping. Due to NYS Retirement System decreased as a result of paying down outstanding amortized amounts due and amortizing less. Judgments and claims decreased as a result of a decrease in worker's compensation claims paid in 2018.

The City of Albany's large Post-Employment Benefit Projected Actuarial Accrued liability (\$490.6 million) is driven by the health care plan which has traditionally been extended to retirees.

Deferred outflows of resources increased by \$7.0 million from 2017, deferred inflows of resources increased by \$29.4 million and net pension liability decreased by \$23.3 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, \$135.4 million is net invested in capital assets, and \$5.6 million is restricted for program specific activities and for debt service, leaving a deficit balance in unrestricted net position of \$544.1 million – an increase deficit from 2017 of \$368.2 million. The total net position decreased by \$384.5 million. Most of this increase is related to the reporting requirements related to accrued post employment benefit obligations (increased by \$393.3 million).

Total capital assets including property and equipment after depreciation are valued at \$214.2 million, with increases of approximately \$18.2 million of additions to capital assets. Approximately \$21.5 million of capital assets are not subject to depreciation, including approximately \$5.0 million of land, and \$16.5 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, 2018**  
*(in Millions)*

	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>
Total assets	\$ 306.5	\$ 309.8	\$ (3.3)
Total deferred outflows of resources	51.8	44.8	7.0
Total liabilities	718.4	359.6	358.8
Total deferred inflows of resources	43.0	13.6	29.4
<b>Excess (deficiency) of assets and deferred outflows of resources over liabilities and deferred inflows of resources</b>	<b><u>(403.1)</u></b>	<b><u>(18.6)</u></b>	<b><u>(384.5)</u></b>
Net invested in capital assets	135.4	156.0	(20.6)
Restricted for debt service and program activities	5.6	1.3	4.3
Unrestricted (deficiency)	<u>(544.1)</u>	<u>(175.9)</u>	<u>(368.2)</u>
<b>Total Net Position (deficiency)</b>	<b><u>\$ (403.1)</u></b>	<b><u>\$ (18.6)</u></b>	<b><u>\$ (384.5)</u></b>

Component Units

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$122.2 million – an increase of \$15.7 million from 2017. Total assets and deferred outflows of resources (\$224.1 million) increased by \$39.8 million. Net invested in capital assets increased by \$34.0 million.

Total liabilities and deferred inflows of resources (\$101.9 million) increased by \$24.1 million. Bonds and notes payable increased \$10.2 million.

Total net position increased \$15.7 million from 2017 to 2018 due mostly to a significant increase in net position of the City of Albany Industrial Development Agency and the Albany Port District Commission primarily related to an increase in cash and cash equivalents, accounts receivable and net invested in capital assets.

**Governmental Activities - Component Units**  
**Net Assets at December 31, 2018**  
*(in Millions)*

	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>
Total assets and deferred outflows of resources	\$ 224.1	\$ 184.3	\$ 39.8
Total liabilities and deferred inflows of resources	101.9	77.8	24.1
<b>Excess of assets and deferred outflows of resources over liabilities and deferred inflows of resources</b>	<b>122.2</b>	<b>106.5</b>	<b>15.7</b>
Net invested in capital assets	98.5	64.5	34.0
Restricted for debt service and program activities	1.4	1.3	0.1
Unrestricted	<u>22.3</u>	<u>40.7</u>	<u>(18.4)</u>
<b>Total Net Position</b>	<b><u>\$ 122.2</u></b>	<b><u>\$ 106.5</u></b>	<b><u>\$ 15.7</u></b>

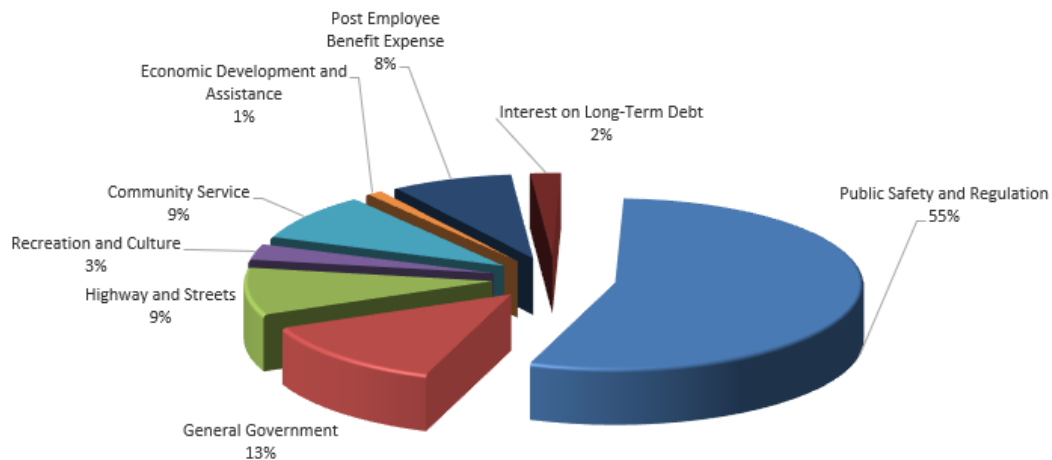


## Statement of Activities

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.

<b>Governmental Activities - Expenses</b> (in Millions)				
<b>Governmental Functions</b>	<b>2018</b>	<b>2017</b>	<b>Increase/ (Decrease)</b>	<b>% of Change</b>
Public safety and regulation	\$ 101.2	\$ 110.8	\$ (9.6)	-9%
General government	24.5	21.5	3.0	14%
Highway and streets	16.6	16.4	0.2	1%
Recreation and culture	5.4	5.4	0.0	0%
Community service	16.1	17.6	(1.5)	-9%
Economic development and assistance	2.4	2.4	0.0	0%
Post employment benefit expense	15.4	22.2	(6.8)	-31%
Interest on long-term debt	2.9	2.8	0.1	4%
<b>Total</b>	<b>\$ 184.5</b>	<b>\$ 199.1</b>	<b>\$ (14.6)</b>	<b>-7%</b>

### Functional Expenses – Primary Government



Public Safety accounts for 55 percent of expenses, while General Government is at 13 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 8 percent of expenses.

Expenses decreased from 2017 by \$14.6 million.

Public Safety and Regulation expenses of \$101.2 million decreased by \$9.6 million and are offset by \$15.0 million in charges for services and operating grants, GIVE grant, police court security, urban security, truancy, and motor vehicle theft prevention programs. General Government expenses of \$24.5 million increased by \$3.0 million and are offset by \$3.3 million in charges for services most of which came from permit, license and inspection fees. General Government expenses are also offset by \$12.0 million; most of this is the result of the Capital City Funding revenue received from the State of New York. Highway and Streets expenses of \$16.6 million increased by \$0.2 million are offset \$1.9 million in charges for services and \$4.6 million in capital grants and contributions. Community Service expenses of \$16.1 million decreased by \$1.5 million and are offset by \$3.7 million in grants related to the Albany Community Development Agency and \$6.7 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 \$2.9 million increased by \$0.1 million. Post-Employment benefit expenses \$15.4 million decreased by \$6.8 million. The decrease in these expenses are related to decreases in retiree healthcare costs and related benefits.

Revenues increased from 2017 by \$4.7 million.

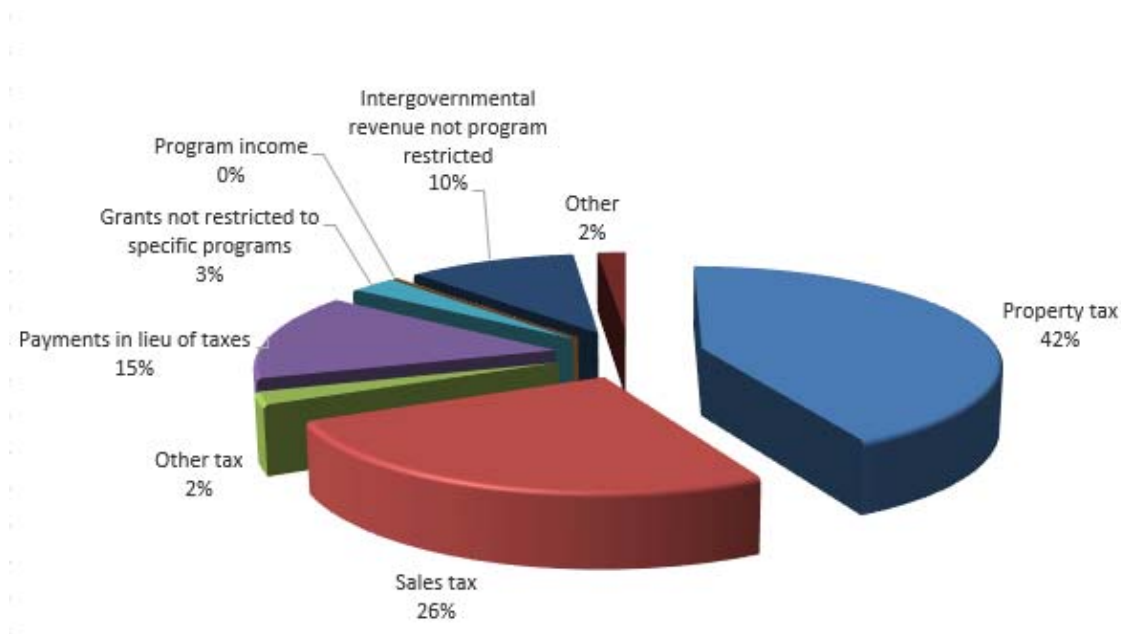
Total general revenues (\$137.5 million) increased by \$4.7 million. Property taxes (\$58.3 million) increased by \$0.9 million as a result of the expansion of the tax base. Sales tax revenue (\$35.4 million) increased by \$2.1 from a strong economy. Payments in lieu of taxes (\$20.1 million) increased by \$1.6 million primarily from an increase in annual contracted revenue. Intergovernmental revenue not program restricted (\$14.4 million) increased by \$0.2 million and other revenue (\$2.4 million) increased by \$1.2 million mostly from federal and state grants. Grants not restricted to specific programs (\$3.9 million) decreased by \$1.3 million and program income (\$0.1 million) decreased by \$0.1 million from 2017.

