

CITY OF TROY, NEW YORK

**Financial Statements – Statutory Basis
as of and for the year ended December 31, 2015
Together with
Independent Auditor’s Reports**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

November 3, 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of City of Troy, New York (City), which comprise the balance sheet – all fund types and account groups – statutory basis, as of December 31, 2015, and the statements of revenues, expenditures and changes in fund balance – governmental fund types – statutory basis and the related notes to the financial statements, which collectively comprise the City's 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 the statutory basis of accounting as prescribed by the New York State Office of the State Comptroller as described in Note A; this includes determining that the statutory basis of accounting is an acceptable basis under the circumstances. Management is also responsible for 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Basis for Adverse Opinion on Financial Statement in Accordance with U.S. Generally Accepted Accounting Principles

As described in Note A, the financial statements are prepared by the City on the basis of the financial reporting provisions of the NYS Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the NYS Office of the State Comptroller.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Financial Statements in Accordance with U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2015, or changes in financial position for the year then ended.

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, deferred outflow, liabilities, deferred inflows and fund balances – all fund types and account groups of the City of Troy, New York as of December 31, 2015, and its revenues, expenditures and changes in fund balance governmental funds – statutory basis - for the year then ended, in accordance with the financial reporting provisions of the New York State Office of the State Comptroller as described in Note A.

Report on Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements – statutory basis. The budgetary comparison information and schedules of funding progress – other post-employment benefits plan, proportionate share of net pension liability and contributions – pension plan are presented for purposes of additional analysis and are not a required part of the basic financial statements – statutory basis. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements – statutory basis.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on Other Information (Continued)

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

The budgetary comparison information and schedules of funding progress – other post-employment benefits plan, proportionate share of net pension liability and contributions – pension plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

CITY OF TROY, NEW YORK
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - STATUTORY BASIS
DECEMBER 31, 2015

	Governmental Funds						Fiduciary	Total	Account Groups	
	General Fund	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Fund Types		Non-current Governmental Assets	Non-current Governmental Liabilities
		Special Grant Fund	Water Fund	Sewer Fund			Combined Agency Fund			
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES										
ASSETS:										
Cash and cash equivalents	\$ 2,553,243	\$ 2,189,407	\$ 3,026,910	\$ 1,515,674	\$ 522	\$ 10,757,393	\$ 1,492,054	\$ 21,535,203	\$ -	\$ -
Cash with fiscal agent	9,788,637	-	-	-	3,201,589	2,500	-	12,992,726	-	-
Due from other governments	4,683,548	471,813	463,023	-	-	3,093,799	-	8,712,183	-	-
Taxes receivable, net	7,859,874	-	-	-	-	-	-	7,859,874	-	-
Other receivables	2,568,775	220,502	1,085,402	1,001,634	-	-	-	4,876,313	-	-
Due from other funds	1,926,575	143,383	607,231	-	902,376	827,176	7,213	4,413,954	-	-
Prepaid and other assets	1,783,943	-	159,646	31,199	-	-	-	1,974,788	-	-
Other current assets	720	-	-	-	-	-	36,338	37,058	-	-
Amounts to be provided for retirement of long-term liabilities	-	-	-	-	-	-	-	-	-	111,869,221
Fixed assets	-	-	-	-	-	-	-	-	<u>223,410,821</u>	<u>-</u>
Total assets	<u>31,165,315</u>	<u>3,025,105</u>	<u>5,342,212</u>	<u>2,548,507</u>	<u>4,104,487</u>	<u>14,680,868</u>	<u>1,535,605</u>	<u>62,402,099</u>	<u>223,410,821</u>	<u>111,869,221</u>
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows of resources - pensions	-	-	-	-	-	-	-	-	<u>6,650,252</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 31,165,315</u>	<u>\$ 3,025,105</u>	<u>\$ 5,342,212</u>	<u>\$ 2,548,507</u>	<u>\$ 4,104,487</u>	<u>\$ 14,680,868</u>	<u>\$ 1,535,605</u>	<u>\$ 62,402,099</u>	<u>\$ 230,061,073</u>	<u>\$ 111,869,221</u>

