

CITY OF TROY, NEW YORK

**Basic Financial Statements
as of
December 31, 2018
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

September 27, 2019

To the City Council of the
City of Troy, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Troy, 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 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 Troy Industrial Development Authority, Troy Local Development Corporation, and Troy Capital Resource Corporation which collectively represent 84%, 78% and 40%, respectively of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the report 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 from material misstatement.

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(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibility (Continued)

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 unmodified and adverse audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Special Grant Fund	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Aggregate Discretely Presented Component Units	Unmodified

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1 to the financial statements, the City records and tracks capital assets at cost or estimated historical cost with no allowance for depreciation. Accounting principles generally accepted in the United States of America require that capital assets be recorded at cost and depreciated over their estimated useful lives which would decrease the assets and net position while increasing expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Governmental Activities* paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the City, as of December 31, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Unmodified 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 each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2018 the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of changes in total OPEB liability and related ratios, and schedules of contributions – pension plans and proportionate share of the net pension liability(asset) 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 who 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

CITY OF TROY, NEW YORK

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities	Component Units
ASSETS:		
CURRENT ASSETS:		
Cash	\$ 55,202,820	\$ 1,976,569
Restricted cash	16,461,706	-
Taxes receivable, net of allowance for doubtful accounts	5,166,309	-
Accounts receivable	5,446,449	35,654
Due from other governments	15,257,883	-
Due from fiduciary funds	1,112,834	-
Prepaid expenses	309,656	25,112
Loans receivable, current portion	-	71,642
Total current assets	<u>98,957,657</u>	<u>2,108,977</u>
NONCURRENT ASSETS:		
Capital assets, net	256,122,976	543,300
Real property held for resale or development	-	2,819,104
Loan receivable, net	-	72,330
Other noncurrent assets	-	37,713
Total noncurrent assets	<u>256,122,976</u>	<u>3,472,447</u>
Total assets	<u>355,080,633</u>	<u>5,581,424</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources	<u>21,784,289</u>	<u>-</u>
Total deferred outflows of resources	<u>21,784,289</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>376,864,922</u>	<u>5,581,424</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	15,358,243	38,507
Due to other governments	7,446,916	-
Unearned revenue	2,703,141	141,224
Bond anticipation notes payable	36,332,428	-
Short-term notes payable	1,718,637	-
Bonds and loans payable, current portion	<u>7,552,567</u>	<u>139,167</u>
Total current liabilities	<u>71,111,932</u>	<u>318,898</u>
LONG-TERM LIABILITIES:		
Bonds and loans payable, net of current portion	19,316,859	969,166
NYS Employee Retirement System loans payable	7,232,467	-
Compensated absences	5,362,034	-
Judgments and claims	16,000	-
Net pension liability	7,639,820	-
Total other post employment benefits	187,247,058	-
Pollution remediation liability	-	965,000
Total long-term liabilities	<u>226,814,238</u>	<u>1,934,166</u>
Total liabilities	<u>297,926,170</u>	<u>2,253,064</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources	33,612,438	-
Land purchase option	-	117,301
Total deferred inflows of resources	<u>33,612,438</u>	<u>117,301</u>
Total liabilities and deferred inflows or resources	<u>331,538,608</u>	<u>2,370,365</u>
NET POSITION:		
Net investment in capital assets	191,202,485	543,300
Restricted	29,670,492	-
Unrestricted	<u>(175,546,663)</u>	<u>2,667,759</u>
TOTAL NET POSITION	<u>\$ 45,326,314</u>	<u>\$ 3,211,059</u>

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenue			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Component Units
PRIMARY GOVERNMENT:						
Governmental activities:						
General governmental support	\$ 13,005,390	\$ 674,829	\$ 716,099	\$ 95,868	\$ (11,518,594)	\$ -
Public safety	43,445,231	5,722,285	1,299,203	760,112	(35,663,631)	-
Health	220,221	72,442	-	-	(147,779)	-
Transportation	5,271,887	721,857	1,536,565	1,322,314	(1,691,151)	-
Economic Assistance and Opportunity	-	-	12,550	-	12,550	(1,149,181)
Culture and recreation	2,358,623	758,965	-	716,638	(883,020)	-
Home and community services	15,791,613	20,343,161	1,909,373	8,868,635	15,329,556	-
Interest	1,751,566	-	-	-	(1,751,566)	(73,444)
Depreciation	-	-	-	-	-	(8,987)
Total governmental activities	<u>\$ 81,844,531</u>	<u>\$ 28,293,539</u>	<u>\$ 5,473,790</u>	<u>\$ 11,763,567</u>	<u>\$ (36,313,635)</u>	<u>\$ (1,231,612)</u>
GENERAL REVENUE:						
Real property taxes and tax items					26,639,512	-
Nonproperty tax items					17,864,946	-
General state aid					12,279,463	-
Grants					-	514,111
Sale of property and compensation for loss					269,160	(110,523)
Use of money and property					679,108	99,109
Miscellaneous					<u>2,224,423</u>	<u>440,752</u>
Total general revenue					<u>59,956,612</u>	<u>943,449</u>
Change in net position					23,642,977	(288,163)
Total net position - beginning of year					<u>21,683,337</u>	<u>3,499,222</u>
Net position - end of year					<u>\$ 45,326,314</u>	<u>\$ 3,211,059</u>

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

		Special Revenue Funds					
	General Fund	Special Grant Fund	Water Fund	Sewer Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS							
Cash	\$ 12,075,965	\$ 2,125,653	\$ 5,852,287	\$ 1,716,470	\$ -	\$ 33,432,445	\$ 55,202,820
Restricted cash	12,157,967	-	-	-	4,303,739	-	16,461,706
Due from other governments	7,063,816	930,188	1,923,982	-	-	5,339,897	15,257,883
Taxes receivable, net	5,166,309	-	-	-	-	-	5,166,309
Accounts receivables	3,202,939	42,822	1,117,299	1,083,389	-	-	5,446,449
Due from other funds	1,258,931	8,857	121,422	347,720	-	4,107,846	5,844,776
Prepaid and other assets	<u>270,391</u>	<u>-</u>	<u>24,195</u>	<u>-</u>	<u>-</u>	<u>15,070</u>	<u>309,656</u>
TOTAL ASSETS	<u>\$ 41,196,318</u>	<u>\$ 3,107,520</u>	<u>\$ 9,039,185</u>	<u>\$ 3,147,579</u>	<u>\$ 4,303,739</u>	<u>\$ 42,895,258</u>	<u>\$ 103,689,599</u>

(Continued)

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS (continued)
DECEMBER 31, 2018

	General Fund	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
		Special Grant Fund	Water Fund	Sewer Fund			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
LIABILITIES:							
Accounts payable	\$ 2,286,300	\$ 495,852	\$ 384,507	\$ 24,733	\$ -	\$ 3,947,162	\$ 7,138,554
Accrued liabilities	7,081,772	-	166,588	65,677	-	-	7,314,037
Other liabilities	662,319	-	41,365	-	-	-	703,684
Due to other governments	7,437,360	-	-	-	-	9,556	7,446,916
Due to other funds	335,618	458,331	1,499,954	2,154,881	-	283,158	4,731,942
Unearned revenue	2,269,776	348,743	84,622	-	-	-	2,703,141
BANs payable	-	-	-	-	-	36,332,428	36,332,428
Short-term notes payable	-	-	-	-	-	1,718,637	1,718,637
Compensated absences	201,968	-	-	-	-	-	201,968
Total liabilities	20,275,113	1,302,926	2,177,036	2,245,291	-	42,290,941	68,291,307
DEFERRED INFLOWS OF RESOURCES							
Deferred taxes	2,457,517	-	-	-	-	-	2,457,517
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	22,732,630	1,302,926	2,177,036	2,245,291	-	42,290,941	70,748,824
FUND BALANCE:							
Nonspendable	270,391	-	24,195	-	-	15,070	309,656
Restricted	15,821,917	1,804,594	6,837,954	902,288	4,303,739	-	29,670,492
Assigned	356,687	-	-	-	-	589,247	945,934
Unassigned	2,014,693	-	-	-	-	-	2,014,693
Total Fund Balance	18,463,688	1,804,594	6,862,149	902,288	4,303,739	604,317	32,940,775
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 41,196,318	\$ 3,107,520	\$ 9,039,185	\$ 3,147,579	\$ 4,303,739	\$ 42,895,258	\$ 103,689,599

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

Fund balance, all governmental funds	\$ 32,940,775
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	256,122,976
Pension related government wide activity:	
Deferred outflows of resources	21,784,289
Net pension liability	(7,639,820)
Deferred inflows of resources	(33,612,438)
Long-term liabilities are not due and payable in the current period and are, therefore not reported in the funds:	
Bonds and notes payable	(26,869,426)
NYS Employee Retirement System loans payable	(7,232,467)
Compensated absences	(5,362,034)
Judgments and claims	(16,000)
Total other postemployment benefits	(187,247,058)
Deferral of property taxes earned in the current year is recognized as revenue under the accrual basis of accounting	<u>2,457,517</u>
Net position of governmental activities	<u>\$ 45,326,314</u>