**Governmental Activities - General Revenues**  
(in Millions)

<u>Revenues</u>	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>	<u>% of Change</u>
Property tax	\$ 58.3	\$ 57.4	\$ 0.9	2%
Sales tax	35.4	33.3	2.1	6%
Other tax	2.9	2.8	0.1	4%
Payments in lieu of taxes	20.1	18.5	1.6	9%
Grants not restricted to specific programs	3.9	5.2	(1.3)	-25%
Program income	0.1	0.2	(0.1)	-50%
Intergovernmental revenue not program restricted	14.4	14.2	0.2	1%
Other	2.4	1.2	1.2	100%
<b>Total General Revenues</b>	<b>\$ 137.5</b>	<b>\$ 132.8</b>	<b>\$ 4.7</b>	<b>4%</b>

The following chart indicates the relative percentages of general revenues:

**Governmental Activities – General Revenues**



## Component Units

Revenues of the Component Units totaled \$51.6 million, which is an increase of \$3.4 million from 2017. The overall expenses of the Component Units totaled \$41.8 million - a decrease of \$0.7 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.

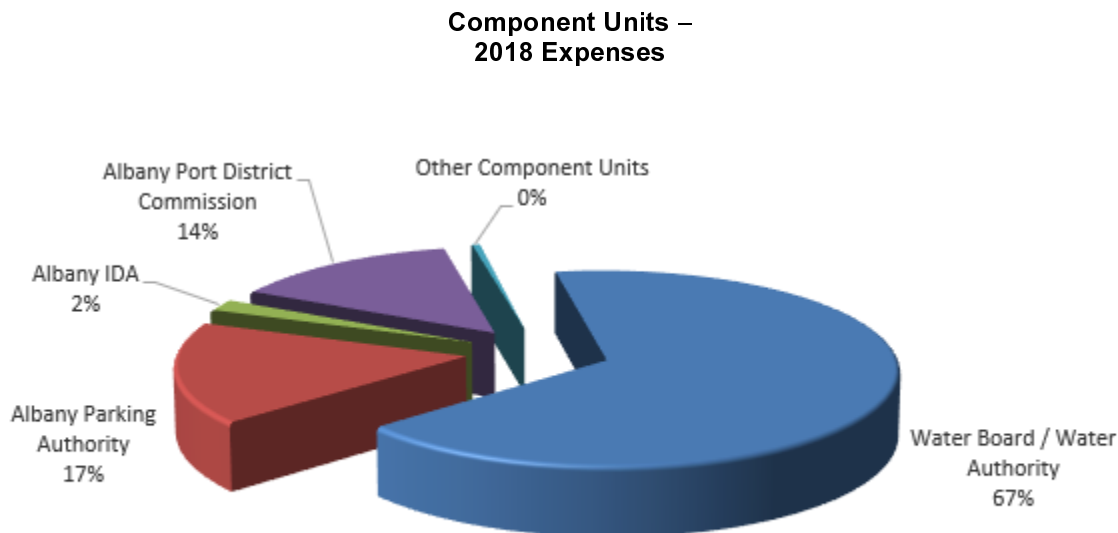
The following table indicates the relative value of revenues for the component units:

<b>Component Units - Revenues</b> <i>(in Millions)</i>				
<b>Component Units</b>	<b>2018</b>	<b>2017</b>	<b>Increase / (Decrease)</b>	<b>% of Change</b>
Water Board / Water Authority	\$ 35.7	\$ 33.1	\$ 2.6	8%
Albany Parking Authority	8.2	7.6	0.6	8%
Albany IDA	1.4	0.7	0.7	100%
Albany Port District Commission	6.1	5.7	0.4	7%
Other component units	0.2	1.1	(0.9)	-82%
<b>Total</b>	<b>\$ 51.6</b>	<b>\$ 48.2</b>	<b>\$ 3.4</b>	<b>7%</b>

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

<b>Component Units - Expenses</b> <i>(in Millions)</i>				
<b>Component Units</b>	<b>2018</b>	<b>2017</b>	<b>Increase / (Decrease)</b>	<b>% of Change</b>
Water Board / Water Authority	\$ 27.8	\$ 28.6	\$ (0.8)	-3%
Albany Parking Authority	7.1	6.3	0.8	13%
Albany IDA	0.8	0.7	0.1	14%
Albany Port District Commission	5.9	6.0	(0.1)	-2%
Other component units	0.2	0.9	(0.7)	-78%
<b>Total</b>	<b>\$ 41.8</b>	<b>\$ 42.5</b>	<b>\$ (0.7)</b>	<b>-2%</b>

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



## Governmental Funds Financial Statements

### Governmental Funds Balance Sheet

Assets decreased by \$2.8 million with the largest decrease (\$13.1 million) in cash and cash equivalents some of this decrease was off-set by an increase in the due from component units of (\$7.5 million). Both of these changes are related to the City paying more of the Albany Water Board expenses related to the long term control plan and not receiving reimbursement by the end of the year. Overall there were many variances year over year which resulted in a decrease in the total assets. These variances were explained previously in the Statement of Net Position.

Total liabilities and deferred inflows of resources decreased by \$31.0 million due mostly to a decrease of (\$25.7 million) in bond and revenue anticipation notes payable from converting the notes to bonds. Accounts payable and accrued expenses decreased (\$2.0 million) from paying invoices received by year end. Due to other governments decreased (\$4.2 million) as a result of the County of Albany collecting a portion for the City's property taxes directly in 2018.

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 \$17.6 million. The non-spendable portion consists of \$3.5 million in prepayments, primarily to the state retirement plan. The restricted fund balance includes \$5.2 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 2019 budget. The unassigned general fund balance totals a surplus of \$7.6 million.

### Governmental Funds - Balance Sheet

	<u>2018</u>	<u>2017</u>	<u>Increase / (Decrease)</u>
Total assets and deferred outflows of resources	\$ 103.3	\$ 106.1	\$ (2.8)
Total liabilities and deferred inflows of resources	<u>80.1</u>	<u>111.1</u>	<u>(31.0)</u>
<b>Total fund balance (deficiency)</b>	<b><u>\$ 23.2</u></b>	<b><u>\$ (5.0)</u></b>	<b><u>\$ 28.2</u></b>

# 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
<b>REVENUES</b>								
Real property taxes	\$ 58.3	\$ 58.3	\$ 58.3	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Sales and use taxes	33.6	33.6	35.4	1.8	0.0	0.0	0.0	0.0
Other taxes	2.8	2.8	2.9	0.1	0.0	0.0	0.0	0.0
Payments in lieu of taxes	21.1	21.1	20.1	(1.0)	0.0	0.0	0.0	0.0
Intergovernmental revenue	32.5	33.7	32.0	(1.7)	2.6	2.6	2.1	(0.5)
Charges for services	11.1	11.1	11.1	0.0	0.0	0.0	0.0	0.0
Fines, interest and penalties	5.5	5.7	5.3	(0.4)	0.0	0.0	0.0	0.0
Use of money and properties	0.1	0.1	0.7	0.6	0.0	0.0	0.0	0.0
Licenses and permits	3.7	5.2	4.5	(0.7)	0.0	0.0	0.0	0.0
Other revenues	3.1	3.1	4.1	1.0	0.0	0.0	0.0	0.0
Total revenues	171.8	174.7	174.4	(0.3)	2.6	2.6	2.1	(0.5)
<b>EXPENDITURES</b>								
Public safety and regulation	93.1	96.6	97.0	0.4	0.0	0.0	0.0	0.0
General government	21.9	21.4	20.3	(1.1)	0.0	0.0	0.0	0.0
Highways and streets	9.0	9.2	8.9	(0.3)	0.0	0.0	0.0	0.0
Recreation and culture	3.9	3.9	4.3	0.4	0.0	0.0	0.0	0.0
Community service	6.7	6.8	6.5	(0.3)	0.0	0.0	0.0	0.0
Economic development and assistance	0.0	0.0	0.0	0.0	2.6	2.6	2.0	(0.6)
Employee benefits	15.5	15.1	13.5	(1.6)	0.0	0.0	0.0	0.0
Debt service	21.7	21.7	17.9	(3.8)	0.0	0.0	0.0	0.0
Total expenditures	171.8	174.7	168.4	(6.3)	2.6	2.6	2.0	(0.6)
Excess (deficiency) of revenues and appropriated fund balance over expenditures	0.0	0.0	6.0	6.0	0.0	0.0	0.1	0.1
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers	0.0	0.0	(2.2)	(2.2)	0.0	0.0	0.0	0.0
Premium on bond anticipation notes issued	0.0	0.0	2.9	2.9	0.0	0.0	0.0	0.0
Total other financing sources (uses)	0.0	0.0	0.7	0.7	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	\$ 6.7	\$ 6.7	\$ 0.0	\$ 0.0	\$ 0.1	\$ 0.1

The City's budget, which is effective on January 1<sup>st</sup>, is proposed by the Mayor prior to October 1<sup>st</sup> 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 \$174.4 million, which were \$0.3 million less than the final adopted budget but \$4.0 million more than 2017. The most significant variances in revenue include the following:

**Real property taxes** were at budget for 2018. The total revenue was \$0.9 million higher than 2017 as a result of the expansion of the tax base.