(Continued)

CITY OF TROY, NEW YORK
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - STATUTORY BASIS (continued)
DECEMBER 31, 2015

	Governmental Funds						Fiduciary Fund Types Combined Agency Fund	Total	Account Groups	
	General Fund	Special Revenue Funds			Debt Service Fund	Capital Projects Fund			Non-current Governmental Assets	Non-current Governmental Liabilities
		Special Grant Fund	Water Fund	Sewer Fund						
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
LIABILITIES:										
Accounts payable	\$ 2,218,575	\$ 298,374	\$ 398,712	\$ 230,113	\$ -	\$ 1,480,524	\$ 1,048,868	\$ 5,675,166	\$ -	\$ -
Accrued liabilities	301,423	-	50,300	15,065	-	-	-	366,788	-	-
Other liabilities	271,009	-	73,924	-	-	-	-	344,933	-	5,518,062
Due to other governments	8,075,344	-	-	-	-	-	-	8,075,344	-	-
Due to Employee's Retirement System	-	-	-	-	-	-	-	-	-	8,683,983
Due to other funds	549,190	301,382	33,436	1,520,837	522	1,521,850	486,737	4,413,954	-	-
Unearned revenue	-	910,724	18,510	-	-	1,867,670	-	2,796,904	-	-
Bonds, BANs and capital leases payable	-	1,000,000	-	-	-	10,924,000	-	11,924,000	-	8,061,123
Matured bonds	-	-	41,365	-	-	-	-	41,365	-	-
Repayment agreements	-	-	-	-	-	-	-	-	-	33,784,747
Other post employment benefits	-	-	-	-	-	-	-	-	-	51,843,564
Net pension liability	-	-	-	-	-	-	-	-	-	3,639,563
Investment in general fixed assets	-	-	-	-	-	-	-	-	230,061,073	-
Total liabilities	11,415,541	2,510,480	616,247	1,766,015	522	15,794,044	1,535,605	33,638,454	230,061,073	111,531,042
DEFERRED INFLOWS OF RESOURCES										
Deferred inflows of resources - pensions	-	-	-	-	-	-	-	-	-	338,179
Deferred taxes	5,494,716	-	-	-	-	-	-	5,494,716	-	-
Total deferred inflows of resources	5,494,716	-	-	-	-	-	-	5,494,716	-	338,179
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	16,910,257	2,510,480	616,247	1,766,015	522	15,794,044	1,535,605	39,133,170	230,061,073	111,869,221
FUND BALANCES:										
Nonspendable	1,783,943	-	159,646	31,199	-	-	-	1,974,788	-	-
Restricted										
General fund reserves - various	1,899,750	-	-	-	-	-	-	1,899,750	-	-
Debt service reserve	9,369,861	-	-	-	4,103,965	-	-	13,473,826	-	-
	11,269,611	-	-	-	4,103,965	-	-	15,373,576	-	-
Assigned	63,281	514,625	4,566,319	751,293	-	-	-	5,895,518	-	-
Unassigned	1,138,223	-	-	-	-	(1,113,176)	-	25,047	-	-
Total Fund Balance	14,255,058	514,625	4,725,965	782,492	4,103,965	(1,113,176)	-	23,268,929	-	-
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 31,165,315	\$ 3,025,105	\$ 5,342,212	\$ 2,548,507	\$ 4,104,487	\$ 14,680,868	\$ 1,535,605	\$ 62,402,099	\$ 230,061,073	\$ 111,869,221