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue Funds			Debt Service	Capital Projects	
	Fund	Special Grant	Water	Sewer	Fund	Fund	Total
	Fund	Fund	Fund	Fund	Fund	Fund	
REVENUES:							
Real property taxes and tax items	\$ 26,874,561	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,874,561
Nonproperty tax items	17,864,946	-	-	-	-	-	17,864,946
Departmental income	7,283,485	255,583	4,214,650	4,376,206	-	-	16,129,924
Intergovernmental charges	249,915	-	7,113,791	173,793	-	-	7,537,499
Use of money and property	150,808	1,320	291,709	1,613	178,240	55,418	679,108
Licenses and permits	1,031,283	-	12,270	-	-	-	1,043,553
Fines and forfeitures	1,755,785	-	-	-	-	-	1,755,785
Interfund revenue	1,499,778	-	327,000	-	-	-	1,826,778
Sale of property and compensation for loss	135,819	-	133,341	-	-	-	269,160
Miscellaneous	1,608,195	-	129,230	32,423	-	454,575	2,224,423
State aid	14,749,018	201,439	-	-	-	1,352,667	16,303,124
Federal aid	905,291	1,897,505	-	-	-	10,410,900	13,213,696
Total revenues	<u>74,108,884</u>	<u>2,355,847</u>	<u>12,221,991</u>	<u>4,584,035</u>	<u>178,240</u>	<u>12,273,560</u>	<u>105,722,557</u>
EXPENDITURES:							
General governmental support	8,729,491	2,343,599	410,343	-	-	-	11,483,433
Public safety	37,024,110	-	-	-	-	-	37,024,110
Public health	186,731	-	-	-	-	-	186,731
Transportation	4,141,562	-	-	-	-	-	4,141,562
Culture and recreation	2,135,749	-	-	-	-	-	2,135,749
Home and community services	4,279,099	-	9,431,895	2,335,716	-	-	16,046,710
Employee benefits	7,005,062	-	-	-	-	-	7,005,062
Capital outlays	-	-	-	-	-	17,654,519	17,654,519
Debt Service							
Principal	4,254,899	-	395,014	50,170	158,112	-	4,858,195
Interest	3,415,639	-	176,535	24,591	7,369	-	3,624,134
Total expenditures	<u>71,172,342</u>	<u>2,343,599</u>	<u>10,413,787</u>	<u>2,410,477</u>	<u>165,481</u>	<u>17,654,519</u>	<u>104,160,205</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,936,542</u>	<u>12,248</u>	<u>1,808,204</u>	<u>2,173,558</u>	<u>12,759</u>	<u>(5,380,959)</u>	<u>1,562,352</u>
OTHER FINANCING SOURCES (USES):							
Proceeds from issuance of debt	-	-	-	-	-	1,121,888	1,121,888
BANs redeemed from appropriations	-	-	-	-	-	1,011,914	1,011,914
Operating transfers - in	424,303	164,494	-	-	397,725	5,274,319	6,260,841
Operating transfers - out	(2,030,924)	-	(1,495,000)	(2,142,863)	(181,452)	(410,602)	(6,260,841)
Total other financing sources (uses)	<u>(1,606,621)</u>	<u>164,494</u>	<u>(1,495,000)</u>	<u>(2,142,863)</u>	<u>216,273</u>	<u>6,997,519</u>	<u>2,133,802</u>
CHANGE IN FUND BALANCE	1,329,921	176,742	313,204	30,695	229,032	1,616,560	3,696,154
FUND BALANCE - beginning of year	<u>17,133,767</u>	<u>1,627,852</u>	<u>6,548,945</u>	<u>871,593</u>	<u>4,074,707</u>	<u>(1,012,243)</u>	<u>29,244,621</u>
FUND BALANCE - end of year	<u>\$ 18,463,688</u>	<u>\$ 1,804,594</u>	<u>\$ 6,862,149</u>	<u>\$ 902,288</u>	<u>\$ 4,303,739</u>	<u>\$ 604,317</u>	<u>\$ 32,940,775</u>

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

Net changes in fund balance - Total governmental funds	\$ 3,696,154
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position	18,271,539
Pension expense resulting from the GASB 68/71 related reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(675,615)
Compensated absences do not require the expenditure of current resources and are, therefore, are not reported as expenditures in the governmental funds	295,081
Proceeds from issuance of debt is not reported as revenue in government-wide financial statements	(1,121,888)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	4,858,195
Proceeds from BANs redeemed from appropriations recorded as revenue in the governmental funds are not recognized as revenue in the statement of activities	(1,011,914)
Bond accretion on MAC debt decreases the principal balance and decreases interest expense in the government-wide financial statements	1,873,565
Repayments of ERS and TRS loan payables are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	1,189,225
Accrued postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(3,511,319)
Payments on judgments and claims are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	16,000
Certain expenses in the statement of activities do not require the expenditure of current resources and are therefore not reported as expenditures in the governmental funds	(997)
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities this revenue is recorded as earned upon levy	<u>(235,049)</u>
Change in net position - governmental activities	<u>\$ 23,642,977</u>

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2018

	<u>Agency</u>
ASSETS:	
Cash	\$ 1,436,531
Other current assets	<u>36,338</u>
Total Assets	<u>\$ 1,472,869</u>
LIABILITIES:	
Accounts payable	\$ 360,035
Due to governmental funds	<u>1,112,834</u>
Total Liabilities	<u>\$ 1,472,869</u>

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

**STATEMENT OF NET POSITION - COMPONENT UNITS
DECEMBER 31, 2018**

	Troy Industrial Development Authority	Troy Local Development Corporation	Troy Capital Resource Corporation	Troy Community Land Bank Corporation	Total
ASSETS					
CURRENT ASSETS					
Cash	\$ 764,618	\$ 419,178	\$ 427,154	\$ 365,619	\$ 1,976,569
Accounts receivable, net of allowance for doubtful accounts	28,000	-	1,500	6,154	35,654
Prepaid expenses	1,322	16,897	-	6,893	25,112
Loans receivable, current portion	-	71,642	-	-	71,642
Total current assets	793,940	507,717	428,654	378,666	2,108,977
NONCURRENT ASSETS					
Capital assets, net	-	542,116	-	1,184	543,300
Real property held for resale or development	287,000	2,036,228	-	495,876	2,819,104
Loan receivable, net	-	72,330	-	-	72,330
Other noncurrent assets	-	37,713	-	-	37,713
Total noncurrent assets	287,000	2,688,387	-	497,060	3,472,447
Total assets	1,080,940	3,196,104	428,654	875,726	5,581,424
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	50	24,159	-	14,298	38,507
Loan payable, current portion	-	139,167	-	-	139,167
Unearned revenue	-	-	-	141,224	141,224
Total current liabilities	50	163,326	-	155,522	318,898
Long-term liabilities					
Loan payable, long-term portion	-	969,166	-	-	969,166
Pollution remediation obligation	-	965,000	-	-	965,000
Total long-term liabilities	-	1,934,166	-	-	1,934,166
Total liabilities	50	2,097,492	-	155,522	2,253,064
DEFERRED INFLOWS OF RESOURCES					
Land purchase option	117,301	-	-	-	117,301
NET POSITION					
Net investment in capital assets	-	542,116	-	1,184	543,300
Unrestricted	963,589	556,496	428,654	719,020	2,667,759
	\$ 963,589	\$ 1,098,612	\$ 428,654	\$ 720,204	\$ 3,211,059

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Troy Industrial Development Authority	Troy Local Development Corporation	Troy Capital Resource Corporation	Troy Community Land Bank Corporation	Total
Operating Revenue					
Other income	\$ 362,532	\$ 9,873	\$ 1,500	\$ 6,847	\$ 380,752
Use of money and property	-	96,583	-	-	96,583
Sale of property	-	-	-	129,661	129,661
Total Operating Revenue	<u>362,532</u>	<u>106,456</u>	<u>1,500</u>	<u>136,508</u>	<u>606,996</u>
Operating Expenses					
Economic assistance	138,520	115,682	34,181	860,798	1,149,181
Depreciation	-	8,586	-	401	8,987
Total Operating Expenses	<u>138,520</u>	<u>124,268</u>	<u>34,181</u>	<u>861,199</u>	<u>1,158,168</u>
Operating Income (Loss)	<u>224,012</u>	<u>(17,812)</u>	<u>(32,681)</u>	<u>(724,691)</u>	<u>(551,172)</u>
Nonoperating Revenues					
Interest income	1,814	-	233	479	2,526
Grant revenue	-	-	-	514,111	514,111
Other income	-	-	-	60,000	60,000
Total Nonoperating Revenue	<u>1,814</u>	<u>-</u>	<u>233</u>	<u>574,590</u>	<u>576,637</u>
Nonoperating Expenses					
Loss on impairment of assets	213,000	-	-	-	213,000
Loss on disposal of assets	-	27,184	-	-	27,184
Debt service - interest	-	73,444	-	-	73,444
Total Nonoperating Expenses	<u>213,000</u>	<u>100,628</u>	<u>-</u>	<u>-</u>	<u>313,628</u>
Change in net position	12,826	(118,440)	(32,448)	(150,101)	(288,163)
NET POSITION - beginning of year	<u>950,763</u>	<u>1,217,052</u>	<u>461,102</u>	<u>870,305</u>	<u>3,499,222</u>
NET POSITION - end of year	<u>\$ 963,589</u>	<u>\$ 1,098,612</u>	<u>\$ 428,654</u>	<u>\$ 720,204</u>	<u>\$ 3,211,059</u>

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

**STATEMENT OF CASH FLOWS - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Troy Industrial Development Authority	Troy Local Development Corporation	Troy Capital Resource Corporation	Troy Community Land Bank Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 335,031	\$ 121,456	\$ -	\$ -	\$ 456,487
Payments to vendors for goods and services	(225,000)	(139,571)	(34,181)	(337,129)	(735,881)
Payments for loan advances	-	(10,000)	-	-	(10,000)
Payments to employees for salaries and benefits	-	-	-	(105,406)	(105,406)
Proceeds from loan repayments	-	146,711	-	-	146,711
Receipts from property sales	-	-	-	130,413	130,413
Other receipts	-	-	-	695	695
Net cash flows provided by (used in) operating activities	110,031	118,596	(34,181)	(311,427)	(116,981)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from purchase option on land held for resale or development	10,301	-	-	-	10,301
Proceeds from interest income	1,814	-	233	479	2,526
Payment on loan payable	-	(139,167)	-	-	(139,167)
Interest paid	-	(63,347)	-	-	(63,347)
Purchase of property held for resale	-	-	-	(2,175)	(2,175)
Payments for improvements to property held for resale	-	-	-	(73,623)	(73,623)
Purchase of capital assets	-	-	-	(516)	(516)
Proceeds from sale of capital assets	-	100	-	-	100
Receipt of grants	-	-	-	492,746	492,746
Net cash provided by (used in) investing activities	12,115	(202,414)	233	416,911	226,845
Net increase (decrease) in cash and cash equivalents	122,146	(83,818)	(33,948)	105,484	109,864
Cash and cash equivalents - beginning of year	642,472	502,996	461,102	260,135	1,866,705
Cash and cash equivalents - end of year	\$ 764,618	\$ 419,178	\$ 427,154	\$ 365,619	\$ 1,976,569
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (loss)	\$ 224,012	\$ (17,812)	\$ (32,681)	\$ (724,691)	\$ (551,172)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	8,586	-	401	8,987
Provision for (recovery of) bad debts	-	(5,000)	-	-	(5,000)
Cost of property sales	-	-	-	419,206	419,206
Changes in operating assets and liabilities:					
Accounts receivable	(27,501)	15,000	(1,500)	(5,400)	(19,401)
Loans receivable	-	136,711	-	-	136,711
Prepaid expenses	(30)	(114)	-	(931)	(1,075)
Accounts payable and accrued expenses	(1,450)	(3,775)	-	(12)	(5,237)
Grants payable	-	(15,000)	-	-	(15,000)
Due to other governments	(85,000)	-	-	-	(85,000)
Net cash flows provided by (used in) operating activities	\$ 110,031	\$ 118,596	\$ (34,181)	\$ (311,427)	\$ (116,981)

The accompanying notes are an integral part of these statements.

CITY OF TROY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The City of Troy, New York (The City) was established during 1789 within the County of Rensselaer County); was incorporated during 1816; and is governed by its Charter, General City Law, other general laws of the State of New York, and various local laws. The Mayor is responsible for overall operations and serves as Chief Executive Officer. The City Comptroller serves as Chief Fiscal Officer. All legislative power of the City is vested in the City Council, whose powers are specified in Section 2.08 of the City Charter.