**Sales and use taxes revenue** was \$1.8 million over budget and \$2.1 million higher than 2017, which reflects strong improvement in county-wide economic activity.

**Other taxes** were \$0.1 million over budget. Other tax revenue ended the year \$0.1 million higher than 2017. 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 \$1.0 million however it was \$1.6 million more than 2017. This category was below budget as a result of not receiving payments from some voluntary PILOTS.

**Intergovernmental revenue** was \$1.7 million lower than budget and decreased by \$1.2 million from 2017. The decrease is from receiving \$0.5 million less in Capital City Funding from the State of New York in 2017. Most of the remaining difference (\$1.0 million) is related to a SAFER grant ending in 2017.

**Charges for services** were at budget but \$1.1 million less than 2017. Most of this decrease is related to lower landfill revenues which were anticipated in the budget.

**Fines, interest and penalties** ended the year \$0.4 million under budget but increased by \$0.6 million from 2017. Most of this is related to an increase in parking violation fines, handicap parking fees, parking surcharges and traffic violation fines.

**Use of money and properties** was over budget by \$0.6 million the budget and ended the year \$0.5 higher than 2017. The increase is primarily related to earning more interest income on cash balances.

**Licenses and permits** finished the year \$0.7 million under budget and \$0.5 million lower than 2017. Revenues from demolition charges and street opening permits were lower than last year.

**Other revenues** were \$1.0 million over budget and \$1.0 million higher than 2017. Most of the revenue in this category is derived from grants and the timing and amounts received vary from year to year.

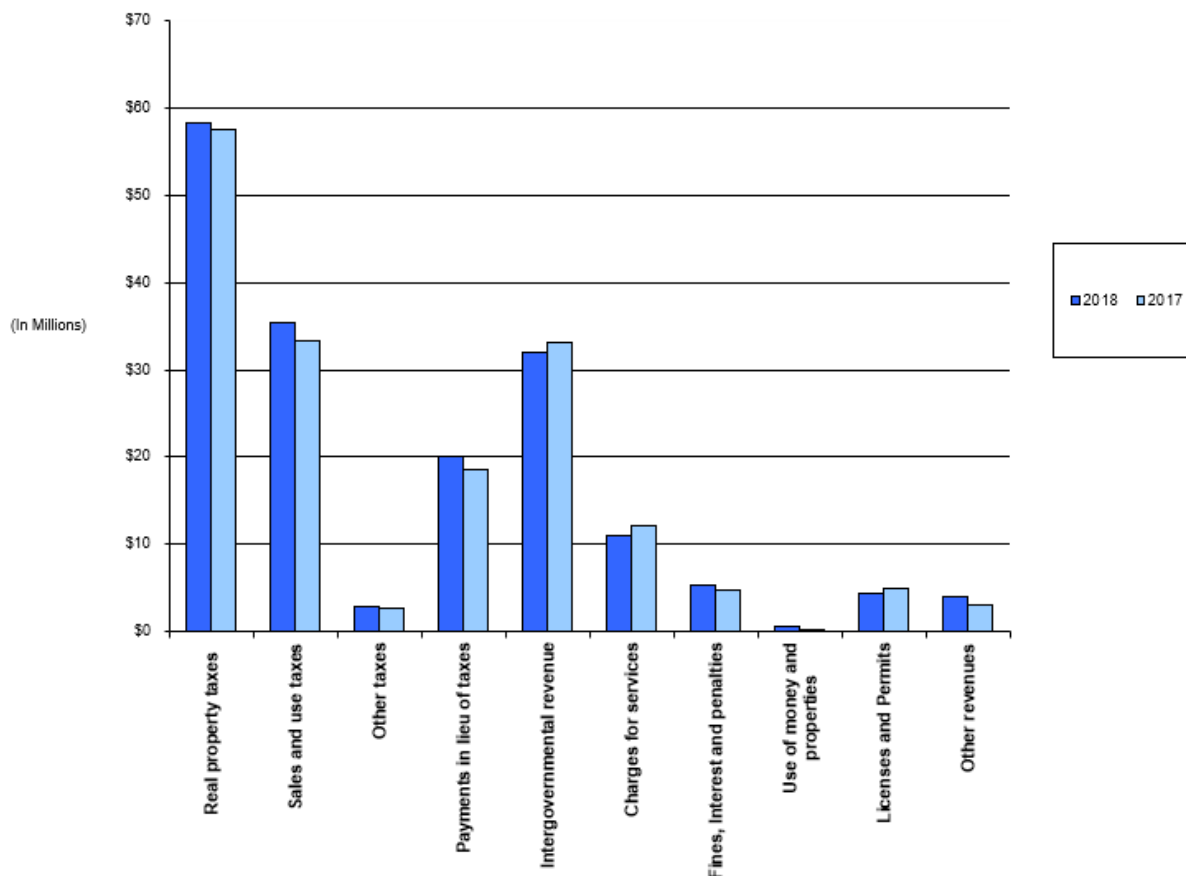
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### Governmental Funds - General Fund Revenues 2018 to 2017 Variance (In Millions)

<u>Revenues</u>	<u>2018</u>	<u>2017</u>	<u>2018 Over/(Under) 2017</u>
Real property taxes	\$ 58.3	\$ 57.4	\$ 0.9
Sales and use taxes	35.4	33.3	2.1
Other taxes	2.9	2.8	0.1
Payments in lieu of taxes	20.1	18.5	1.6
Intergovernmental revenue	32.0	33.2	(1.2)
Charges for services	11.1	12.2	(1.1)
Fines, interest and penalties	5.3	4.7	0.6
Use of money and properties	0.7	0.2	0.5
Licenses and permits	4.5	5.0	(0.5)
Other revenues	4.1	3.1	1.0
Total revenues	<u>\$ 174.4</u>	<u>\$ 170.4</u>	<u>\$ 4.0</u>

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## Governmental Funds – General Fund Revenues 2018 to 2017 Variance



### Expenses

Total expenditures of \$168.4 million were \$6.3 million less than the final budget and \$1.0 million lower than 2017.

**Public safety and regulation** spending (\$97.0 million) was \$0.4 million higher than the final budget and was \$0.1 million less than 2017. The decrease is mostly related to police department and fire department salary and related expenses were lower compared to last year.

**General government** spending (\$20.3 million) was \$1.1 million less than final budget but ended the year \$1.4 million higher than 2017. The increase is related to an increase in salaries which were included in the budget. Contracted services, supplies and equipment expense also increased for most departments although they ended the year under budget.

**Highway and streets** spending (\$8.9 million) was below budget by \$0.3 million for 2018. Actual expenses were \$0.2 million more than 2017. In the early months of 2018 snow storms increased snow removal supplies and expenses by \$0.2 million.

**Recreation and culture** spending (\$4.3 million) was over budget by \$0.4 million and \$0.1 million higher than 2017. Recreation programs which include the summer youth program, boxing, swimming pools, Bleecker Stadium and various outdoor entertainment events combines for an increase of \$0.1 million.

**Community service** spending (\$6.5 million) was \$0.3 million less than final budget and \$0.1 million lower than 2017. Landfill waste collection and recycling expenses and landfill disposal expenses were under budget and decreased by \$0.3 million from 2017.

**Employee benefits** expense (\$13.5 million) was \$1.6 million under budget and \$1.9 million lower when compared to last year. Most of the savings is related to retiree health insurance expense which was \$7.6 million and under budget by \$1.6 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 \$1.9 million in costs from 2017.

**Debt service** payments (\$17.9 million) was \$3.8 million below budget and \$0.6 million lower than 2017. The decrease is the result of paying off matured debt service last year.