CITY OF TROY, NEW YORK

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND TYPES - STATUTORY BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Governmental Fund Types						Total
	General Fund	Special Grant Fund	Water Fund	Sewer Fund	Debt Service Fund	Capital Projects Fund	
REVENUES:							
Real property taxes and tax items	\$ 22,056,430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,056,430
Nonproperty tax items	16,578,008	-	-	-	-	-	16,578,008
Departmental income	5,228,857	11,602	12,544,316	3,886,408	-	-	21,671,183
Intergovernmental charges	326,370	-	33,709	-	-	-	360,079
Use of money and property	46,395	711	245,584	253	169,248	1,738	463,929
Licenses and permits	731,269	-	15,030	-	-	-	746,299
Fines and forfeitures	1,194,873	117,076	-	-	-	-	1,311,949
Interfund revenue	1,575,773	-	327,000	-	-	-	1,902,773
Sale of property and compensation for loss	35,067	-	47,767	-	-	-	82,834
Miscellaneous	1,384,118	387,350	102,452	25,127	-	-	1,899,047
State aid	13,742,491	269,271	26,392	-	-	2,048,439	16,086,593
Federal aid	1,021,860	1,101,863	79,177	-	-	4,629,478	6,832,378
Total revenues	63,921,511	1,887,873	13,421,427	3,911,788	169,248	6,679,655	89,991,502
EXPENDITURES:							
General governmental support	8,840,406	2,114,895	415,553	-	5,646	-	11,376,500
Public safety	33,342,994	-	-	-	-	-	33,342,994
Public health	157,605	-	-	-	-	-	157,605
Transportation	4,180,084	-	-	-	-	-	4,180,084
Culture and recreation	2,316,286	-	-	-	-	-	2,316,286
Home and community services	4,140,458	-	8,772,173	3,017,109	-	-	15,929,740
Employee benefits	4,610,292	-	-	-	-	-	4,610,292
CAPITAL EXPENDITURES:							
General governmental support	-	-	-	-	-	1,059,741	1,059,741
Transportation	-	-	-	-	-	3,081,320	3,081,320
Public safety	-	-	-	-	-	336,501	336,501
Culture and recreation	-	-	-	-	-	933,270	933,270
Home and community services	-	-	-	-	-	1,272,499	1,272,499
DEBT SERVICE:							
Principal	3,810,399	-	351,545	46,410	-	-	4,208,354
Interest	2,722,131	-	204,928	28,037	-	-	2,955,096
Total expenditures	64,120,655	2,114,895	9,744,199	3,091,556	5,646	6,683,331	85,760,282
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(199,144)	(227,022)	3,677,228	820,232	163,602	(3,676)	4,231,220
OTHER FINANCING SOURCES (USES):							
BANs redeemed from appropriations	-	-	-	-	-	136,000	136,000
Operating transfers - in	2,211,809	-	-	-	901,198	725,000	3,838,007
Operating transfers - out	(725,000)	-	(1,972,000)	(900,000)	(173,268)	(67,739)	(3,838,007)
Total other financing sources (uses)	1,486,809	-	(1,972,000)	(900,000)	727,930	793,261	136,000
CHANGE IN FUND BALANCE	1,287,665	(227,022)	1,705,228	(79,768)	891,532	789,585	4,367,220
FUND BALANCE - beginning of year	11,897,754	728,251	3,035,394	862,260	3,212,433	(834,383)	18,901,709
Residual equity transfer	1,069,639	13,396	(14,657)	-	-	(1,068,378)	-
FUND BALANCE - end of year	\$ 14,255,058	\$ 514,625	\$ 4,725,965	\$ 782,492	\$ 4,103,965	\$ (1,113,176)	\$ 23,268,929

CITY OF TROY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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, the 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.

Basis of Accounting

The City has elected to prepare its financial statements using the Statutory basis required by the New York State Office of the State Comptroller for annual reports to that office. This Statutory basis is another comprehensive basis of accounting which varies from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Statutory basis under the New York State Office of the Comptroller uses the modified accrual basis of accounting for governmental funds and fiduciary funds; accrual basis accounting is used for the account groups. This basis differs from GAAP primarily in that neither government wide financial statements, nor are Management's Discussion and Analysis prepared.