The City provides multiple services, including general government support, police and fire protection, refuse and garbage collection, water and sewer, and recreation.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles (GAAP). The following is a summary of the City's significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, which is the City of Troy, New York, organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the City's reporting entity is based upon several criteria set forth in GAAP, including legal standing, fiscal dependency, financial accountability, selection of governing authority, ability to significantly influence operations, and the primary government's economic benefit from resources of the affiliated entity.

Based on the application of these criteria, the City has determined that the Troy Industrial Development Authority, the Troy Local Development Corporation, the Troy Capital Resource Corporation, and the Troy Community Land Bank Corporation are component units and their activities have been included in the financial reporting entity.

Component Units of the City include the following:

Troy Industrial Development Authority (IDA)

The IDA is a Public Benefit Corporation created by State legislation to promote the economic welfare, recreational opportunities and prosperity of the City of Troy's inhabitants.

Troy Local Development Corporation (LDC)

The LDC was established in 1987 for the purposes of constructing, acquiring, rehabilitating, and improving buildings or sites in the City of Troy, or to assist financially in the construction, acquisition, rehabilitation, and improvement of buildings or sites within the City, and to foster employment opportunities for City residents, including business retention a. The LDC is formed and operates consistent with Section 2827-a of the NYS Public Authorities Law.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity – Continued

Troy Capital Resource Corporation (CRC)

The CRC was created during 2009 under Section 1411 of the New York State Not-For-Profit Corporation Law. The CRC, although established by the City Council of the City of Troy is a separate public benefit corporation and operates independently of the City. The CRC was established to promote community and economic development for the citizens of the City.

Troy Community Land Bank Corporation (CLBC)

The CLBC was organized in 2014, and is governed by its articles of incorporation, bylaws and the laws of the State of New York. The Corporation was established to facilitate the process of acquiring, improving and redistributing vacant and abandoned properties in the City of Troy. The CLBC's Board of Directors is comprised of a majority of individuals appointed by the City.

Although the following organizations, functions, or activities are related to the City, they are not included in the City reporting entity for the reasons noted previously:

Municipal Assistance Corporation for the City of Troy (MAC)

The Municipal Assistance Corporation for the City of Troy was created during 1995 under the provisions of Section 3053 of the Financial Control Act (see Note I). The MAC is an authority of the State of New York. The members of the authority have complete responsibility for managing the MAC and are not presumed to be a component unit of the City. The enabling legislation creating the MAC was amended June 29, 1995, with an effective date of July 19, 1995, and was again amended August 5, 1996.

City of Troy Supervisory Board

Per the provision of Chapter 721 of the Laws of 1994 as amended by Chapters 187 and 188 of the Laws of 1995 and Chapters 444 and 445 of the Laws of 1996 (see Note I), the State Legislature created the City of Troy Supervisory Board. Per the legislation, the City is to establish a general debt service fund to be overseen by the New York State Office of the State Comptroller. The City does not have any oversight responsibility over the Supervisory Board.

B. Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the City's services are classified as governmental activities.

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first uses restricted resources to finance qualifying activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide Financial Statements – Continued

The government-wide statement of activities reports both the gross and net cost of each of the City's functions, i.e., public safety and transportation, etc. The functions are also supported by general government revenues (property, sales taxes, mortgage tax, state revenue sharing, and investment earnings, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (restricted purposes and agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

C. Fund Financial Statements

The accounts of the City are organized and operated as funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The City maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in authoritative pronouncements. Each major fund is presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Because the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

The City's resources are reflected in the fund financial statements, in fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

Governmental Funds – Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The City's governmental fund types are as follows:

General Fund – The general fund is the principal operating fund of the City and accounts for general tax revenues, miscellaneous receipts not allocated by law or contractual agreement to another fund, risk retention operations, and general operating expenditures. This fund operates within the financial limits of an annual budget adopted by the City Council.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Financial Statements – Continued

Fund Categories – Continued

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds of the City include the following:

Special Grant Fund – The special grant fund is used principally to account for the use of federal monies received under Community Development and other Department of Housing and Urban Development Funds.

Water Fund - The water fund is used to report operations of the City's water treatment and supply facilities that provide drinking water to all City residents, as well as to certain other local communities outside the City's corporate boundaries.

Sewer Fund – The sewer fund is used to report operations of the City's wastewater treatment facilities and sanitary sewer system that is provided to all City residents.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources reserved for future debt payments. Unexpended balances of proceeds and earnings on proceeds of borrowings for capital projects are transferred from the Capital Projects Fund and held until appropriated.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital assets for governmental activities. Financing is generally provided from proceeds of bonds, notes, federal and state grants, and transfers from other governmental funds.

Fiduciary Funds – Fiduciary funds are used to account for assets held by the City in an agency capacity on behalf of others. These include agency funds. The City's agency fund is primarily utilized to account for various deposits that are payable to other jurisdictions or individuals and cannot be used to address activities or obligations of the government, accordingly, these funds are not incorporated into the government-wide statements. The City utilizes one fiduciary fund:

Agency Fund – The agency fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the City holds for others in an agency capacity.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Accrual Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources focus means all assets and all liabilities associated with the operation (whether current or non-current) of the City are included in the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in total assets. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the City gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Modified Accrual Basis of Accounting

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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. Property taxes are considered to be available if collected within sixty days of the fiscal year end. A ninety-day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, retirement incentives and other pension obligations and other post-employment benefit obligations are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

Deposits and Risk Disclosure

The City's investment policies are governed by State statutes. In addition, the City has its own written investment policy. City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies, repurchase agreements, and obligations of New York State or its localities.

All deposits shall be fully secured by insurance of the FDIC or by obligations of New York State, or obligations of federal agencies, the principal and interest of which is guaranteed by the United States or obligations of New York State local governments.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities shall be valued to market at periodic intervals by the City Comptroller or his/her designee.

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Property Taxes

The City's property taxes are levied annually on January 1. The annual City tax levy consists of taxes levied for City purposes based on City budget requirements, County taxes levied within the City for County budget requirements, and relieved unpaid water rents, and sewer rents and recycling container charges. Taxes are due and payable in bi-annual installments on January 1 and July 1. Taxes become delinquent on February 1 and August 1. On November 1, unpaid City and County taxes are enforced through tax liens. Effective January 1, 1995, the City adopted a foreclosure process in accordance with Article 11 of the Real Property Tax Law, as amended by Chapter 602 of the Laws of 1993 and Chapter 532 of the Laws of 1994, whereby unpaid property taxes are allowed to be processed through In-Rem and formal foreclosure proceedings.

The City has established a \$1,586,648 allowance for doubtful accounts based on collection history and a review of accounts by management.

In addition to the City tax levy, the City is responsible for collecting the School Districts' taxes levied on property within the City that has been certified as being uncollected by School District authorities.

The School Districts are paid annually by the City for their portion of school taxes which are more than two years old. The General Fund annually reimburses the Water and Sewer Special Revenue Funds in full for uncollected rents. The City only reimburses the County for taxes collected. In the event the City sells any property it has acquired as a result of the nonpayment of taxes in accordance with the Charter of the City, the City will share with the County all losses and gains proportionate to the liens outstanding.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance – Continued

Due From/To Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2018, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Prepaid Expenses/Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in the government-wide and fund financial statements. Prepaid expenses/expenditures consist of employee retirement costs, which have been satisfied prior to the end of the fiscal year, but represent items which have been provided for in the subsequent years budget and will benefit such periods. Reported amounts in governmental funds are equally offset by a reservation of fund balance in the fund financial statements which indicates that these amounts do not constitute available spendable resources even though they are a component of current assets.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Capital assets are not depreciated (this is a GAAP departure).

Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In government-wide financial statements, unearned revenues consist of amounts received in advance and/or grants received before the eligibility requirements have been met. Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts have been deemed to be measurable but not available pursuant to accounting principles generally accepted in the United States of America.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expended as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as General, Water or Capital Projects funds expenditures.

Compensated Absences

The City recognizes a liability for compensatory absences and additional salary-related items as the benefits are earned by the employees based on the rendering of past service and the probability that the employees will be compensated for the benefits through paid time off or some other means. This includes compensatory absences that were earned but not used during the current or prior periods and for which employees can receive compensation in a future period.

In addition, the City recognizes a liability for vesting sick leave and additional salary-related items as employees earn benefits and to the extent it is probable that the City will compensate the employees for the benefits through cash payments.

Payment of sick leave and compensatory absences recorded in the statement of net position is dependent upon many factors; therefore, timing of future payments is not readily determinable.

However, management believes that sufficient resources will be made available for the payment of sick leave and compensatory absences when such payment becomes due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

Net Position and Fund Balance Classifications

Government Wide Statements

In the government-wide statements, there are three classes of net position:

- a) *Net Investment in capital assets* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted net position* - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations for other governments; or (2) law through constitutional provisions or enabling legislation.

Restricted net position and fund balance includes the following:

General Fund

Debt service	\$ 10,907,849	
Capital	3,663,950	
Insurance	552,261	
Snow and Ice	345,655	
Unemployment Insurance	241,833	
Workers Compensation	<u>110,369</u>	\$ 15,821,917

Debt Service Fund

Debt service	4,303,739
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Special Revenue Funds

Special Grant Fund	1,804,594
Water Fund	6,837,954
Sewer Fund	<u>902,288</u>
	<u>\$ 29,670,492</u>

- c) *Unrestricted net position* – reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the City.

The City's policy is to use restricted resources prior to utilizing unrestricted funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

Net Position and Fund Balance Classifications (Continued)

Governmental Fund Statements

In the fund basis statements, there are five classifications of fund balance:

- a) *Nonspendable fund balance* - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2018 by the City are nonspendable in form.
- b) *Restricted fund balance* - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The City has available the following restricted fund balances:

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget.

Insurance

Insurance reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance).

The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated.

There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000, or 5%, of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval.

Snow and Ice Removal

Snow and ice removal reserve (GML §6-f) is used to finance the costs of removal of snow and ice from public thoroughfares and for the repair and maintenance of roadways damaged by the removal of snow and ice.

Capital

Capital reserve (GML §6-c) is used to finance the cost of the purchasing equipment, vehicles, apparatus or other capital assets for the use of the City and the reconstruction, rehabilitation or renovation of City owned buildings and facilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

Net Position and Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

b) *Restricted fund balance* (Continued)

Debt Service

Reserve for debt was established for the purpose of paying MAC debt service becoming due in the current fiscal year and subsequent fiscal years as required pursuant to the agreement of the MAC made with the holders of the bonds or notes issued pursuant to section three thousand fifty-three of the Financial Control Act.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures of liabilities and will be honored through budget appropriations in the subsequent year.

c) *Committed fund balance* - Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, i.e., the City Council. The City has no committed fund balances as of December 31, 2018.

d) *Assigned fund balance* - Includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. As of December 31, 2018, the City's encumbrances were classified as follows:

General Governmental Support	\$ 54,607
Public Safety	243,991
Transportation	16,823
Culture and Recreation	25,821
Home and Community Services	15,445
	<u>\$ 356,687</u>

e) *Unassigned fund balance* - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance - Continued

Order of Fund Balance Spending Policy

The City policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

F. Budgetary Data

The City's procedures for establishing the budgetary data reflected in the accompanying financial statements are as follows:

- a. Not later than October 10, the City Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1.
- b. The operating budget includes proposed expenditures and the means of financing them.
- c. Public hearings are conducted to obtain taxpayer comments.
- d. No later than December 1, the budget is legally enacted through the passage of a legislative resolution.