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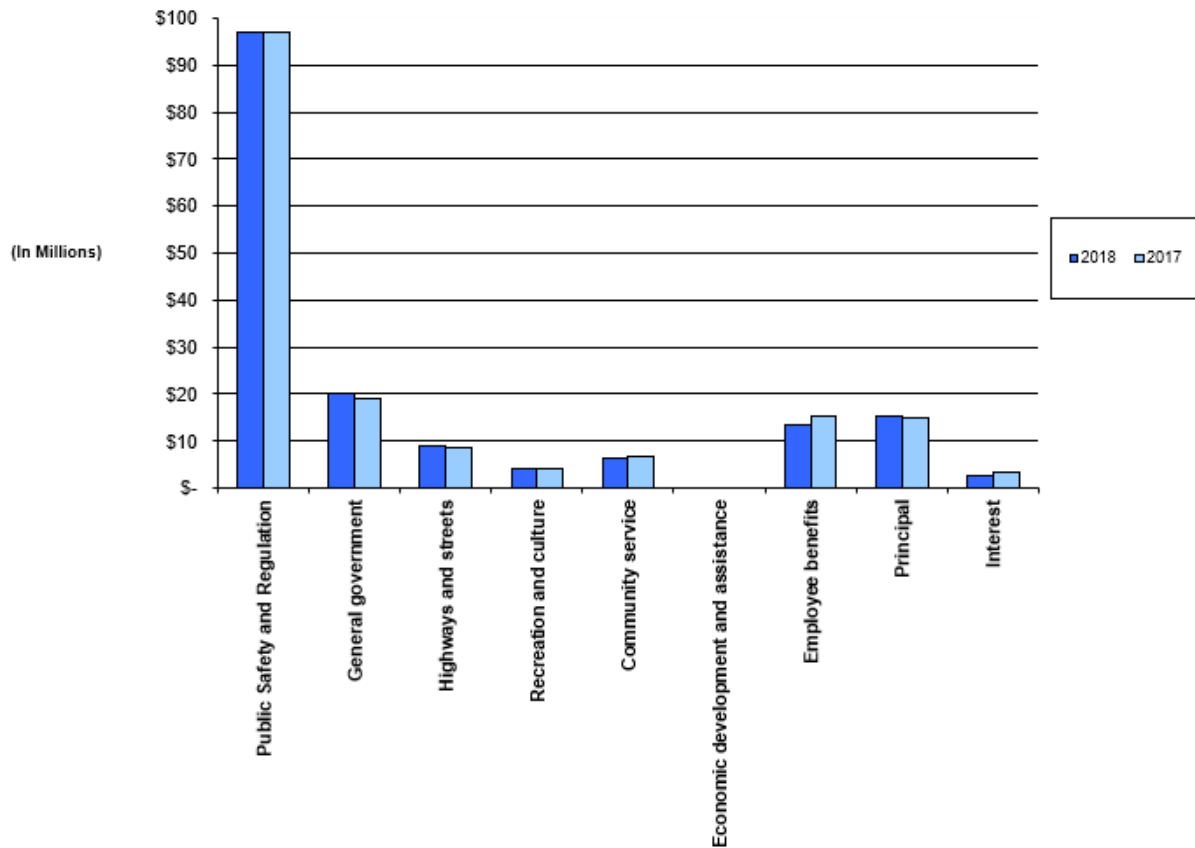
**Governmental Funds - General Fund Expense 2018 to 2017 Variance**  
(In Millions)

<u>Expenditures</u>	<u>2018</u>	<u>2017</u>	<u>2018 Over/(Under) 2017</u>
Public safety and regulation	\$ 97.0	\$ 97.1	\$ (0.1)
General government	20.3	18.9	1.4
Highways and streets	8.9	8.7	0.2
Recreation and culture	4.3	4.2	0.1
Community service	6.5	6.6	(0.1)
Economic development and assistance	0.0	0.0	0.0
Employee benefits	13.5	15.4	(1.9)
Principal	15.3	15.1	0.2
Interest	<u>2.6</u>	<u>3.4</u>	<u>(0.8)</u>
Total expenditures	<u>\$ 168.4</u>	<u>\$ 169.4</u>	<u>\$ (1.0)</u>
Excess of operating revenues over expenditures	<u>\$ 6.0</u>	<u>\$ 1.0</u>	<u>\$ 5.0</u>

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## General Government – General Fund Expenditures 2018 to 2017 Variance



## DEBT

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

In June 2018, the City issued various BANS of \$18,854,100 at an interest rate of 2.75%.

The proceeds of the notes, along with available funds were used to redeem a portion of the \$44,596,417 BANS issued in June 29, 2017 and matured on June 29, 2018 and to provide new funds for the expenses of current capital projects including the landfill expansion.

In June 2018, the City issued various General Obligation Serial Bonds of \$33,310,417 at an interest rate of 4.00%.

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 June 2017 and matured on June 29, 2018.

### Capital Leases

The City entered into no new capital lease agreements in 2018.

### Debt Ceiling

Of the outstanding indebtedness at December 31, 2018, approximately \$94,435,000 was subject to the statutory debt limit, using approximately 28% of the City's \$335,238,418 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 2018 the City expended approximately \$19 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 the approximate amounts of some of the major sources of capital expenditures:

<b><u>Capital Acquisition, Construction and Expenditures</u></b>	
Buildings and Infrastructure Improvements	\$ 2.8 Million
Street and Sidewalk Construction	\$ 6.8 Million
Recreation	\$ 0.9 Million
Vehicles and Equipment	\$ 1.9 Million
Landfill Equipment and Expansion	\$ 0.8 Million
Public Safety Equipment	\$ 5.3 Million
Local Economic Development	\$ 0.5 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, 2018**

	<b>Primary Government</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 34,889,004	\$ 8,095,830
Cash and cash equivalents - restricted	5,558,114	24,640,547
Investments	-	21,941,191
Investments, restricted	-	4,359,963
Taxes receivable	4,704,076	-
Accounts receivable, net	6,616,123	15,961,249
Mortgage loans receivable	6,250,560	131,970
Due from primary government	-	680,286
Due from other governments	14,824,160	4,037,743
Due from component units	18,893,500	-
Due from other funds	3,774	-
Prepaid and other assets	57,707	1,261,231
Property held for investment, lease or sale	522,913	-
Capital assets, net	214,206,611	141,009,048
Total assets	<u>306,526,542</u>	<u>222,119,058</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows resulting from refunding of debt, net	446,058	314,317
Deferred outflows related to net pension liability	51,375,672	1,228,177
Deferred outflows related to accrued post employment benefit obligation	-	449,910
Total deferred outflows of resources	<u>51,821,730</u>	<u>1,992,404</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	10,662,577	12,298,258
Accrued interest payable	1,233,092	225,994
Unearned revenue	6,489,149	167,232
Due to other governments	19,562,185	2,608,680
Due to primary government	-	131,970
Due to component units	15,789,057	-
Other liabilities	762,495	116,111
Bond and revenue anticipation notes payable	18,854,100	-
Bonds and loans payable	79,354,387	72,358,973
Accrued post employment benefit obligation	490,570,627	9,988,011
Net pension liability	17,481,865	357,450
Compensated absences	18,708,478	-
Due to NYS Retirement System	12,462,183	-
Judgments and claims	16,802,983	-
Landfill post-closure costs	9,496,959	-
Retainage payable on long-term contracts	182,580	-
Capital lease obligations	-	1,079,648
Total liabilities	<u>718,412,717</u>	<u>99,332,327</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to net pension liability	43,000,150	2,519,399
Deferred inflows related to sales of future revenue	-	13,317
Total deferred inflows of resources	<u>43,000,150</u>	<u>2,532,716</u>
<b>NET POSITION</b>		
Net invested in capital assets	135,375,137	98,498,742
Restricted for:		
Program specific activities	434,703	1,394,051
Debt service	5,209,193	-
Unrestricted (deficiency)	(544,083,628)	22,353,626
Total net position (deficiency)	<u>\$ (403,064,595)</u>	<u>\$122,246,419</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**

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	\$ 101,151,218	\$ 12,381,267	\$ 2,624,784	\$ -	\$ (86,145,167)	\$ -
General government	24,519,396	3,322,909	12,000,000	-	(9,196,487)	-
Highways and streets	16,626,450	1,862,141	-	4,633,421	(10,130,888)	-
Recreation and culture	5,360,312	1,333,389	-	199,360	(3,827,563)	-
Community service	16,123,436	6,721,563	3,670,502	-	(5,731,371)	-
Economic development and assistance	2,441,556	-	-	-	(2,441,556)	-
Post employment benefit expense	15,421,862	-	-	-	(15,421,862)	-
Interest on long-term debt	2,910,886	-	-	-	(2,910,886)	-
Total governmental activities	<u>184,555,116</u>	<u>25,621,269</u>	<u>18,295,286</u>	<u>4,832,781</u>	<u>(135,805,780)</u>	<u>-</u>
Component Units:						
Albany Water Board and Municipal Water Finance Authority	29,012,833	35,740,074	(999,092)	-	-	5,728,149
Albany Parking Authority	7,799,264	8,197,598	-	-	-	398,334
Albany Industrial Development Agency	753,661	1,389,964	-	-	-	636,303
Albany Port District Commission	6,482,783	6,072,430	14,437,332	-	-	14,026,979
Other component units	<u>245,790</u>	<u>168,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,965)</u>
Total component units	<u>\$ 44,294,331</u>	<u>\$ 51,568,891</u>	<u>\$ 13,438,240</u>	<u>\$ -</u>	<u>-</u>	<u>20,712,800</u>
General Revenues:						
Property tax					58,252,312	-
Sales tax					35,424,547	-
Other tax					2,916,589	-
Payments in lieu of taxes					20,108,047	-
Grants not restricted to specific programs					3,937,555	-
Program income					114,648	-
Intergovernmental revenue not program-restricted					14,377,617	-
Gain on sale of capital assets					196,677	23,963
Other revenues					1,551,910	-
Unrestricted investment earnings					662,833	642,068
Total general revenues					<u>137,542,735</u>	<u>666,031</u>
Change in net position					<u>1,736,955</u>	<u>21,378,831</u>
Net position (deficiency), beginning of year, as previously reported					(18,626,217)	106,087,658
Cumulative effect of adjustments relating to prior periods					<u>(386,175,333)</u>	<u>(5,220,070)</u>
Net position (deficiency), beginning of year, adjusted					<u>(404,801,550)</u>	<u>100,867,588</u>
Net position (deficiency), end of year					<u>\$ (403,064,595)</u>	<u>\$ 122,246,419</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2018**