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.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying basic financial statements follows:

1. Financial Reporting Entity

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 reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. *Financial Reporting Entity* - Continued

Based on the application of these criteria, a brief review of each potential component unit addressed in defining the City's reporting entity follows:

Excluded From the Reporting Entity

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:

Municipal Assistance Corporation for the City of Troy

The Municipal Assistance Corporation for the City of Troy (MAC) 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.

Troy Industrial Development Authority

The Troy Industrial Development Authority (IDA) is a Public Benefit Corporation created by the State Legislature to promote the economic welfare, recreation opportunities, and prosperity of City inhabitants. Members of the IDA are appointed by the Mayor and confirmed by the City Council, but the City exercises no oversight responsibility. IDA members have complete responsibility for management of the IDA and accountability for fiscal matters. The City is not liable for IDA bonds or notes.

Troy Local Development Corporation

The Troy Local Development Corporation (LDC) was incorporated in the State of New York in November 1988. The LDC's primary purpose is to maintain and develop the economic climate of the City through the promotion of employment and attraction of new businesses. Effective for the year ended December 31, 2008, the LDC is required to have an annual independent audit completed of their financial statements.

The LDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is classified as a private foundation under Sections 507(d) and 4940 of the Internal Revenue Code and qualifies for the charitable contribution deduction for individual donors.

Troy Capital Resource Corporation (CRC)

The Troy Capital Resource Corporation was established pursuant to Article 8, Title 11 of the Public Authorities Law of the State of New York, as a public benefit corporation of the State with purposes as set forth within the Act.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. *Financial Reporting Entity - Continued*

Excluded From the Reporting Entity - Continued

Members of the CRC are appointed by the Mayor and confirmed by the City Council, but the City exercises no oversight responsibility. CRC members have complete responsibility for management of the CRC and accountability for fiscal matters. The City is not liable for CRC bonds or notes.

Troy City and Lansingburgh Central School Districts

The Troy City and Lansingburgh Central School Districts (School Districts) were created by State legislation, which designated the School Boards as the governing authorities. School Board members are elected by the eligible voters of the School Districts. The School Boards designate management and exercise complete responsibility for all fiscal matters. The City Council exercises no oversight over the School Districts' operations.

Troy Housing Authority

The Troy Housing Authority (Authority) was created during 1957 by the State Legislature. The governing board of the Authority is appointed by the Mayor of the City. The City provides no subsidy to the Authority nor is it responsible for debt or operating deficits of the Authority. The Authority's debt is essentially supported by operating revenues of the Authority and is not guaranteed by the City. The City does not appoint management of the Authority nor does it approve the Authority's budget, contracts, or hiring of staff. The City has no oversight responsibility for funds of the Authority.

2. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on the modified accrual basis and the fiduciary fund is accounted for on the full accrual basis using a current financial resources focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, governmental fund revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably determined, and "available" means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year-end. Property taxes determined to be collectible after the 60-day period are recorded as deferred revenues. The City uses a 60-day availability period for other significant governmental revenue sources. In addition to property taxes, governmental revenues susceptible to accrual include sales tax, state and federal aid, and certain other significant revenues. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received. For state and federal grants, if reimbursement of expenditures is the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The balance sheet sometimes reports a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements, deferred outflows and deferred inflows of other resources, represents a consumption of the balance sheet that applies to a future period and so will not be recognized as outflow and inflow of resources until then. The deferred outflows relate to pensions and deferred inflows relate to property taxes and pensions.

Governmental fund expenditures are recorded when the fund liability is incurred except that:

- Payment of prepaid expenses and purchase of inventory type items are recorded as expenditures when the related amounts are due and payable. This method is generally referred to as the “purchase” method, as opposed to the “consumption” method used in the government-wide financial statements.
- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensation time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the leave credits are used by employees.
- Current pension costs payable to the New York State Retirement Systems are recorded as expenditures when billed by the Systems.
- Costs of acquiring fixed assets are recorded as expenditures when the related acquisition amounts are due and payable.