Budgetary controls for certain special grants are established in accordance with the applicable grant agreements, which may cover a period other than the City's fiscal year.

The Mayor is authorized to approve all budget transfer requests not exceeding \$500 between the major fund codes within individual departments. Additionally, the Mayor may authorize all budget transfers within major fund codes. All other modifications to the budget must be approved by the City Council.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgeting control purposes to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are recorded as reservations of fund balances since the commitments do not constitute expenditures or liabilities. Open encumbrances, after review by the City Council, are added to the subsequent year's budget to provide the modified budget presented in the combining financial statements. Expenditures for such commitments are recorded in the period in which the liability is incurred.

Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreements, which cover periods different from the City's fiscal year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

In preparing financial statements in conformity with the accounting principles described above, management is required to make 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. Operating Revenues

The component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with their principal on-going operations. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

NOTE 2 – CHANGE IN ACCOUNTING BASIS

For the year ended December 31, 2018, the City implemented GASB Statement 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. GASB 34 creates a new set of basic financial statements and requires local governments to include city-wide financial statements that are prepared on an accrual basis of accounting using the economic resources measurement focus. The previous requirement for fund financial statements is modified to present information for individual major funds rather than by fund type.

The implementation of GASB 34 resulted in the need to restate prior year ending balances. Financial statements for the year ended December 31, 2017 were not issued in conformity with GAAP. GASB Statement 34 requires certain amounts to be restated. The reconciliation of restated amounts to the December 31, 2017 year-end balance is as follows:

Governmental fund balance at January 1, 2018	\$ 29,244,621
Adjustments to determine beginning net position for the statement of activities:	
Capital assets	237,851,437
Total other postemployment benefits	(199,401,819)
Deferred outflows - ERS	4,346,018
Deferred outflows - PFRS	14,370,674
Deferred inflows - ERS	(1,157,363)
Deferred inflows - PFRS	(3,024,957)
Net pension liability - ERS	(4,784,440)
Net pension liability - PFRS	(12,876,206)
Long-term debt	(7,011,880)
MAC debt payable	(24,454,507)
NYS Employee Retiree System loans payable	(8,421,692)
Compensated absences	(5,657,115)
Judgments and claims payable	(32,000)
Reverse deferred revenue	2,692,566
Total	<u>(7,561,284)</u>
Net position at January 1, 2018	<u>\$ 21,683,337</u>

NOTE 2 – CHANGE IN ACCOUNTING BASIS (Continued)

In the capital projects fund certain debt was recorded as revenue in 2017 in accordance with the other basis of accounting instead of being reported as a fund liability. Short-term debt and fund balance as of December 31, 2017 were restated to GAAP basis as follows:

	As Originally <u>Reported</u>	<u>Adjustment</u>	As <u>Restated</u>
Short term notes payable	\$ -	\$ 1,719,637	\$ 1,719,637
Fund balance	\$ 707,394	\$ (1,719,637)	\$ (1,012,243)

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to certain postemployment benefits. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, beginning net position and total other postemployment benefits on the Statement of Net Position were adjusted as part of the change in accounting basis as discussed in Note 2. Details of the OPEB calculation are described in Note 9.

NOTE 4 – CASH

The City's cash balance includes both unrestricted and restricted amounts. Restricted balances represent amounts required by statute to be reserved for various purposes. The use of restricted cash is limited by legal requirements. The cash balance as of December 31, 2018 is as follows:

<u>Unrestricted Cash</u>	
General Fund	\$ 12,075,965
Special Revenue Funds:	
Special Grant Fund	2,125,653
Water Fund	5,852,287
Sewer Fund	<u>1,716,470</u>
	9,694,410
Capital Projects Fund	<u>33,432,445</u>
Total Unrestricted Cash	<u>55,202,820</u>
<u>Restricted Cash</u>	
General Fund	12,157,967
Debt Service Fund	<u>4,303,739</u>
Total Restricted Cash	<u>16,461,706</u>
Total Cash	<u>\$ 71,664,526</u>

Restricted cash includes cash with fiscal agent of \$14,731,936 and represents amounts held for the payment of principal and interest on outstanding obligations held by the Municipal Assistance Corporation for the City of Troy (MAC) in the general and debt service funds. This amount is excluded from the City's cash balance subject to collateralization requirements.

NOTE 4 – CASH (Continued)

At December 31, 2018, the City's cash balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the City's name.

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash, including fiduciary funds	<u>\$ 58,940,076</u>	<u>\$ 58,363,122</u>
Collateralized with securities held by the financial institution's trust department or agent in the City's name	58,190,076	
Covered by FDIC insurance	<u>750,000</u>	
Total	<u>\$ 58,940,076</u>	

NOTE 5 - CAPITAL ASSETS

The following schedule identifies changes to the City's fixed assets for the year ended December 31, 2018:

	January 1, 2018 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	December 31, 2018 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,702,918	\$ 415,030	\$ -	\$ 2,117,948
Buildings and land improvements	51,712,778	50,289	-	51,763,067
Machinery and equipment	27,371,152	1,900,455	-	29,271,607
Infrastructure	157,064,589	14,782,273	-	171,846,862
Construction in progress	<u>-</u>	<u>1,123,492</u>	<u>-</u>	<u>1,123,492</u>
	<u>\$ 237,851,437</u>	<u>\$ 18,271,539</u>	<u>\$ -</u>	<u>\$ 256,122,976</u>

NOTE 6 – SHORT-TERM DEBT

Bond Anticipation Notes

Liabilities for Bond Anticipation Notes (BANs) are generally accounted for in the capital projects fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The City had the following BANs outstanding at December 31, 2018:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN - Golf Course Improvement	8/3/2018	0.93%	\$ 1,280,000	\$ -	\$ 1,280,000	\$ -
BAN - Pawling Ave Traffic Signals	8/3/2018	0.93%	75,000	-	75,000	-
BAN - Tropical Storm Irene	2/8/2019	2.75%	1,292,000	2,700,000	1,292,000	2,700,000
BAN - 2014 General Fund Capital Plan	2/8/2019	2.75%	798,000	765,000	798,000	765,000
BAN - OCA Project	2/8/2019	2.75%	2,515,000	2,475,000	2,515,000	2,475,000
BAN - Spring Avenue Bridge	2/8/2019	2.75%	600,000	450,000	600,000	450,000
BAN - Police Vehicles	2/8/2019	2.75%	375,000	245,000	375,000	245,000
BAN - Riverfront North Extension	2/8/2019	2.75%	1,125,000	1,065,000	1,125,000	1,065,000
BAN - Sea Wall	2/8/2019	2.75%	4,377,000	4,352,000	4,377,000	4,352,000
BAN - South Troy Roadway	2/8/2019	2.75%	1,100,000	1,350,000	1,100,000	1,350,000
BAN - Bike Trail	2/8/2019	2.75%	1,489,000	1,489,000	1,489,000	1,489,000
BAN - Abatement/Demolition of New Building	2/8/2019	2.75%	226,733	226,733	226,733	226,733
BAN - Powers Park Renovation	2/8/2019	2.75%	449,000	449,000	449,000	449,000
BAN - 2017 General Fund Capital Plan	2/8/2019	2.75%	-	225,000	-	225,000
BAN - 2018 Water Fund Capital Plan	2/8/2019	2.75%	-	3,500,000	-	3,500,000
BAN - Tropical Storm Irene	8/2/2019	3.00%	500,000	1,500,000	500,000	1,500,000
BAN - 2014 General Fund Capital Plan	8/2/2019	3.00%	873,000	718,000	873,000	718,000
BAN - Building Demolition	8/2/2019	3.00%	910,000	660,000	910,000	660,000
BAN - Various Vehicles	8/2/2019	3.00%	370,000	632,695	370,000	632,695
BAN - Sea Wall Reconstruction	8/2/2019	3.00%	-	10,000,000	-	10,000,000
BAN - Ingalls Avenue Boat Launch	8/2/2019	3.00%	-	700,000	-	700,000
BAN - Leonard Hospital Demolition	8/2/2019	3.00%	-	2,500,000	-	2,500,000
BAN - 2018 General Fund Capital Plan	8/2/2019	3.00%	-	330,000	-	330,000
Total			<u>\$ 18,354,733</u>	<u>\$ 36,332,428</u>	<u>\$ 18,354,733</u>	<u>\$ 36,332,428</u>

Short-term Notes Payable

In 2017, the City recorded \$1,719,637 as proceeds from the issuance of debt relating to two capital projects; the 33" Water Main Replacement Project (\$1,234,200) and the Combined Sewer Overflow Project (\$485,437). During 2018, \$1,000 was paid on the 33" Water Main Replacement Project. It is anticipated that upon completion of the projects, these notes will be converted to long-term notes payable. During 2019, \$1,233,200 of this debt was converted to long term debt.

NOTE 7 – LONG-TERM LIABILITIES

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Government activities					
Bonds and notes payable:					
General obligation debt:					
Serial bonds payable - Water Fund	\$ 100,000	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
NYS EFC payable - Water Fund	1,067,828	-	199,673	868,155	206,390
NYS EFC payable - Water Fund	2,260,000	-	95,000	2,165,000	100,000
NYS EFC payable - Sewer Fund	1,058,320	-	50,170	1,008,150	51,490
Serial bonds payable - General Fund	-	1,121,888	-	1,121,888	101,888
	<u>4,486,148</u>	<u>1,121,888</u>	<u>394,843</u>	<u>5,213,193</u>	<u>509,768</u>
Capital leases payable:					
Capital lease payable - General Fund	541,172	-	44,627	496,545	46,508
Capital lease payable - General Fund	1,274,857	-	68,458	1,206,399	77,032
Capital lease payable - Water Fund	709,701	-	49,341	660,360	55,256
	<u>2,525,730</u>	<u>-</u>	<u>162,426</u>	<u>2,363,304</u>	<u>178,796</u>
Total bonds and capital leases payable	<u>7,011,878</u>	<u>1,121,888</u>	<u>557,269</u>	<u>7,576,497</u>	<u>688,564</u>
Repayment agreements - MAC debt (a)	<u>24,454,507</u>	<u>-</u>	<u>5,161,578</u>	<u>19,292,929</u>	<u>6,864,003</u>
Total bonds and notes payable	<u>31,466,385</u>	<u>1,121,888</u>	<u>5,718,847</u>	<u>26,869,426</u>	<u>7,552,567</u>
Other liabilities:					
Judgments and claims payable	32,000	-	16,000	16,000	-
Retirement debt (c)	8,421,692	-	1,189,225	7,232,467	-
Compensated absences	5,657,115	-	295,081	5,362,034	-
Net pension liability	17,660,646	-	10,020,826	7,639,820	-
Other post employment benefits (b)	<u>199,401,819</u>	<u>-</u>	<u>12,154,761</u>	<u>187,247,058</u>	<u>-</u>
Total other liabilities	<u>231,173,272</u>	<u>-</u>	<u>23,675,893</u>	<u>207,497,379</u>	<u>-</u>
Total long-term liabilities	<u>\$262,639,657</u>	<u>\$ 1,121,888</u>	<u>\$ 29,394,740</u>	<u>\$234,366,805</u>	<u>\$ 7,552,567</u>

(a) Repayment agreements include Capital Appreciation Bonds and accreted interest of \$11,101,882.