	General	Special Revenue	Capital Projects	Other Governmental Fund	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 3,580,325	\$ 196,218	\$ 27,251,475	\$ 3,860,986	\$ 34,889,004
Cash and cash equivalents - restricted	5,558,114	-	-	-	5,558,114
Taxes receivable	4,704,076	-	-	-	4,704,076
Accounts receivable, net	5,979,708	-	-	-	5,979,708
Landfill receivable, net	636,415	-	-	-	636,415
Mortgage loans receivable	-	-	-	6,250,560	6,250,560
Due from other funds	7,995,893	-	-	9,965	8,005,858
Due from component units	18,893,500	-	-	-	18,893,500
Due from federal and state governments	2,129,406	50,091	1,545,285	1,005,972	4,730,754
Due from other governments	10,074,653	18,753	-	-	10,093,406
Other assets	3,471,123	51,320	-	41,691	3,564,134
Total assets	63,023,213	316,382	28,796,760	11,169,174	103,305,529
Deferred outflows of resources	-	-	-	-	-
Total assets plus deferred outflows of resources	\$ 63,023,213	\$ 316,382	\$ 28,796,760	\$ 11,169,174	\$ 103,305,529
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Bond and revenue anticipation notes payable	\$ -	\$ -	\$ 18,854,100	\$ -	\$ 18,854,100
Accounts payable and accrued expenses	7,012,626	37,173	2,713,467	899,311	10,662,577
Due to other funds	2,127,351	447,634	4,951,561	475,538	8,002,084
Due to component units	15,789,057	-	-	-	15,789,057
Due to other governments	19,562,185	-	-	-	19,562,185
Unearned revenue	135,029	196,218	-	6,157,902	6,489,149
Other liabilities	759,286	-	-	3,209	762,495
Total liabilities	45,385,534	681,025	26,519,128	7,535,960	80,121,647
Deferred inflows of resources	-	-	-	-	-
<b>Fund Balances</b>					
Nonspendable:					
Prepayments	3,455,107	51,320	-	3,622	3,510,049
Restricted for:					
Debt Service	5,209,193	-	-	-	5,209,193
Landfill Postclosure	921,254	-	-	-	921,254
Solid Waste Management Facility	434,703	-	-	-	434,703
Committed for:					
ACCESS program	-	-	-	250,000	250,000
Strategic acquisition	-	-	-	40,148	40,148
Choose Albany Program	-	-	-	48,665	48,665
Neighborhood Commercial Façade Program	-	-	-	216,089	216,089
West Hill Neighborhood Strategic Plan	-	-	-	35,000	35,000
Vacant Buildings	-	-	-	949,849	949,849
Rehabilitation Assistance Program	-	-	-	270,264	270,264
Land Bank	-	-	-	50,000	50,000
Assigned for:					
Other purposes	-	-	2,277,632	1,769,577	4,047,209
Unassigned balances (deficiency):	7,617,422	(415,963)	-	-	7,201,459
Total fund balances (deficiency)	17,637,679	(364,643)	2,277,632	3,633,214	23,183,882
Total liabilities, deferred inflows of resources and fund balances	\$ 63,023,213	\$ 316,382	\$ 28,796,760	\$ 11,169,174	\$ 103,305,529

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, 2018**

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Real property taxes	\$ 58,252,312	\$ -	\$ -	\$ -	\$ 58,252,312
Sales and use taxes	35,424,547	-	-	-	35,424,547
Other taxes	2,916,589	-	-	-	2,916,589
Payments in lieu of taxes	20,108,047	-	-	-	20,108,047
Intergovernmental revenue	31,962,011	2,081,013	38,143,198	4,582,296	76,768,518
Charges for services	11,079,556	-	-	114,648	11,194,204
Fines, interest and penalties	5,278,621	-	-	-	5,278,621
Uses of money and properties	722,418	-	-	-	722,418
License and permits	4,552,644	-	-	-	4,552,644
Other revenues	4,072,918	-	-	140,515	4,213,433
Total revenues	<u>174,369,663</u>	<u>2,081,013</u>	<u>38,143,198</u>	<u>4,837,459</u>	<u>219,431,333</u>
<b>EXPENDITURES</b>					
Public safety and regulation	97,027,307	-	4,864,109	-	101,891,416
General government	20,289,944	-	4,610,962	-	24,900,906
Highways and streets	8,926,927	-	6,579,471	-	15,506,398
Recreation and culture	4,282,708	-	814,839	-	5,097,547
Community service	6,438,049	-	832,480	5,330,423	12,600,952
Economic development and assistance	-	2,022,115	397,944	-	2,420,059
Employee benefits	13,462,207	-	-	-	13,462,207
Debt service:					
Principal	15,360,000	-	-	251,080	15,611,080
Interest	2,584,159	-	-	17,239	2,601,398
Total expenditures	<u>168,371,301</u>	<u>2,022,115</u>	<u>18,099,805</u>	<u>5,598,742</u>	<u>194,091,963</u>
Excess (deficiency) of revenues over expenditures	<u>5,998,362</u>	<u>58,898</u>	<u>20,043,393</u>	<u>(761,283)</u>	<u>25,339,370</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Premium on bonds and bond anticipation notes issued	2,868,430	-	-	-	2,868,430
Transfers in	1,522,532	-	3,694,000	-	5,216,532
Transfers out	(3,694,000)	-	(1,522,532)	-	(5,216,532)
Total other financing sources (uses)	<u>696,962</u>	<u>-</u>	<u>2,171,468</u>	<u>-</u>	<u>2,868,430</u>
Net change in fund balance	6,695,324	58,898	22,214,861	(761,283)	28,207,800
FUND BALANCE (DEFICIENCY), beginning of year	<u>10,942,355</u>	<u>(423,541)</u>	<u>(19,937,229)</u>	<u>4,394,497</u>	<u>(5,023,918)</u>
FUND BALANCE (DEFICIENCY), end of year	<u>\$ 17,637,679</u>	<u>\$ (364,643)</u>	<u>\$ 2,277,632</u>	<u>\$ 3,633,214</u>	<u>\$ 23,183,882</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, 2018**

Total fund balance - governmental funds \$ 23,183,882

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	540,694,885	
Accumulated depreciation	<u>(326,488,274)</u>	214,729,524

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	(75,835,584)	
Bond Premium	(3,518,803)	
Deferred outflow relating to bond refunding	446,058	
Due to NYS Retirement System	(12,462,183)	
Net pension liability	(17,481,865)	
Accrued post employment benefit obligation	(490,570,627)	
Accrued interest on bonds	(1,233,092)	
Compensated absences	(18,708,478)	
Landfill closure and postclosure obligation	(9,496,959)	
Retainage payable on long-term contracts	(182,580)	
Judgments and claims	<u>(16,802,983)</u>	(645,847,096)

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	(3,506,427)	
Deferred outflows and inflows	<u>8,375,522</u>	<u>4,869,095</u>
Net position (deficiency) of governmental activities		<u>\$ (403,064,595)</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, 2018**

Total net change in fund balance - governmental funds \$ 28,207,800

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	18,225,267	
Depreciation expense	(19,020,086)	
Loss on disposal of assets and other	<u>14,643</u>	(780,176)

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	2,209,930	
Landfill closure and postclosure costs	(173,942)	
Retainage incurred in current year	(182,580)	
Retainage incurred in prior year	54,999	
Judgments and claims	<u>1,092,481</u>	3,000,888

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.

Bond proceeds	(33,310,417)	
Premiums on Bonds	(2,711,918)	
Amortization of Bond Premium	518,071	
Amortization of Deferred Outflow resulting from refunding of debt	(142,853)	
Principal repaid	<u>15,611,080</u>	(20,036,037)

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	(22,167,939)	
Post employment benefit contribution paid	<u>14,999,483</u>	(7,168,456)

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.

(684,706)

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

(802,358)

Change in net position of governmental activities

\$ 1,736,955



**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
December 31, 2018

	<u>Agency</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 543,974
Cash and equivalents - restricted	<u>1,489,565</u>
Total assets	<u>2,033,539</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>-</u>
<b>LIABILITIES</b>	
Accounts payable	4,698
Seized forfeitures	1,489,565
Due to other funds	3,774
Other liabilities	<u>535,502</u>
Total liabilities	<u>2,033,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>-</u>
<b>NET POSITION</b>	<u><u>\$ -</u></u>