3. *Fund Accounting*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The activities of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The City’s fund types and account groups are as follows:

Fund Types

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:

- a. General Fund is the principal operating fund of the City and accounts for the 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 A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. *Fund Accounting* – Continued

- b. 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 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 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 is used to report operations of the City's wastewater treatment facilities and sanitary sewer system that is provided to all City residents.

- c. Debt Service Fund is used to account for the accumulation of resources reserved for future MAC 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.
- d. 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 are used to report resources that are held by the City in a trust or agency capacity for others and cannot be used to support the City's own programs. Fiduciary funds include pension and other employee benefit trust funds, investment trust funds, private purpose trust funds, and agency funds. The City does not maintain any investment or private purpose trust funds, but does maintain the following Fiduciary Funds:

- a. Agency Funds are used to account for monies and property held by the City as agent for others pending disposition to the applicable parties.

In addition to the various funds, the City maintains account groups for the schedules of non-current governmental assets and non-current governmental liabilities. Non-current governmental assets include capital assets used in governmental activities, and non-current governmental liabilities include bonds, state loans, and other long-term debt used to finance governmental activities.

4. *Budgets*

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

- a. Not later than October 1, 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Budgets - Continued

- d. No later than December 1, the budget is legally enacted through the passage of a legislative resolution.
- e. Total expenditures for each object may not legally exceed the total appropriations for that object.

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 within individual departments. 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.

The budget is developed on a basis generally consistent with accounting principles generally accepted in the United States of America. The only significant difference is that the budget treats encumbrances as expenditures, whereas accounting principles generally accepted in the United States of America treat them as reservations of fund balances.

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. The Troy Urban Renewal Agency does not operate on an annual budget due to its limited activity. Accordingly, these funds have not been included in statements comparing budget estimates to actual transactions.

5. Cash and Cash Equivalents

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. *Cash and Cash Equivalents - Continued*

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.

6. *Interfund Transactions*

During the course of operations, the City processes several transactions that affect more than one fund and other transactions between the various funds. Interfund services provided and used are accounted for as revenues in the provider funds and expenditures or expenses in the user funds. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Advances or loans from one fund to another are recorded as receivables in the remitting fund and payables in the receiving fund. Other interfund transactions generally represent transfers of resources from one fund to be utilized in another fund and are reported as transfers. Interfund transactions that are unpaid between funds are recorded in the financial statements as due from other funds (receivables) and due to other funds (payables).

7. *Fixed Assets*

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the schedule of non-current governmental assets.

Accounting principles under the Statutory basis require that all purchased fixed assets be valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fixed assets are not depreciated nor has interest on construction in progress been capitalized.

8. *Compensated Absences*

During 2015, accumulated vacation for the General, Water, and Sewer Funds personnel totaled \$5,097,141, \$247,754 and \$54,878, respectively. The amounts of vested accumulated vacation leave and compensation time are recorded in the schedule of non-current governmental liabilities in other liabilities. No liability is recorded for nonvesting accumulated rights to receive sick and personal pay benefits.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Other Post-Retirement Benefits

The City provides health insurance coverage and survivors' benefits for retired employees and their survivors. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors' benefits are provided through a self-insurance program or insurance company contracts with premiums based on the benefits paid during the year. The City recognizes the cost of providing benefits by recording total costs as expenditures during the year paid. The retirees' premium contributions are reported as revenue received during the year.

During the year, approximately \$4.5 million was paid on behalf of approximately 468 retirees and survivors and recorded as expenditures in the General Fund. During the year, \$107,916 was collected for premiums from these retirees and survivors and recorded as revenue of the General Fund. See Note H for additional disclosures pertaining to retiree postemployment benefits other than pensions.

10. Fund Balance

The governmental funds report the following classifications of fund balance:

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, 2015, by the City are nonspendable in form.