(b) Postemployment health insurance liability at December 31, 2018, has been adjusted to actuarial determinations as prescribed under GASB No. 75. See Note 9.

(c) Represents debt for 2010 (2011), 2011 (2012), 2012 (2013), 2013 (2014) and 2014 (2015) amortization for participation in the 2010 Contribution Stabilization Program.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

The details of bonds, notes and capital leases payable are as follows:

Lease Purchase Agreement – Energy Performance Contracts

On June 2, 2011 the City Council passed a resolution authorizing the City under Article 8 of the New York Energy Law which authorizes municipalities and school districts to enter into contracts (Energy Performance Contracts) for the provisions of energy service, including but not limited to, electricity, heating, ventilation, cooling, steam or hot water, in which a person agrees to install, maintain or manage energy systems or equipment to improve efficiency of, or produce energy in connection with building or facility in exchange for a portion of the energy saving and revenues.

As per Section 9-103 of the Energy Law, the City has evaluated and executed two master agreements with Siemens Building Technologies to develop and implement a performance based energy savings and operation plan. Siemens will provide equipment, capital improvements, repairs, ongoing preventative maintenance and other service to improve the efficiency of various City buildings and to improve the efficiency of the Water Treatment Plan as described in the Energy Audit Report.

This master agreement (lease/purchase) for the City buildings indicates a principal payment of \$1,648,598 at an interest rate of 4.547% with annual payments to commence on October 1, 2012 and end on July 1, 2029. The master agreement (lease/purchase) for the Water Treatment Plant calls for a principal payment of \$946,746 at an interest rate of 4.288% with annual payments to, also, commence on October 1, 2012 and ending July 1, 2027. The master agreement also provides an assurance guarantee that if energy savings do not meet the annual lease payment then the City would not be liable for the annual payment for the year.

Lease Purchase Agreement – Purchase of Fire Equipment

On December 1, 2011, the City Council passed a resolution authorizing the execution and delivery of a lease purchase agreement to finance the cost of the purchase of a new fire ladder truck for the City of Troy in the amount not to exceed \$888,648.

The purchase contract obligated the lessee to expend a \$150,000 down payment to be paid from the 2012 City Budget and to pay \$738,648 at an interest rate of 4.23% with repayments to commence on March 1, 2013 and end March 1, 2027.

State Clean Water Program

The City has entered into loan agreements with the New York State Environmental Facilities Corporation (EFC) to finance the cost of improvements to the City's sewer system which were necessary to eliminate the discharge of untreated sewage into the Hudson River. The general obligation serial bonds shown under the Sewer Fund represent the unpaid balance of these bonds at December 31, 2018.

State Drinking Water Program

The City has also entered into loan agreements with EFC to help finance recent improvements to the City's water system. The general obligation serial bonds shown under Water Fund represent the unpaid balance of these bonds at December 31, 2018.

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Issue dates, maturities, and interest rates on bonds, notes and capital leases payable are as follows:

	<u>Year of Issue</u>	<u>Original Balance</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>December 31, 2018</u>
<u>General Fund</u>					
Capital Lease	2011	\$ 1,648,598	4.55%	07/2029	\$ 1,206,399
Capital Lease	2012	\$ 738,648	4.23%	03/2027	496,545
General Obligation	2010	\$ 1,121,888	3.00%	08/2028	1,121,888
					<u>2,824,832</u>
<u>Water Fund</u>					
General Obligation	1999	\$ 855,297	0.00%	12/2019	50,000
NYS EFC Obligation	2001	\$ 3,390,000	3.25%	12/2022	868,155
NYS EFC Obligation	2007	\$ 3,136,180	4.63%	09/2036	2,165,000
Capital Lease	2011	\$ 946,746	4.29%	07/2027	660,360
					<u>3,743,515</u>
<u>Sewer Fund</u>					
NYS EFC Obligation	2004	\$ 1,625,890		04/2034	1,008,150
Total general obligation bonds and leases payable					<u>\$ 7,576,497</u>

The annual debt service requirements to maturity, including principal and interest, for bonds, notes and capital leases payable as of December 31, 2018, are as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 688,564	\$ 288,734	\$ 977,298
2020	661,485	265,372	926,857
2021	697,874	240,940	938,814
2022	723,941	214,965	938,906
2023	519,700	188,011	707,711
2024-2028	2,680,284	620,544	3,300,828
2029-2033	1,103,639	228,005	1,331,644
2034-2036	<u>501,010</u>	<u>41,851</u>	<u>542,861</u>
	<u>\$ 7,576,497</u>	<u>\$ 2,088,422</u>	<u>\$ 9,664,919</u>

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Debt Service Payment and Funding Requirements – Repayment Agreements

The repayment agreements between the City and the MAC represent the 1996 capital appreciation bonds refinancing of the 1992 Lease Revenue Bonds in the original amount of \$55,589,262, the 1997 refinancing of the 1990 Installment Purchase Debt (Certificate of Participation) in the original amount of \$3,425,000, the 1999 issuance for the closing of the City's landfill in the original amount of \$5,364,156 (Series 1999A), and the 1999 issuance to provide funds to repay the City's bond anticipation notes to meet the debt service fund requirement and to pay certain costs of issuance in the original amount of \$5,205,000 (Series 1999B).

A summary of the City's debt under these repayment agreements with the Municipal Assistance Corporation for the City of Troy as of December 31, 2018 is as follows:

Series 1996B Capital Appreciation Bonds	\$ 3,641,276
Series 1196C Capital Appreciation Bonds	864,600
Series 1999A EFC Loans	330,000
Series 2010A Refunding Bonds	<u>3,350,000</u>
	8,185,876
Bond accretion - Series 1996B and 1996C	11,101,882
Bond premium - Series 2010A	<u>5,171</u>
	<u><u>\$ 19,292,929</u></u>

A summary of future annual debt service payments on the Repayment Agreements with the Municipal Assistance Corporation for the City of Troy bonds and loans based on the bonds' and loans' year ending is as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Principal**</u>	<u>Interest *</u>	<u>Total</u>
2019	6,165,000	146,939	6,311,939
2020	5,915,000	63,838	5,978,838
2021	5,930,000	41,562	5,971,562
2022	<u>4,635,000</u>	<u>17,550</u>	<u>4,652,550</u>
	<u><u>\$ 22,645,000</u></u>	<u><u>\$ 269,889</u></u>	<u><u>\$ 22,914,889</u></u>

*Net of anticipated interest subsidies on EFC loans.

**Includes Series 1996B and 1996C Capital Appreciation Bonds at their maturity values, with future bond accretion of \$2,764,917.

The changes in long-term liabilities of the Repayment Agreements were as follows:

	<u>Beginning Balance</u>	<u>Bond Accretion/ Amortization</u>	<u>Payments</u>	<u>Ending Balance</u>
Bonds and loans payable	\$ 24,440,932	\$ 916,826	\$ 6,070,000	\$ 19,287,758
Bond premium	13,575	(8,404)	-	5,171
	<u><u>\$ 24,454,507</u></u>	<u><u>\$ 908,422</u></u>	<u><u>\$ 6,070,000</u></u>	<u><u>\$ 19,292,929</u></u>

Total interest paid, net of bond accretion, on debt in 2018 was \$1,751,566.

NOTE 8 – PENSION PLANS

Plan Description

The City participates in the New York State and Local Employees' Retirement System (NYSERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL).

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required other information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, and prior to January 1, 2010, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership. All employees hired on or after April 1, 2012 are in Tier 6. Tier 6 requires all employees to contribute 3% of gross earnings during fiscal year 2012-13. On April 1, 2013, they will be required to contribute a specific percentage on gross income ranging from 3% to 6% for all years of public service after date of membership. Under authority of the NYSRSSL, the New York State Comptroller annually certifies the rates expressed used in computing the employers' contributions. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2018	\$ 2,132,614	\$ 5,747,953
2017	\$ 2,181,251	\$ 5,875,063
2016	\$ 2,366,579	\$ 6,007,795

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

- Requires minimum contributions by employers of 4.5 percent of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g., billings due February 2009 would be based on the pension value as of March 31, 2008).

NOTE 8 – PENSION PLANS (Continued)

Funding Policy - Continued

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

- For State Fiscal Year (SFY) 2004-05, the amount in excess of 7% of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5% of employees' covered pensionable salaries.

The City of Troy has also elected to participate in the Employer Contribution Stabilization Program per Part II of Chapter 57, Laws of 2010, which was signed into law on August 11, 2010. This program gives localities the option to amortize a portion of their annual pension cost. The amortized amount will be paid in equal installments over a ten-year period and may be prepaid at any time. The portion of the retirement bill that the City has elected to amortize for 2010 (2011) \$316,334 for the Police and Fire Retirement System with a current balance of \$117,141 at December 31, 2018. The City for 2011 (2012) elected to amortize \$639,484 for the ERS Retirement System and \$964,232 for Police and Fire Employees with a current balance of \$294,975 and \$444,771 at December 31, 2018, respectfully. The City for 2012 (2013) elected to amortize \$814,579 for the ERS System and \$1,687,033 for Police and Fire with a current balance of \$450,453 and \$932,909 at December 31, 2018 respectfully. The City for 2013 (2014), elected to amortize \$855,721 for the ERS Retirement System and \$2,143,704 for the Police and Fire Retirement System, with a current balance of \$570,085 and \$1,428,147 at December 31, 2018, respectfully. The City for 2014 (2015) also elected to amortize an additional \$721,055 for the ERS System and \$1,587,399 for the Police and Fire Retirement System, with a balance of \$544,319 and \$1,198,314 at December 31, 2018, respectfully. The City 2015 (2016) also elected to amortize an additional \$249,650 for the ERS System and \$615,639 for the Police and Fire Retirement System with a current balance of \$212,430 and \$523,854 at December 31, 2018, respectfully. The City 2016 (2017) also elected to amortize an additional \$721,386 for the Police and Fire Retirement System with a current balance of \$591,243 at December 31, 2018. The amortization for 2010 (2011), 2011 (2012), 2012 (2013), 2013 (2014), 2014 (2015), 2015 (2016), and 2016 (2017) are all included in the government-wide financial statements as long-term liabilities.