*See notes to financial statements.*

# CITY OF ALBANY

## COMBINING STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS

December 31, 2018

	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
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,117,493	\$ 1,112,322	\$ 2,491,380	\$ 2,991,608	\$ 383,027	\$ 8,095,830
Cash and cash equivalents, restricted	22,444,883	2,195,664	-	-	-	24,640,547
Investments	21,203,007	-	-	738,184	-	21,941,191
Investments, restricted	4,359,963	-	-	-	-	4,359,963
Receivables, net:						
Accounts	10,285,008	45,286	13,211	5,591,244	26,500	15,961,249
Other	-	-	-	-	-	-
Mortgage loans and notes receivable	-	-	131,970	-	-	131,970
Due from primary government	382,057	298,229	-	-	-	680,286
Due from other governments	4,037,743	-	-	-	-	4,037,743
Prepaid and other assets	953,701	63,250	-	244,280	-	1,261,231
Capital assets, net	58,341,415	14,157,856	-	68,506,233	3,544	141,009,048
Total assets	<u>123,125,270</u>	<u>17,872,607</u>	<u>2,636,561</u>	<u>78,071,549</u>	<u>413,071</u>	<u>222,119,058</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows resulting from refunding of debt, net	-	314,317	-	-	-	314,317
Deferred outflows related to accrued post employment benefit obligation	-	449,910	-	-	-	449,910
Deferred outflows related to net pension liability	-	871,339	-	356,838	-	1,228,177
Total deferred outflows of resources	<u>-</u>	<u>1,635,566</u>	<u>-</u>	<u>356,838</u>	<u>-</u>	<u>1,992,404</u>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	9,493,487	372,798	27,713	2,396,263	7,997	12,298,258
Current maturities of long-term debt	3,754,698	1,115,000	-	1,188,439	-	6,058,137
OPEB obligation, current portion	-	58,255	-	-	-	58,255
Current installments of capital lease obligation	-	427,596	-	-	-	427,596
Accrued interest payable	-	225,994	-	-	-	225,994
Due to primary government	-	-	131,970	-	-	131,970
Due to other governments	2,608,680	-	-	-	-	2,608,680
Unearned revenues	-	112,944	-	54,288	-	167,232
Other liabilities	-	-	-	116,111	-	116,111
Accrued post employment benefit obligation, net of current portion	-	6,693,239	-	3,236,517	-	9,929,756
Net pension liability	-	228,276	-	129,174	-	357,450
Capital lease obligation, less current installments	-	652,052	-	-	-	652,052
Bonds and notes payable	50,882,102	9,213,246	-	6,205,488	-	66,300,836
Total liabilities	<u>66,738,967</u>	<u>19,099,400</u>	<u>159,683</u>	<u>13,326,280</u>	<u>7,997</u>	<u>99,332,327</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to net pension liability	-	805,833	-	1,713,566	-	2,519,399
Deferred inflows related to sales of future revenues	13,317	-	-	-	-	13,317
Total deferred inflows of resources	<u>13,317</u>	<u>805,833</u>	<u>-</u>	<u>1,713,566</u>	<u>-</u>	<u>2,532,716</u>
<b>NET POSITION (DEFICIENCY)</b>						
Net invested in capital assets	32,862,265	4,524,171	-	61,112,306	-	98,498,742
Restricted	-	1,394,051	-	-	-	1,394,051
Unrestricted (deficiency)	23,510,721	(6,315,282)	2,476,878	2,276,235	405,074	22,353,626
Total net position (deficiency)	<u>\$ 56,372,986</u>	<u>\$ (397,060)</u>	<u>\$ 2,476,878</u>	<u>\$ 63,388,541</u>	<u>\$ 405,074</u>	<u>\$ 122,246,419</u>

See notes to financial statements.

**CITY OF ALBANY**  
**COMBINING STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNITS**  
**December 31, 2018**

	<b>Albany Water Board and Municipal Water Finance Authority</b>	<b>Albany Parking Authority</b>	<b>City of Albany Industrial Development Agency</b>	<b>Albany Port District Commission</b>	<b>Other Component Units</b>	<b>Totals</b>
Operating revenue	\$ 35,740,074	\$ 8,197,598	\$ 1,389,964	\$ 6,072,430	\$ 168,825	\$ 51,568,891
Operating expenses						
Costs of services	-	3,656,650	433,202	996,486	215,914	5,302,252
Source of supply and purification	3,568,499	-	-	-	-	3,568,499
Transmission and distribution	3,864,493	-	-	-	-	3,864,493
General and administrative	5,791,172	274,335	-	2,968,300	29,876	9,063,683
Real estate taxes paid to other governments	1,822,250	-	-	-	-	1,822,250
Sewer contract	8,167,295	-	-	-	-	8,167,295
Depreciation and amortization	4,589,510	1,376,491	-	1,952,562	-	7,918,563
Grants	-	-	320,459	-	-	320,459
Miscellaneous	-	1,781,439	-	-	-	1,781,439
Total operating expenses	27,803,219	7,088,915	753,661	5,917,348	245,790	41,808,933
Excess (deficiency) of operating revenue over expenses before nonoperating revenue (expenses)	7,936,855	1,108,683	636,303	155,082	(76,965)	9,759,958
Nonoperating revenue (expenses)						
Amortization of bond insurance premiums	-	(201,192)	-	-	-	(201,192)
Decrease in fair value of investments	(29,134)	-	-	-	-	(29,134)
Interest income	543,432	34,524	12,400	51,712	-	642,068
Interest expense	(1,180,480)	(509,157)	-	(149,774)	-	(1,839,411)
Gain (loss) on sale of assets	8,387	15,576	-	-	-	23,963
Municipal Support Agreement Costs	-	-	-	(145,013)	-	(145,013)
Waterfront development expenses	-	-	-	(270,648)	-	(270,648)
Net nonoperating revenue (expenses)	(657,795)	(660,249)	12,400	(513,723)	-	(1,819,367)
Excess (deficiency) of revenue over expenses before transfers	7,279,060	448,434	648,703	(358,641)	(76,965)	7,940,591
Grant funding	(999,092)	-	-	14,437,332	-	13,438,240
Excess of revenue over expenses	6,279,968	448,434	648,703	14,078,691	(76,965)	21,378,831
NET POSITION, beginning of year, as previously reported	50,093,018	2,351,302	1,828,175	51,333,124	482,039	106,087,658
Cumulative effect of adjustments relating to prior periods	-	(3,196,796)	-	(2,023,274)	-	(5,220,070)
NET POSITION (DEFICIENCY), beginning of year, adjusted	50,093,018	(845,494)	1,828,175	49,309,850	482,039	100,867,588
NET POSITION (DEFICIENCY), end of year	\$ 56,372,986	\$ (397,060)	\$ 2,476,878	\$ 63,388,541	\$ 405,074	\$ 122,246,419

*See notes to financial statements.*

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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.

*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.

*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**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Discretely Presented Component Units (Continued)*

*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 for CBID and BID at the date of the City's financial statements issuance, they are not included in discretely presented component units in the City's 2018 financial statements. Management believes that the impact of these omissions is not material to the City's 2018 financial statements.

The Association 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.

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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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 shelter rent properties, including the IDA shelter rent properties, is approximately \$289,000,000 for the Property Tax Year, with a taxable assessed value of approximately \$54,000,000. The total PILOT payments on these properties to date was approximately \$984,000 to the City and County combined. 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 \$4,300,000 abatement of County/City property taxes.

The total assessed value of Commercial (almost exclusively IDA) properties is approximately \$286,700,000 for the Property Tax Year and approximately \$290,300,000 for the School Tax Year, with taxable assessed values of approximately \$125,400,000 and \$134,500,000 respectively. The total PILOT payments on these properties to date were approximately \$1,660,000, \$423,000, \$3,370,000 and \$232,000 to the City, County, School and Library Districts respectively. This constitutes approximately a \$3,110,000 abatement of County/City property taxes and a \$4,500,000 abatement of school/library taxes. PILOT payments received are slightly less than what would otherwise be expected based on the total taxable value due to a legal settlement on PILOT #93 that reduced the PILOT payment that is otherwise based on 100% valuation.

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](mailto:dshahinfar@albanyny.gov).

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cumulative Effect of a Change in Application of Accounting Principle**

Effective January 1, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and requires various note disclosures and supplementary information. As a result, beginning of year net position (deficit) has been restated as follows:

Net position (deficiency), beginning of year, as previously reported	\$ (18,626,217)
Cumulative effect of adjustments relating to prior periods	<u>(386,175,333)</u>
Net position (deficiency), beginning of year, adjusted	<u><u>\$ (404,801,550)</u></u>

Effective January 1, 2018, the City also adopted GASB Statement No. 85, *Omnibus 2017*, which amends certain requirements of GASB 75.

**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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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)**

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.

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. 75, *Accounting and Financial Reporting 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.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

*Budgetary Information (Continued)*

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, 2018, cash and cash equivalents and cash and cash equivalents - restricted are comprised of interest bearing and non-interest bearing deposits in various financial institutions.

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, 2018, 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 \$5,558,000 in cash and cash equivalents that have been restricted as follows:

<b>General Fund</b>	
Debt service	\$ 4,560,000
Landfill postclosure	921,000
NYS Power Authority grant	<u>77,000</u>
	<u><u>\$ 5,558,000</u></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, 2018, the City had outstanding landfill receivables of approximately \$675,000, with an allowance of approximately \$39,000.

**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, 2018.



**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 6 — PROPERTY TAXES (Continued)**

The taxable assessed value of real property, as adjusted by New York State, 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 constitutional tax limit is 2% of the 5-year average of the full value assessment. The 2017 levy represents approximately 64% of the constitutional tax limit. The taxable assessed value of real property included in the tax levy of 2018 (revenue in 2019), was \$4,859,959,051. The effective tax rate on this value is \$10.86 per thousand for residential and \$14.04 per thousand for non-residential properties. The 2018 levy represents approximately 63% of the constitutional tax limit.

**NOTE 7 — CAPITAL ASSETS**

Property and equipment is comprised of the following:

	<b>Balance January 1 2018</b>	<b>Additions</b>	<b>Deletions and Reclassifications</b>	<b>Balance December 31, 2018</b>
Capital assets not being depreciated:				
Land	\$ 5,007,396	\$ -	\$ -	\$ 5,007,396
Construction in process	36,858,274	12,301,810	(32,626,547)	16,533,537
	<u>41,865,670</u>	<u>12,301,810</u>	<u>(32,626,547)</u>	<u>21,540,933</u>
Capital assets being depreciated:				
Buildings, capital leases and improvements	57,366,632	6,106,205	-	63,472,837
Machinery and equipment	69,364,832	6,960,465	(130,202)	76,195,095
Infrastructure	353,987,686	25,498,334	-	379,486,020
	<u>480,719,150</u>	<u>38,565,004</u>	<u>(130,202)</u>	<u>519,153,952</u>
Less accumulated depreciation for:				
Buildings, capital leases and improvements	32,311,953	1,612,844	-	33,924,797
Machinery and equipment	56,149,058	3,688,700	(129,845)	59,707,913
Infrastructure	219,137,022	13,718,542	-	232,855,564
	<u>307,598,033</u>	<u>19,020,086</u>	<u>(129,845)</u>	<u>326,488,274</u>
Total capital assets, net	<u>\$ 214,986,787</u>			<u>\$ 214,206,611</u>

Depreciation expense was approximately \$19,020,000 for the year ended December 31, 2018. In the statement of activities, depreciation expense is allocated to each function as follows:

<b>Function/Programs</b>	<b>Depreciation Expense</b>
Public safety and regulation	\$ 3,203,000
General government	5,192,000
Highway and streets	5,630,000
Recreation and culture	683,000
Community service	3,837,000
Economic development and assistance	475,000
	<u>\$ 19,020,000</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**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.