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.

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, 2015.

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.

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.

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.

Reserves represent those portions of fund balance not available for appropriation or legally segregated for a future use. Designated fund balances represent tentative plans for future use of financial resources.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Order of Fund Balance Spending Policy (Continued)

The following reserve funds are utilized by the City. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

Workers' Compensation Reserve

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. The City had \$35,011 in general fund workers' compensation reserves at December 31, 2015.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. 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. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The City had \$166,475 in general fund unemployment insurance reserves at December 31, 2015.

Insurance Reserve

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. The City had \$401,545 in general fund insurance reserves at December 31, 2015.

Snow and Ice Removal Reserve

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. The City had \$44,223 in general fund snow and ice removal reserves at December 31, 2015.

Capital Reserve

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. The City had \$1,252,496 in general fund capital reserves at December 31, 2015.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Order of Fund Balance Spending Policy (Continued)

Reserve for 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.

Reserve for Encumbrances

Reserve for encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

Newly Adopted Accounting Principle

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71*. Statement No. 68 and Statement No. 71 established accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68 and Statement No. 71, as well as for non-employer governments that have a legal obligation to contribute to those plans

NOTE B - CASH AND CASH EQUIVALENTS

It is the City's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the FDIC insurance. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

Category 1

Insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2

Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3

Uncollateralized.

<u>Bank</u>	<u>Category</u>				<u>Carrying Amount</u>
	<u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	
<u>Pooled Deposits</u>					
Pooled cash and cash equivalents	\$ 6,641,965	\$ -	\$ 6,641,965	\$ -	\$ 6,464,959
<u>Non-Pooled Deposits</u>					
Non-Pooled cash and cash equivalents					
General Fund	2,398,080	-	2,398,080	-	2,426,270
Special Revenue Funds	1,505,254	-	1,505,254	-	1,505,360
Capital Projects	9,669,856	-	9,669,856	-	9,669,856
Trust and Agency	1,848,338	-	1,848,338	-	1,466,337
Debt Service	522	-	522	-	522
Petty Cash	6,899	-	-	6,899	6,899
	<u>\$ 22,070,914</u>	<u>\$ -</u>	<u>\$ 22,064,015</u>	<u>\$ 6,899</u>	<u>\$ 21,540,203</u>

NOTE B - CASH AND CASH EQUIVALENTS (Continued)

As a provision of certain financing arrangements, certain Capital Projects Fund cash is restricted for related construction purposes. Reserved fund balance includes the excess of assets over certain liabilities reserved according to donor restrictions, reserved for debt service on bonded debt, and reserved for capital projects.

Cash with fiscal agent represents amounts held by the fiscal agent for payment of principal and interest on outstanding obligations held by the MAC in the General and Debt Service Funds.

NOTE C - 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 \$425,000 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.

Also, as of May 23, 2009, the New York State Legislature amended chapter 672 of the laws of 1993, amending the Public Authorities Law relating to the construction and financing of facilities for certain public libraries including the Troy Public Library within the provisions of the chapter. In addition, pursuant to said amendment, taxes voted on and approved for the support of the library shall be levied in the calendar year directly preceding the Library's fiscal year and shall be included in the tax bills issued during December of the calendar year preceding the fiscal year. The City of Troy implemented the provisions of the amendment as forth in Legislative Bill A-11189 and began collecting library taxes in January 2010 for the 2010 fiscal year. The City has agreed to certify and pay to the Troy Public Library, all library taxes collected by the City of Troy on a monthly basis commencing with January 2010 collections 45 days after the first of every month.

On July 9, 2009 per Article 19-A of New York State Consolidated General Municipal Law the Troy City Council passed Local Law No. 3 approving the establishment of the Business Improvement District (BID). The Act became effective after compliance with Section 980 (g) of the General Municipal Law.