NOTE 8 – PENSION PLANS (Continued)

Funding Policy - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, 2018, the City reported a net pension liability of \$1,521,383 and \$6,118,437 for its proportionate share of the ERS and PFRS net pension liability, respectively. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as April 1, 2017. The City's proportion of the net pension liability was based on a projection of The City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2018, the City's proportionate share was .0471389% and .6053322% for ERS and PFRS, respectively, which was a decrease from the proportionate share at December 31, 2017 of .4620491% and .0159108% for ERS and PFRS, respectively. At December 31, 2018, the City recognized deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
ERS		
Differences between expected and actual experience	\$ 542,628	\$ 448,407
Changes of assumptions	1,008,803	-
Net difference between projected and actual earnings on pension plan investments	2,209,688	4,361,703
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	523,605
Contributions subsequent to the measurement date	<u>1,599,461</u>	<u>-</u>
Total	<u>\$ 5,360,580</u>	<u>\$ 5,333,715</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for ERS as follows:

Plan's Year Ended March 31:

2019	\$ 132,434
2020	81,300
2021	(1,217,203)
2022	(569,127)
2023	-
Thereafter	-
	<u>\$ (1,572,596)</u>

NOTE 8 – PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Funding Policy – Continued

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
PFRS		
Differences between expected and actual experience	\$ 2,518,288	\$ 1,625,809
Changes of assumptions	4,635,824	-
Net difference between projected and actual earnings on pension plan investments	4,952,157	9,973,376
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,475	1,013,458
Contributions subsequent to the measurement date	<u>4,310,965</u>	<u>-</u>
Total	<u>\$ 16,423,709</u>	<u>\$ 12,612,643</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for PFRS as follows:

Plan's Year Ended March 31:

2019	\$ 1,016,255
2020	876,403
2021	(1,526,908)
2022	(1,027,117)
2023	161,468
Thereafter	-
	<u>\$ (499,899)</u>

For the year ended December 31, 2018, the City recognized pension expense of \$1,472,696 and \$5,938,200 for ERS and PFRS, respectively.

NOTE 8 – PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2018 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.

The actuarial valuation used the following actuarial assumptions for both the ERS and PFRS:

Actuarial cost method:	Entry age normal
Inflation:	2.50%
Salary scale:	3.8% ERS, 4.5% PFRS, indexed by service
Projected COLAs:	1.3% annually
Decrement:	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement:	Society of Actuaries Scale MP-2014
Investment Rate of Return:	7.0% compounded annually, net of investment expenses

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic of real rates of return for each major asset class are summarized as of March 31, 2018 in the following table:

Asset Type	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	36.0%	4.55%
International Equity	14.0%	6.35%
Private Equity	10.0%	7.50%
Real Estate	10.0%	5.55%
Absolute Return Strategies	2.0%	3.75%
Opportunistic Portfolio	3.0%	5.68%
Real Assets	3.0%	5.29%
Bonds & Mortgages	17.0%	1.31%
Cash	1.0%	-0.25%
Inflation-indexed bonds	4.0%	1.25%
	<u>100%</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's 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 liability.

NOTE 8 – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents The City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what The City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount 7.0%	1% Increase 8.0%
ERS			
Proportionate Share of Net Pension Liability (Asset)	<u>\$ 11,511,194</u>	<u>\$ 1,521,383</u>	<u>\$ (6,929,598)</u>
	1% Decrease 6.0%	Current Discount 7.0%	1% Increase 8.0%
PFRS			
Proportionate Share of Net Pension Liability (Asset)	<u>\$ 29,969,761</u>	<u>\$ 6,118,437</u>	<u>\$ (13,887,228)</u>

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employer as of March 31, 2018, were as follows:

	Pension Plan's Fiduciary Net Position	City's Proportionate Share of Plan's Fiduciary Net Position	City's Allocation Percentage As Determined By the Plan
ERS			
Total pension liability	\$ 183,400,590,000	\$ 86,453,021	0.0471389%
Net position	<u>(180,173,145,000)</u>	<u>(84,931,638)</u>	0.0471389%
Net pension liability (asset)	<u>\$ 3,227,445,000</u>	<u>\$ 1,521,383</u>	0.0471389%
ERS net position as a percentage of total pension liability	98.24%	98.24%	
PFRS			
Total pension liability	\$ 32,914,423,000	\$ 199,241,601	0.6053322%
Net position	<u>(31,903,666,000)</u>	<u>(193,123,164)</u>	0.6053322%
Net pension liability (asset)	<u>\$ 1,010,757,000</u>	<u>\$ 6,118,437</u>	0.6053322%
ERS net position as a percentage of total pension liability	96.93%	96.93%	

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City's single employer defined benefit OPEB plan (the Plan) provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of City subject to applicable collective bargaining and employment agreements. Employees covered include the employees of the CSEA, UFA, PBA, Command and non-represented employees. The Plan is open to new entrants. The Plan is subject to good faith collective bargaining between the City and these covered employees. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The City provides healthcare benefits for eligible retirees and their spouses. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at City Hall and are available upon request.

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	582
Inactive employees or beneficiaries	
entitled to but not yet receiving benefits	-
Active employees	462
Total participants	<u>1,044</u>

Total OPEB Liability

The City's total OPEB liability of \$187,247,058 was measured as of December 31, 2018 and was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age
Inflation	1.30%
Discount Rate	4.11%
Salary Scale	The salary scale for Police and Fire employees is based on the NYSPFRS valuation as of June 30, 2017. Payroll growth for all other employees is based on the NYERS valuation as of June 30, 2017. Sample annual increases are as shown below:

<u>Years of Service</u>	<u>NYSERS</u>	<u>NYSPFRS</u>
0	8.00%	27.00%
5	4.50%	7.50%
10	3.80%	4.10%
15	3.30%	3.60%
20+	3.00%	3.30%

Healthcare Cost Trend Rates	8.00% for the current year decreasing to an ultimate rate of 4.50% by 2027.
Share of Benefit-Related Costs	Varies based on applicable bargaining unit.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs (Continued)

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Mortality rates are based on the RPH-2018 Total Dataset Mortality Table fully generational using scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement.)

Changes in the Total OPEB Liability

Balance at December 31, 2017	\$ 199,401,819
Changes for the Year	
Service cost	6,280,099
Interest	6,962,924
Changes of benefit terms	-
Changes in assumptions or other inputs	(18,799,296)
Differences between expected and actual experience	-
Benefit payments	(6,598,488)
Net changes	(12,154,761)
Balance at December 31, 2018	\$ 187,247,058

Changes in assumptions and other inputs reflect a change in the discount rate from 3.44% as of January 1, 2018 to 4.11% at December 31, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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 that is 1 percentage point lower (3.11%) and 1 percentage point higher (5.11%) than the current discount rate:

	1% Decrease (3.11%)	Current Discount (4.11%)	1% Increase (5.11%)
Total OPEB Liability	<u>\$216,421,922</u>	<u>\$187,247,058</u>	<u>\$163,849,938</u>

Sensitivity of the Total OPEB Liability to Changes in the 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 healthcare cost trend rate that is 1 percentage point lower (7.0%) and 1 percentage point higher (9.0%) than the current healthcare cost trend rate:

	Healthcare		
	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
Total OPEB Liability	<u>\$161,349,364</u>	<u>\$187,247,058</u>	<u>\$220,279,182</u>

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**OPEB Expense and 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 \$10,109,807. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 15,666,080
Difference between expected and actual experience	<u>-</u>	<u>-</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ 15,666,080</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending December 31:</u>	<u>Amount</u>
2019	\$ (3,133,216)
2020	(3,133,216)
2021	(3,133,216)
2022	(3,133,216)
2023	(3,133,216)
Thereafter	<u>-</u>
	<u><u>\$ (15,666,080)</u></u>

NOTE 10 – INTERFUND TRANSACTIONS

Interfund transactions for the period ended December 31, 2018 are as follows:

	<u>Interfund Activity</u>			
	<u>Due From</u>	<u>Due To</u>	<u>Revenue</u>	<u>Expenditures</u>
Governmental Funds:				
General	\$ 1,258,931	\$ 335,618	\$ 424,303	\$ 2,030,924
Special Grant	8,857	458,331	164,494	-
Water	121,422	1,499,954	-	1,495,000
Sewer	347,720	2,154,881	-	2,142,863
Debt Service	-	-	397,725	181,452
Capital Projects	4,107,846	283,158	5,274,319	410,602
Fiduciary:				
Trust and Agency	<u>-</u>	<u>1,112,834</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 5,844,776</u></u>	<u><u>\$ 5,844,776</u></u>	<u><u>\$ 6,260,841</u></u>	<u><u>\$ 6,260,841</u></u>

NOTE 11 - CITY AND STATE ACTIONS

During 1994, State legislation (1994 Act) was adopted which allowed the City to sell notes or bonds for the purpose of liquidating cumulative and projected deficits in the City's General Fund under certain conditions contained in the 1994 Act. The 1994 Act also created a Supervisory Board to review and make recommendations on certain financial practices of the City. The five-member Board is headed by the State Comptroller.

The State Legislature amended the 1994 Act (the 1994 Act, as amended during 1995, is referred to as the "Original Financial Control Act") to provide the Supervisory Board with control over the City's financial situation.

During July 1996, the State Legislature adopted Chapters 444 and 445 of the Laws of 1996, which further amended the Original Financial Control Act. The principal purposes of Chapters 444 and 445 were to allow the City to restructure its annual debt services requirements, to reinforce existing controls over the City's authority to contract indebtedness or enter into other long-term financing arrangements, and to strengthen the credit of the MAC. The Original Financial Control Act, as amended by Chapters 444 and 445 of the Laws of 1996, is hereinafter referred to as the "Financial Control Act."

During 1995, the State Legislature created the MAC.

1. The MAC is a corporate governmental agency and instrumentality of the state constituting a public benefit corporation. The MAC Board is made up of five members, three appointed by the Governor, one by the Senate Majority Leader, and one by the Speaker of the State Assembly.
2. The MAC was established for the purpose of providing financing assistance and fiscal monitoring for the City. The Financial Control Act authorized the MAC to provide financing assistance to the City if the Mayor certified to the MAC that funds are required by the City to enable it (1) to pay for any item which is permitted by law to be included in the City's capital budget for the fiscal year for which such certification is made, including payments to reimburse the General Fund for monies advanced and expended for any such item, (2) to pay operating expenses, (3) to liquidate all or a portion of the City's deficits for the years 1993 through 1995, both inclusive, or to pay, at maturity, or on the redemption date, the principal of and interest on obligations of the City issued for such purposes, (4) to acquire, or cause to be acquired, all or a portion of the real or personal property leased by the City pursuant to one or more lease agreements between the City and the LDC, including the financing of the payment of any judgments or comprised or settled claims against the City relating to such real or personal property, (5) to pay at maturity, or on the redemption date, the principal and interest of obligations of the City previously issued to finance any item in the current or any prior fiscal year, and (6) to pay for the costs of the closure of the City's landfill. The Financial Control Act authorized the MAC to issue bonds and notes in an aggregate principal amount of up to \$71 million for the purposes set forth in items (1), (3), (4), (5), and (6) just mentioned.