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, 2018:

<u>Program</u>	<u>Balance</u>
HUD	\$3,374,684
HUD, forgivable grant loans	2,749,482
NYSHTFC, net of allowance	3,209
Choose Albany, net of allowance	123,185
	<u>\$6,250,560</u>

**NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES**

A summary of interfund receivables and payables at December 31, 2018 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 7,995,893	\$ 2,127,351
Special Revenue	-	447,634
Capital Projects	-	4,951,561
Agency	-	3,774
Albany Community Development Agency	9,965	475,538
	<u>\$ 8,005,858</u>	<u>\$ 8,005,858</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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 \$3,104,000 as the amount due from the Component Units, net at December 31, 2018. The Component Units reported approximately net \$548,000 as the amount due from the primary government, net. The net difference as reported by the City and its Component Units is approximately \$3,652,000 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 2018, the City elected to amortize an additional \$807,000, approximately, of its calculated pension contribution to the retirement system for its fiscal year ended December 31, 2018. The City's contributions made to the Systems were equal to 100 percent of the minimum required contributions. At December 31, 2018, approximately \$12,462,000 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, 2018**

**NOTE 11 — PENSION PLANS (Continued)**

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

At December 31, 2018, the City reported the following liability for its proportionate share of the net pension liability for each of the plans.

	<b>PFRS</b>	<b>ERS</b>
Actuarial Valuation Date	April 1, 2017	April 1, 2017
Net Pension Asset (Liability)	\$ (13,844,521)	\$ (3,637,344)
Proportionate Share of the Plan's		
Total Net Pension Liability	1.3697182%	0.1127004%
Proportionate Share of Pension Expense	\$ 12,282,756	\$ 3,721,687

The PFRS and ERS net pension liability was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017, with updated procedures used to roll forward the total pension liability to March 31, 2018. 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, 2018, the City reported deferred outflows and deferred inflows of resources as follows:

	<b>PFRS</b>		<b>ERS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,698,267	\$ 3,678,807	\$ 1,297,323	\$ 1,072,059
Net difference between projected and actual earnings on pension plan investments	11,205,517	22,567,303	5,282,955	10,428,022
Changes in assumptions	10,489,732	-	2,411,860	-
Changes in proportion and differences between City contributions and proportionate share of contributions	136,139	3,700,461	-	1,553,498
City contributions subsequent to the measurement date	10,885,351	-	3,968,528	-
	<u>\$ 38,415,006</u>	<u>\$ 29,946,571</u>	<u>\$ 12,960,666</u>	<u>\$ 13,053,579</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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, 2019 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:

<b>Year Ended March 31,</b>	<b>PFRS</b>	<b>ERS</b>
2019	\$ 1,892,492	\$ 102,970
2020	1,576,040	49,637
2021	(3,644,314)	(2,884,963)
2022	(2,467,298)	(1,329,085)
2023	226,164	-
	<u><u>\$ (2,416,916)</u></u>	<u><u>\$ (4,061,441)</u></u>

**Actuarial Assumptions**

The total pension liability for the March 31, 2018 measurement date was determined by using an actuarial valuation as of April 1, 2017 with update procedures used to roll forward the total pension liability to March 31, 2018. 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, 2018

**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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	36%	4.55%
International equities	14%	6.35%
Private equities	10%	7.50%
Real estate	10%	5.55%
Absolute return strategies	2%	3.75%
Opportunistic portfolio	3%	5.68%
Real assets	3%	5.29%
Bonds and mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-Indexed bonds	4%	1.25%
	<u><b>100%</b></u>	

**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.

	<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>
City's proportionate share of the PFRS net pension asset (liability)	<u><u>\$(67,814,214)</u></u>	<u><u>\$(13,844,521)</u></u>	<u><u>\$ 31,423,389</u></u>
City's proportionate share of the ERS net pension asset (liability)	<u><u>\$(27,521,127)</u></u>	<u><u>\$ (3,637,344)</u></u>	<u><u>\$ 16,567,382</u></u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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 2018, the City issued various BANs of \$18,854,100 at an interest rate of 2.75%. The proceeds of the BANs, along with available funds, were used to redeem part of the \$44,596,417 BANs issued in 2017 which matured in June 2018 and also provided new funds for various capital purchases and improvements. These BANs were subsequently redeemed in June 2019 (see Note 15 – Subsequent Events).

Interest expense on BANs totaled approximately \$531,000 for the year ended December 31, 2018.

**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, 2018:

	<b>Balance January 1, 2018</b>	<b>New Issues/ Increase in Estimates</b>	<b>Payments/ Decrease in Estimates</b>	<b>Balance December 31, 2018</b>
Bonds	\$ 57,630,000	\$ 33,310,417	\$ (15,360,000)	\$ 75,580,417
Premiums on Bonds	1,324,956	2,711,918	(518,071)	3,518,803
Loans payable (ACDA)	346,247	-	(91,080)	255,167
Post employment benefit obligation (Note 14)	483,402,171	22,167,939	(14,999,483)	490,570,627
Vacation/sick pay obligations	20,918,408	-	(2,209,930)	18,708,478
Due to NYS Retirement System	13,037,137	1,006,828	(1,581,782)	12,462,183
Net pension liability	40,831,070	22,994,824	(46,344,029)	17,481,865
Litigation and contingent liabilities	17,895,464	-	(1,092,481)	16,802,983
Landfill closure and postclosure care costs	9,323,017	173,942	-	9,496,959
Retainage payable on long-term contracts	54,999	127,581	-	182,580
Capital lease obligations	160,000	-	(160,000)	-
<b>Total</b>	<b>\$ 644,923,469</b>	<b>\$ 82,493,449</b>	<b>\$ (82,356,856)</b>	<b>\$ 645,060,062</b>

Of the total outstanding indebtedness of the City at December 31, 2018, approximately \$94,435,000 was subject to the statutory debt limit. Amounts subject to the statutory debt limit include bonds and bond anticipation notes payable. This represents approximately 28% of the City's \$335,238,418 statutory debt limit.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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, 2018:

<u>Interest Rate</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding December 31, 2018</u>	<u>Annual Principal Installments (Range)</u>
Serial Bonds					
4.00 - 5.00%	2011	2025	11,075,000	3,360,000	195,000 - 890,000
2.50 - 3.00%	2011	2021	7,922,026	2,600,000	845,000 - 890,000
2.00%	2012	2020	24,027,579	6,380,000	3,150,000 - 3,230,000
4.00%	2012	2021	10,010,248	3,625,000	1,175,000 - 1,240,000
4.50%	2013	2020	9,890,000	3,120,000	1,525,000 - 1,595,000
2.024 - 2.324%	2015	2020	4,670,000	1,850,000	915,000 - 935,000
2.00 - 5.00%	2016	2023	10,210,000	8,765,000	1,665,000 - 1,835,000
2.00%	2016	2025	13,474,579	10,605,000	1,285,000 - 1,665,000
4.00%	2018	2028	33,310,417	33,310,417	2,550,417 - 3,725,000
EFC Bonds					
3.591 - 3.829%	2011	2020	3,995,000	880,000	435,000- 445,000
4.912 - 5.002%	2012	2022	2,730,000	<u>1,085,000</u>	260,000-285,000
				\$ 75,580,417	
Add: Unamortized Premiums				<u>3,518,803</u>	
				<u>\$ 79,099,220</u>	

The following are details of bonds outstanding at December 31, 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.

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.



**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 13 — INDEBTEDNESS (Continued)**

**(a) Bonds (continued)**

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 June 2018, the City issued \$33,310,417 in General Obligation Serial Bonds. The Bonds carry an interest rate of 4.00%. 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.

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, 2018

**NOTE 13 — INDEBTEDNESS** (Continued)

**(a) Bonds** (continued)

Future maturities of general long-term debt as of December 31, 2018 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$14,920,417	\$ 3,069,333	\$17,989,750
2020	16,000,000	1,980,001	17,980,001
2021	9,970,000	1,485,669	11,455,669
2022	7,470,000	1,145,868	8,615,868
2023	6,785,000	912,950	7,697,950
2024-2028	<u>20,435,000</u>	<u>1,877,400</u>	<u>22,312,400</u>
	<u>\$75,580,417</u>	<u>\$10,471,221</u>	<u>\$86,051,638</u>

Interest expense for bonds was approximately \$1,595,000 for the year ended December 31, 2018.