The BID Assessment rate of 5% multiplied by the City taxes is permanently capped and cannot be changed or modified. The City of Troy implemented the provisions set forth and began collecting the BID taxes in January, 2011 for the 2011 fiscal year. As with the Library tax, the City has agreed to certify and pay to the Business Improvement District all BID taxes collected by the City on a monthly basis commencing with the January 2011 collections.

NOTE C - PROPERTY TAXES (Continued)

As described above, City taxes receivable consist in part of City tax revenues and in part of taxes levied for the purposes of other local governments over which the City exercises no fiscal control.

Taxes are calculated using assessments prepared by the City Assessor as adjusted by the New York State Board of Equalization and Assessment for the purpose of comparability. The taxable assessed value of real property included in the levy of 2015 is approximately \$1.761 billion. The effective tax rate on this value is approximately \$11.04 per thousand. The Statutory maximum tax rate is 2% of the five-year average of the equalized assessment. The 2015 levy, after exclusions represents approximately 37.2% of the Constitutional Tax Limit.

NOTE D - FIXED ASSETS

The following schedule identifies changes to the City's fixed assets for the year ended December 31, 2015:

	January 1, 2015			December 31, 2015
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,313,405	\$ 105,635	\$ -	\$ 1,419,040
Buildings and land improvements	45,533,629	369,952	-	45,903,581
Machinery and equipment	22,405,012	1,424,580	-	23,829,592
Infrastructure	<u>152,258,608</u>	<u>-</u>	<u>-</u>	<u>152,258,608</u>
	<u>\$ 221,510,654</u>	<u>\$ 1,900,167</u>	<u>\$ -</u>	<u>\$ 223,410,821</u>

The City has assessed the value of its infrastructure and has elected to record it even though there is no requirement to do so under the accounting principles prescribed by the New York State Office of the State Comptroller.

NOTE E - OTHER RECEIVABLES

Other receivables include:

1. General Fund

The City was owed \$2,568,775 of accounts receivable as of December 31, 2015.

2. Special Grant Fund

The City has made loans to various companies and individuals under the United States Department of Housing and Urban Development programs. The total of commercial and residential rehabilitation loans receivable is \$245,275 as of December 31, 2015. At year-end, the City had reserved \$24,773 as an allowance for receivables.

3. Water and Sewer Funds

Other receivables in these funds are comprised of water and sewer rents receivable totaling \$1,048,292 and \$1,000,432, respectively, and accounts receivable of \$37,198 and \$1,201, respectively, as of December 31, 2015. At year end, there was no reserve for the allowance for uncollectible accounts in the Water Fund.

NOTE E - OTHER RECEIVABLES (Continued)**3. Water and Sewer Funds- Continued**

The Water Fund also had \$463,023 for water rents due from other governments. Unearned revenue recognized as of December 31, 2015 was \$18,510.

NOTE F - INDEBTEDNESS**1. Short-Term Debt**

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, 2015:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN - Tropical Storm Irene	2/11/2016	0.79%	\$ 1,500,000	\$ -	\$ 66,000	\$ 1,434,000
BAN - Golf Course Improvement	8/5/2016	1.75%	1,500,000	-	70,000	1,430,000
BAN - Various Equipment	8/5/2016	0.67%	1,083,000	-	-	1,083,000
BAN - Building Demolition	8/5/2016	0.67%	1,000,000	-	-	1,000,000
BAN - Court Facilities	2/11/2016	0.45%	-	1,550,000	-	1,550,000
BAN - Pawling Ave Traffic Signals	8/5/2016	1.75%	-	1,275,000	-	1,275,000
BAN - Sea Wall	5/6/2016	1.13%	-	1,327,000	-	1,327,000
BAN - Various Equipment	5/6/2016	0.85%	-	825,000	-	825,000
BAN - Spring Avenue Bridge	5/9/2016	0.74%	-	2,000,000	-	2,000,000
			<u>\$ 5,083,000</u>	<u>\$ 6,977,000</u>	<u>\$ 136,000</u>	<u>\$ 11,924,000</u>

NOTE F – INDEBTEDNESS (Continued)

2. Lease Purchase Agreement – Energy Performance Contracts

One 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.