NOTE 11 - CITY AND STATE ACTIONS (Continued)

3. The refinancing obligations will be general obligations of the MAC payable from the sources described below. Amounts will be subject to a lien including the following:
 - a. Amounts to be derived from the sales tax, after those amounts have been appropriated by the state from the Municipal Assistance Tax Fund where they are first deposited, and transferred to the MAC or a trustee;
 - b. Amounts to be derived from state aid, after those amounts have been appropriated by the state from the Municipal Assistance State Aid Fund (State Aid Fund) where they are first deposited, and transferred to the MAC or a trustee;
 - c. Amounts to be derived from payments made by the State for the purpose of providing a minimum debt coverage ratio of 1.5 to 1, after those amounts have been appropriated by the State from the State Aid Fund where they are first deposited, and transferred to the MAC or a trustee; and,
 - d. Any monies or securities held in the funds established under a general resolution (other than (i) the operating fund and (ii) the rebate fund).

The amounts described in a., b., and c. above are required to be paid to the MAC from two special funds established under the State Finance Law and held in the custody of the Comptroller, the Municipal Assistance Tax Fund, and the State Aid Fund. The Financial Control Act requires the Comptroller to make payments from those special funds to the MAC, in accordance with a schedule to be delivered by the MAC annually, as required under the Act and the General Resolution. That schedule, which may be revised from time to time, sets forth the MAC's cash requirements, including debt service payments and amounts required to meet the 1.5:1 debt-service-coverage requirement.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Sales and Use Tax

On April 15, 2015 The City and County entered into a renewed agreement whereby it:

- a. Extended the term of the agreement from March 1, 2015 through February 28, 2021;
- b. Receive 18.07% of the 3% (Original Tax) local share county wide sales tax distribution for the year 2015-2016 (March 1, 2015 – February 28, 2016) and for the sales tax year 2016-2017(March 1, 2016 – February 28, 2017);
- c. Receive 24.37% of the 1%, Additional tax that went into effect September 1, 1994, for the sales tax year 2015-2016 (March 1, 2015 – February 28, 2016) and for the sales tax year 2016-2017(March 1, 2016-February 28, 2017);
- d. For the remaining years and as long as the County has the right and authority to impose the additional tax, the City shall receive:
 - a. 19.65% of the first \$80,000,000, plus 14.35% of sales tax receipts in excess of \$80,000,000.00 for the sales tax years 2017-20189 (March 1, 2017– February 28, 2018),
 - b. 19.65% of the first 80,000,000, plus 11.70% of sales tax receipts in excess of \$80,000,000.00 for the sales tax years 2018-2019 (March 1, 2018 – February 28, 2019),
 - c. 19.65% of the first \$80,000,000, plus 11.10% of sales tax receipts in excess of \$80,000,000.00 for the sales tax years 2019-2020 (March1, 2019- February 28, 2020),
 - d. 19.65% of the first \$80,000,000, plus 9% of sales tax receipts in excess of \$80,000,000.00 for the sales tax years 2020-2021 (March 1, 2020 – February 28, 2021).

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Sales and Use Tax (Continued)

- e. If during said agreement should the County lose its right and authority to impose the additional tax, the City will receive 18.07% of sales tax receipt.

Due to Other Governments

Due to other governments includes:

General Fund

- a. The City acts as a tax collection agent for delinquent school taxes for the two School Districts, as well as tax and sewer rents for the County. A liability of \$1,635,964 and \$3,983,678 respectively, represents the amount owed to these entities at December 31, 2018.
- b. The amount of uncollected 1985-2017 County taxes totaling \$2,558,268, and the amount of uncollected sewer rent at December 31, 2018, totaling \$1,425,410, will be paid only after they have been collected.

Self-Insurance

The City has established self-insurance programs for workers' compensation, unemployment, health benefits, and personal injury. The purpose of establishing various self-insurance programs was to minimize the total insurance costs to the City. Management budgets the expenditures in the related funds to the extent they can be projected.

The City uses an outside administrator to process and pay claims made under the health insurance and workers' compensation programs. The health administrator receives \$35.23 per contract per month of claims and a \$43.11 for individual and \$106.49 for family pooling (stop loss) charge per contract per month for health and \$3.45 per contract per month for dental. The City also pays a fee of \$2,775 per month for medical consulting services and \$4,084 per month for workers' compensation consulting services. The health insurance program covers all eligible City employees and their covered dependents up to \$150,000 per year per covered individual.

Lawsuits

The City is party to various legal proceedings which normally occur in governmental operations. The outcome of these proceedings is not expected to have a material effect on the financial condition of the City and management considers its reserves for judgements and claims to be adequate.

Grant Programs

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 City believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the City's financial position or results of operations.

Housing Trust Fund Corporation

The City has several program agreements with the State of New York Housing Trust Fund Corporation (HTFC). Under these program agreements, HTFC funds are awarded to the City on a conditional basis. The City and its subrecipients must satisfy certain conditions prior to HTFC granting a forgiveness of these conditional awards. Until HTFC grants this forgiveness, a contingent liability exists. The City believes that the conditions set forth in the program agreement will be satisfied, resulting in no significant adverse effects on the City's financial position or results of operations.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Federal Loan Guarantee Program

The City has obtained funds from the United States Department of Housing and Urban Development (HUD) under a federally-sponsored loan guarantee program. The City has loaned these funds for the purpose of community development activities and expects to receive repayment in the future. The City is responsible for repayment to HUD and has pledged future community development block grants to secure repayment.

City Hall Lease Agreement

At a meeting of the City Council on June 7, 2012, the City Council authorized the Mayor to negotiate and enter into an agreement with First Columbia, 433 River Street LLC d/b/a Hedley Park Place for the lease of a portion of the Hedley Building for use as City Hall. The terms of said lease is for ten years commencing October 2012 throughout the full term of the lease, but subject to adjustments as provided (i) an annual base rent of \$362,892 (being \$9.96 x \$36,435 rentable square feet) payable \$30,241 per month plus (ii) the additional rent. The base rent and the additional rent is to be paid in equal monthly installments in advance of the first day of each month during the term of the lease. The additional rent, when due, the City's "pro rata share" of the landlord's actual increases in landlord's "operating expenses" during any "comparison year" exceeding such operating expenses for the "base year". The parties have agreed that the "pro rata share" percentage to be used is 14.29% (the 36,435 rented space divided by the total building square footage of 254,992). The term "base year" shall mean the calendar year 2012. The City may upon written notice to the landlord not less than two (2) years prior to expiration of the initial term, shall have the option to renew the lease for one (1) successive term of five years upon the same terms and conditions set forth for the initial term, except the base rent for the renewal term shall be equal to ninety-five (95%) percent of the then prevailing market rental rate.

Employee Unions

The City workforce is predominately represented by the following unions:

Troy Police Benevolent Association (PBA)
Command Officers Association Troy (COATS)
Civil Service Employees Association (CSEA)
Uniformed Firefighters Association (UFA)
Uniformed Fire Chiefs Association (UFCA)
United Public Service Employees Union (UPSEU)

The status of these collective bargaining agreements is as follows:

<u>Union</u>	<u>Contract Expired</u>	<u>Settled</u>
PBA	12/31/2017	08/01/2019
CSEA	12/31/2011	07/11/2019
UFA	12/31/2016	-
UFCA	12/31/2010	11/14/2018
UPSEU	12/31/2014	04/04/2019
COATS	12/31/2017	04/04/2019

NOTE 13 – COMBINED SEWER OVERFLOW PROJECT

The City of Troy, along with five other Capital Region municipalities, is a party to an agreement known as the Albany Pool – Long-Term Control Plan (LTCP). The LTCP project, which was developed under a consent order with the New York State Department of Environmental Conservation, is intended to address combined sewer overflow discharges into the Hudson River and improve overall water quality. Construction projects associated with the LTCP began in 2015 and are expected to be completed by 2027. The Albany CSO Pool Communities Corporation (Pool Communities Corporation) is responsible for managing the development and implementation of LTCP projects, oversight of program consultants and administrators, and the reconciliation of program finances. Each municipality is responsible for a share of the Pool Communities Corporation operating expenses. The total cost of the project is expected to exceed \$100 million. The total allocation by participating municipality is as follows:

<u>Municipality</u>	<u>Allocation %</u>
Albany	58.68%
Troy	34.76%
Cohoes	2.74%
Rensselaer	2.13%
Watervliet	1.16%
Green Island	0.53%

The City's approximate \$35 million share of the total CSO project is a combination of projects embarked on by the City for which the other municipalities will reimburse the City, plus projects embarked on by the other municipalities for which the City will reimburse them. The Pool Communities Corporation manages the accounting for the participating municipalities. The City of Troy records its portion of receivables and payables when such information is obtained from the Pool Communities Corporation.

NOTE 14 – PROPERTY TAX ABATEMENT

Payments in Lieu of Taxes Agreements

The City has 32 real property tax abatement agreements entered into by the City of Troy Industrial Development Agency (IDA) and Rensselaer County IDA under Article 18-A of the real property tax law. These agreements provide for abatement of real estate property taxes in exchange for a payment in lieu of taxes (PILOT) in compliance with the IDA's Uniform Tax Exemption Policy. In accordance with the policy, the IDA grants PILOTs in accordance with various activities such as new construction, purchasing of an existing facility, or the improvement or expansion of an existing facility. The IDA also has policies for recapture of PILOTs should the applicant not meet certain criteria. All policies are available from the IDA.

The following information relates to the PILOT agreements entered into under the agreements for the year ended December 31, 2018:

<u>Agreement</u>	<u>Assessed Value</u>	<u>Tax Rate</u>	<u>Tax Value</u>	<u>485B Exemption</u>	<u>PILOT Received</u>	<u>City Tax Abated</u>
Rensselaer County IDA	\$ 46,735,000	13.96029	\$ 652,434	\$ -	\$ 244,465	\$ 407,969
City of Troy IDA	\$ 97,704,000	13.96029	\$ 1,363,976	\$ -	\$ 562,336	\$ 801,640

Property Tax Agreement with Housing Development and Redevelopment Companies

The City has seven real property tax abatement agreements with housing development and redevelopment companies organized pursuant to Article V or Article XI of the Private Housing Finance law of the State of New York (PHFL) for the purpose of creating or preserving affordable housing in the City.

NOTE 14 – PROPERTY TAX ABATEMENT (Continued)

Property Tax Agreement with Housing Development and Redevelopment Companies (Continued)

Generally, these agreements provide for a 100 percent abatement of real property taxes in exchange for a payment in payment in lieu of taxes (PILOT) based on a percentage of shelter rents, and continue until the property no longer provides the required affordable housing or no longer complies with the requirements of the PHFL.