**(b) Loans payable**

Loans payable are further broken down as follows:

	<u>Balance January 1, 2018</u>	<u>New Issues/ Increase in Estimates</u>	<u>Retirement/ Decrease in Estimates</u>	<u>Balance December 31, 2018</u>
Note payable (1)	\$ 26,000	\$ -	\$ (26,000)	\$ -
Note payable (2)	81,060	-	(11,570)	69,490
Note payable (3)	<u>239,187</u>	<u>-</u>	<u>(53,510)</u>	<u>185,677</u>
	<u>\$346,247</u>	<u>\$ -</u>	<u>\$ (91,080)</u>	<u>\$255,167</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, 2018**

**NOTE 13 — INDEBTEDNESS (Continued)**

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

Each year from 2011 through 2018, 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 2.63% - 3.99%.

A summary of future NYSLRS payment obligations as of December 31, 2018 is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ -	\$ -
2020	1,675,946	427,808	2,103,754
2021	1,733,249	370,505	2,103,754
2022	1,792,531	311,224	2,103,755
2023	4,761,164	504,411	5,265,575
2024-2028	1,890,664	286,707	2,177,371
2029-2030	608,629	33,101	641,730
	<u>\$ 12,462,183</u>	<u>\$ 1,933,756</u>	<u>\$ 14,395,939</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 \$391,000 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, 2018 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 2018 are as follows:

	<u>Balance as of January 1 2018</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance as of December 31, 2018</u>
Workers' compensation liability	<u>\$ 17,175,464</u>	<u>\$ 4,347,081</u>	<u>\$ (5,111,025)</u>	<u>\$ 16,411,520</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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, 2018. 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. The City applied for an extension for this permit, which is currently under review by the NYSDEC.

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 \$9,497,000 at December 31, 2018, 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 5.5 years. The City will recognize the remaining estimated cost of closure and post closure care of \$1,443,000 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 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City currently has restricted cash of approximately \$921,000 for payment of closure and post closure care costs.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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 had a sixteen year term and the agreement required ACDA to remit semi-annual payments to the Capitalize Albany Corporation ("CAC") through 2018. The lease was fully retired in 2018.

**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. 75, *Accounting and Financial Reporting 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.

**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. There are no assets accumulated in a trust that meet all of the criteria of GASB 75, paragraph 4, to pay benefits. 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. The costs of administering the plan are paid by the City.

**Employees Covered by Benefit Terms**

Inactive employees or beneficiaries currently receiving benefit payments	1,311
Inactive employees or beneficiaries entitled to but not yet receiving benefit payments	-
Active employees	1,135
	<u>2,446</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**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.

The City's total OPEB liability, as of December 31, 2018, was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018, with update procedures used to roll forward the liability to December 31, 2018.

The following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

**Salary increases** – 3.0%

**Discount rate** – 3.8%

**Healthcare cost trend rates:** 8.00% decreasing to an ultimate rate of 5.00% by 2026.

The discount rate was based on an average of the Fidelity General Obligation 20-Year AA Municipal Bond Index, the Bond Buyer 20 Bond GO and S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the Society of Actuaries' RP-2014 mortality tables with adjustments for mortality improvements based on the most current Society of Actuaries Mortality Improvement Scale MP-2018.

**Changes in the Total OPEB Liability**

<b>Beginning balance, restated</b>	<b><u>\$ 483,402,171</u></b>
Changes for the year:	
Service cost	4,083,647
Interest	18,084,292
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	<u>(14,999,483)</u>
Net changes	<b><u>\$ 7,168,456</u></b>
<b>Ending balance</b>	<b><u><u>\$ 490,570,627</u></u></b>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate and healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate and healthcare cost trend rates:

	<b><u>1.0% Decrease</u></b>	<b><u>Current Discount Rate</u></b>	<b><u>1.0% Increase</u></b>
Total OPEB Liability	<b><u>\$ 617,334,225</u></b>	<b><u>\$ 490,570,627</u></b>	<b><u>\$ 402,852,987</u></b>
	<b><u>1.0% Decrease</u></b>	<b><u>Current Healthcare Trend Rates</u></b>	<b><u>1.0% Increase</u></b>
Total OPEB Liability	<b><u>\$ 399,199,022</u></b>	<b><u>\$ 490,570,627</u></b>	<b><u>\$ 627,397,135</u></b>

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2018, the City recognized OPEB expense of \$22,167,939. At December 31, 2018, the City reported no deferred outflows or deferred inflows of resources related to OPEB.

**NOTE 15 — SUBSEQUENT EVENTS**

In January 2019, the City issued \$26,000,000 in General Obligation Serial Bonds. The Bonds carry an interest rate of 3.0%, with a premium of \$376,109. The Bonds have maturity dates ranging from January 15, 2020 through January 15, 2034.

The proceeds of the Bonds will provide new monies for the purchase of streetlights and conversion to LED.

In June 2019, the City issued \$29,799,600 in BANs. The BANs are due March 27, 2020 and carry an interest rate of 2.50%, with a premium of \$222,901.

The proceeds of the BANs, along with available funds, were used to redeem \$17,607,100 of the \$18,854,100 BANs that were issued in 2018 and matured June 29, 2019, 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, 2018

	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
<b>REVENUES</b>								
Real property taxes	\$ 58,250,000	\$ 58,250,000	\$ 58,252,312	\$ 2,312	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	33,606,844	33,606,844	35,424,547	1,817,703	-	-	-	-
Other taxes	2,786,000	2,786,000	2,916,589	130,589	-	-	-	-
Payments in lieu of taxes	21,075,000	21,075,000	20,108,047	(966,953)	-	-	-	-
Intergovernmental revenue	32,515,385	33,683,048	31,962,011	(1,721,037)	2,587,825	2,587,825	2,081,013	(506,812)
Charges for services	11,099,051	11,099,051	11,079,556	(19,495)	-	-	-	-
Fines, interest and penalties	5,521,000	5,671,166	5,278,621	(392,545)	-	-	-	-
Use of money and properties	106,880	106,880	722,418	615,538	-	-	-	-
Licenses and permits	3,707,800	5,266,141	4,552,644	(713,497)	-	-	-	-
Other revenues	3,139,480	3,144,480	4,072,918	928,438	-	-	-	-
Total revenues	171,807,440	174,688,610	174,369,663	(318,947)	2,587,825	2,587,825	2,081,013	(506,812)
<b>EXPENDITURES</b>								
Public safety and regulation	93,114,821	96,665,924	97,027,307	361,383	-	-	-	-
General government	21,947,060	21,397,708	20,289,944	(1,107,764)	-	-	-	-
Highways and streets	9,018,607	9,192,938	8,926,927	(266,011)	-	-	-	-
Recreation and culture	3,856,665	3,865,718	4,282,708	416,990	-	-	-	-
Community service	6,687,561	6,768,722	6,438,049	(330,673)	-	-	-	-
Economic development and assistance	-	-	-	-	2,580,460	2,580,460	2,022,115	(558,345)
Employee benefits	15,490,178	15,105,052	13,462,207	(1,642,845)	-	-	-	-
Debt service	21,692,548	21,692,548	17,944,159	(3,748,389)	-	-	-	-
Total expenditures	171,807,440	174,688,610	168,371,301	(6,317,309)	2,580,460	2,580,460	2,022,115	(558,345)
Excess (deficiency) of revenues and appropriated fund balance over expenditures	-	-	5,998,362	5,998,362	7,365	7,365	58,898	51,533
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers	-	-	(2,171,468)	(2,171,468)	-	-	-	-
Premium on bonds and bond anticipation notes issued	-	-	2,868,430	2,868,430	-	-	-	-
Total other financing sources (uses)	-	-	696,962	696,962	-	-	-	-
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 6,695,324	\$ 6,695,324	\$ 7,365	\$ 7,365	\$ 58,898	\$ 51,533

# 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	1.369718%	1.454527%	1.408760%	1.465709%
City's proportionate share of the net pension liability	\$(13,844,521)	\$(30,147,273)	\$(41,710,392)	\$ (4,034,505)
City's covered-employee payroll	\$ 47,463,780	\$ 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	29.17%	60.76%	91.74%	8.29%
Plan fiduciary net position as a percentage of the total pension liability	<u>96.93%</u>	<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 through 2018.*

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

<b>March 31,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Contractually required contribution	\$ 10,718,641	\$ 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
Contribution in relation to the contractually required contribution	<u>(10,718,641)</u>	<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>
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	\$ 47,463,780	\$ 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
Contributions as a percentage of covered-employee payroll	<u>22.58%</u>	<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>

# 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.112700%	0.113703%	0.119550%	0.132978%
City's proportionate share of the net pension liability	\$ (3,637,344)	\$(10,683,797)	\$(19,188,066)	\$ (4,492,317)
City's covered-employee payroll	\$28,245,346	\$ 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	12.88%	38.26%	69.28%	14.25%
Plan fiduciary net position as a percentage of the total pension liability	<u>98.24%</u>	<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 through 2018.*

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

<u>March 31,</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 3,982,586	\$ 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
Contribution in relation to the contractually required contribution	<u>(3,982,586)</u>	<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>
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	\$ 28,245,346	\$ 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
Contributions as a percentage of covered-employee payroll	<u>14.10%</u>	<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>

**CITY OF ALBANY, NEW YORK**  
**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND**  
**RELATED RATIOS**

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 4,083,647
Interest	18,084,292
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	<u>(14,999,483)</u>
Net changes in total OPEB liability	\$ 7,168,456
Total OPEB liability - beginning	<u>\$ 483,402,171</u>
Total OPEB liability - ending	<u><u>\$ 490,570,627</u></u>

*Data prior to 2018 is unavailable.*