The following information relates to the PILOT agreements entered into under the agreements for the year ended December 31, 2018:

Agreement	Assessed Value	Tax Rate	Tax Value	485B Exemption	PILOT Received	City Tax Abated
City of Troy	\$ 27,275,600	13.96029	\$ 380,775	\$ -	\$ 92,490	\$ 288,285

NOTE 15 – SUBSEQUENT EVENTS

During January 2019, the City approved an inter-municipal agreement with the municipalities participating in the CSO project to pay \$2,106,332 as its share of certain storm sewer improvements.

On February 21, 2019 the Troy City Council passed an ordinance authorizing and ratifying an employment contract for the Fire Chief of the City of Troy Fire Department.

On March 7, 2019 the Troy City Council passed a local law amending the Charter of the City of Troy §C-48 authorizing the payment of eligible delinquent taxes in installments.

On April 4, 2019 the City Council passed an ordinance amending the City of Troy, New York Travel Policy.

On April 4, 2019 the City Council passed an ordinance authorizing and ratifying the employment memorandum of agreement by and between the City of Troy, New York and the City of Troy Command Officers Association (COATS) and UPSEU.

On July 11, 2019 the City Council passed an ordinance adopting the City of Troy Grant Accounting Policies and Procedures.

On July 11, 2019 the City Council passed an ordinance amending the City of Troy Cash Receipts Policy.

On July 11, 2019 the City Council passed an ordinance adoption the City of Troy Credit Card Policy – Police Department.

On July 11, 2019 the City Council passed an ordinance authorizing the settlement in Meyers vs. City of Troy, New York.

On July 11, 2019 the City Council passed a resolution authorizing and ratifying the memorandum of agreement by and between the City of Troy and the Civil Service Employees Association.

On August 1, 2019 the City Council passed a resolution authorizing and ratifying the memorandum of agreement by and between the City of Troy and the Troy Police Benevolent Association.

On August 22, 2019, the City Council approved entering into a \$14.4 million energy performance contract and related lease/purchase agreement.

The Troy Local Development Corp. applied to the Troy IDA and Troy CRC for funding to assist in an environmental remediation project. The IDA and CRC approved funding of \$300,000 and \$100,000, respectively.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF TROY, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Real property taxes and tax items	\$ 26,089,068	\$ 26,089,068	\$ 26,874,561	\$ -	\$ 785,493
Nonproperty tax items	16,825,000	17,075,000	17,864,946	-	789,946
Departmental income	8,225,500	7,359,020	7,283,485	-	(75,535)
Intergovernmental charges	250,000	250,000	249,915	-	(85)
Use of money and property	59,000	59,000	150,808	-	91,808
Licenses and permits	1,062,000	762,000	1,031,283	-	269,283
Fines and forfeitures	1,355,000	1,760,000	1,755,785	-	(4,215)
Interfund revenues	1,700,971	1,760,782	1,499,778	-	(261,004)
Sale of property and compensation for loss	31,500	50,478	135,819	-	85,341
Miscellaneous local sources	1,305,000	1,389,500	1,608,195	-	218,695
State aid	13,972,000	15,103,134	14,749,018	-	(354,116)
Federal aid	552,006	685,223	905,291	-	220,068
Total revenue	<u>71,427,045</u>	<u>72,343,205</u>	<u>74,108,884</u>	<u>-</u>	<u>1,765,679</u>
EXPENDITURES:					
General governmental support	10,032,747	8,968,988	8,729,491	54,607	184,890
Public safety	37,182,277	37,894,884	37,024,110	243,991	626,783
Public health	187,621	191,644	186,731	-	4,913
Transportation	3,570,034	4,313,008	4,141,562	16,823	154,623
Culture and recreation	2,175,067	2,291,666	2,135,749	25,821	130,096
Home and community services	4,293,250	4,529,648	4,279,099	15,445	235,104
Employee benefits	7,327,277	7,206,638	7,005,062	-	201,576
Debt service - principal	4,255,098	4,255,098	4,254,899	-	199
Debt service - interest	3,415,674	3,415,674	3,415,639	-	35
Total expenditures	<u>72,439,045</u>	<u>73,067,248</u>	<u>71,172,342</u>	<u>356,687</u>	<u>1,538,219</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(1,012,000)</u>	<u>(724,043)</u>	<u>2,936,542</u>	<u>(356,687)</u>	<u>3,303,898</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	2,222,000	2,222,000	424,303	-	(1,797,697)
Operating transfers out	<u>(1,210,000)</u>	<u>(1,674,852)</u>	<u>(2,030,924)</u>	<u>-</u>	<u>(356,072)</u>
Total other financing sources (uses)	<u>1,012,000</u>	<u>547,148</u>	<u>(1,606,621)</u>	<u>-</u>	<u>(2,153,769)</u>
NET CHANGE IN FUND BALANCE	-	(176,895)	1,329,921	(356,687)	1,150,129
FUND BALANCE - beginning of year	<u>17,133,767</u>	<u>17,133,767</u>	<u>17,133,767</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 17,133,767</u>	<u>\$ 16,956,872</u>	<u>\$ 18,463,688</u>	<u>\$ (356,687)</u>	<u>\$ 1,150,129</u>

CITY OF TROY, NEW YORK
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - WATER FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Departmental income	\$ 4,890,000	\$ 4,890,000	\$ 4,214,650	\$ -	\$ (675,350)
Intergovernmental charges	7,622,000	7,622,000	7,113,791	-	(508,209)
Use of money and property	210,000	210,000	291,709	-	81,709
Licenses and permits	12,000	12,000	12,270	-	270
Interfund revenue	327,000	327,000	327,000	-	-
Sale of property and compensation for loss	51,000	51,000	133,341	-	82,341
Miscellaneous local sources	91,000	91,000	129,230	-	38,230
Total revenue	13,203,000	13,203,000	12,221,991	-	(981,009)
EXPENDITURES:					
General governmental support	464,372	584,372	410,343	-	174,029
Home and community services	9,952,883	9,980,740	9,431,895	-	548,845
Debt service - principal	394,015	394,015	395,014	-	(999)
Debt service - interest	169,730	169,730	176,535	-	(6,805)
Total expenditures	10,981,000	11,128,857	10,413,787	-	715,070
EXCESS OF REVENUES OVER EXPENDITURES	2,222,000	2,074,143	1,808,204	-	(265,939)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(3,717,000)	(3,717,000)	(1,495,000)	-	2,222,000
Total other financing sources (uses)	(3,717,000)	(3,717,000)	(1,495,000)	-	2,222,000
NET CHANGE IN FUND BALANCE	(1,495,000)	(1,642,857)	313,204	-	1,956,061
FUND BALANCE - beginning of year	6,548,945	6,548,945	6,548,945	-	-
FUND BALANCE - end of year	\$ 5,053,945	\$ 4,906,088	\$ 6,862,149	\$ -	\$ 1,956,061

CITY OF TROY, NEW YORK
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SEWER FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Departmental income	\$ 4,790,000	\$ 4,790,000	\$ 4,376,206	\$ -	\$ (413,794)
Intergovernmental charges	146,852	146,852	173,793	-	26,941
Use of money and property	500	500	1,613	-	1,113
Miscellaneous sources	26,600	26,600	32,423	-	5,823
		-			
Total revenue	4,963,952	4,963,952	4,584,035	-	(379,917)
EXPENDITURES:					
Home and community services	2,746,326	2,763,521	2,335,716	-	427,805
Debt service - principal	50,170	50,170	50,170	-	-
Debt service - interest	24,593	24,593	24,591	-	2
Total expenditures	2,821,089	2,838,284	2,410,477	-	427,807
EXCESS OF REVENUES OVER EXPENDITURES	2,142,863	2,125,668	2,173,558	-	47,890
OTHER FINANCING SOURCES:					
Operating transfers out	(2,142,863)	(2,142,863)	(2,142,863)	-	-
Total other financing sources (uses)	(2,142,863)	(2,142,863)	(2,142,863)	-	-
NET CHANGE IN FUND BALANCE	-	(17,195)	30,695	-	47,890
FUND BALANCE - beginning of year	871,593	871,593	871,593	-	-
FUND BALANCE - end of year	\$ 871,593	\$ 854,398	\$ 902,288	\$ -	\$ 47,890

CITY OF TROY, NEW YORK

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	\$ 6,280,099									
Interest	6,962,924									
Changes in benefit terms	-									
Differences between expected and actual experience										
Changes of assumptions or other inputs	(18,799,296)									
Benefit payments	(6,598,488)									
Total change in total OPEB liability	(12,154,761)									
Total OPEB liability - beginning	199,401,819									
Total OPEB liability - ending	\$ 187,247,058									
 Covered employee payroll	 \$ 25,987,780									
 Total OPEB liability as a percentage of covered employee payroll	 720.52%									

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Note to schedule:

Changes of assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	4.11%
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Plan Assets: No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable
- Plan assets must be dedicated to providing OPEB to plan members in accordance with the benefit terms
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

CITY OF TROY, NEW YORK

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.0471389%	0.5091880%	0.0544292%	0.0556690%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.					
Proportionate share of the net pension liability (asset)	\$ 1,521	\$ 4,784	\$ 8,736	\$ 1,881						
Covered-employee payroll	\$ 12,086	\$ 12,146	\$ 12,551	\$ 12,756						
Proportionate share of the net pension liability (asset)										
as a percentage of its covered-employee payroll	12.59%	39.39%	69.60%	14.75%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.70%	97.95%						
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN - PFRS	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of the net pension liability (asset)	0.6053322%	0.6212430%	0.6476601%	0.6390066%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.					
Proportionate share of the net pension liability (asset)	\$ 6,118	\$ 12,876	\$ 19,175	\$ 1,759						
Covered-employee payroll	\$ 18,699	\$ 18,380	\$ 18,532	\$ 17,628						
Proportionate share of the net pension liability (asset)										
as a percentage of its covered-employee payroll	32.72%	70.06%	103.47%	9.98%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.93%	93.50%	90.20%	99.00%						

CITY OF TROY, NEW YORK

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 2,133	\$ 2,181	\$ 2,367	\$ 2,288						
Contributions in relation to the contractually required contribution	<u>2,133</u>	<u>2,181</u>	<u>2,367</u>	<u>2,288</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Covered-employee payroll	\$ 12,086	\$ 12,146	\$ 12,551	\$ 12,756						
Contributions as a percentage of covered-employee payroll	17.65%	17.96%	18.86%	17.94%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN - PFRS

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 5,748	\$ 5,875	\$ 6,008	\$ 4,864						
Contributions in relation to the contractually required contribution	<u>5,748</u>	<u>5,875</u>	<u>6,008</u>	<u>4,864</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Covered-employee payroll	\$ 18,699	\$ 18,380	\$ 18,532	\$ 17,628						
Contributions as a percentage of covered-employee payroll	30.74%	31.96%	32.42%	27.59%						

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.