3. 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.

4. 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).

NOTE F – INDEBTEDNESS (Continued)

5. Repayment Agreements - Continued

During November 2010, the MAC refunded the Series 1996A Bonds and Series 1999B Bonds with Series 2010A General Resolution Bonds in the principal amount of \$15.62 million. The Series 2010A bonds were issued at a premium of \$640,444. Substantially all of the net proceeds together with other monies of the MAC were used to refund \$14.080 million and \$1.955 million of those issues. The sale generated a budgetary savings totaling \$831,125 over the life of the refunding bonds, which will be passed on to the City.

During May 2010, the MAC revised the Project Financing and Loan Agreement with the EFC as a result of refinancing the \$2.685 million remaining balance interest rate savings from the refunding of corresponding bonds that the EFC sold to the public. The refinancing generated \$181,756 of budgetary savings over the remaining life of the loan, which will be passed on to the City.

The outstanding balances of the repayment agreements for the 2010A refunding bonds, 1996A EFC loan, 1996B capital appreciation bonds and 1996C capital appreciation bonds are \$9,105,000, \$1,265,000, \$7,135,652 and \$864,600 at December 31, 2015, respectively. The repayment agreements also include unamortized bond accretion on the 1996B and 1996 C capital appreciation bonds of \$15,350,098 and unamortized bond premium of \$64,396 at December 31, 2015.

6. 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 above under the Sewer Fund represent the unpaid balance of these bonds at December 31, 2015.

7. 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 above under Water Fund represent the unpaid balance of these bonds at December 31, 2015.

NOTE F – INDEBTEDNESS (Continued)

8. *Maturity Information*

The annual debt service requirements to maturity, including principal and interest, for the City's general obligation bonds as of December 31, 2015, are as follows:

	<u>Original Date Issued</u>	<u>Original Balance</u>	<u>Interest Rate %</u>	<u>Final Maturity</u>	<u>December 31, 2015</u>
<u>General Fund</u>					
Capital Lease	09/11	1,648,598	4.55%	07/29	1,398,304
Capital Lease	3/12	738,648	4.23%	03/27	<u>625,084</u>
					2,023,388
<u>Water Fund</u>					
General Obligation	09/99	855,297	0.00%	12/19	190,000
NYS EFC Obligation	12/01	3,390,000	3.25%	12/22	1,447,893
NYS EFC Obligation	07/07	3,136,180	4.63%	09/36	2,450,000
Capital Lease	09/11	946,746	4.29%	07/27	<u>795,002</u>
					4,882,895
<u>Sewer Fund</u>					
NYS EFC Obligation	09/04	1,625,890		04/34	<u>1,154,840</u>
Total general obligation bonds and leases payable					<u><u>\$ 8,061,123</u></u>

The annual debt service requirements to maturity, including principal and interest, for the long-term obligations and leases as of December 31, 2015, are as follows:

<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year Ending December 31,</u>
\$ 514,618	\$ 309,648	\$ 824,266	2016
534,625	292,168	826,793	2017
557,268	273,965	831,233	2018
585,675	254,861	840,536	2019
561,485	234,459	795,944	2020
2,479,283	850,256	3,329,539	2021-2025
1,715,629	399,216	2,114,845	2026-2030
967,540	147,141	1,114,681	2031-2035
<u>145,000</u>	<u>6,944</u>	<u>151,944</u>	2036
<u><u>\$ 8,061,123</u></u>	<u><u>\$ 2,768,658</u></u>	<u><u>\$ 10,829,781</u></u>	

NOTE F – INDEBTEDNESS (Continued)

8. *Debt Service Payment and Funding Requirements – Repayment Agreements*

A summary of the City's bonds and loans payable (Repayment Agreements) with the Municipal Assistance Corporation for the City of Troy as of December 31, 2015 is as follows:

Series 1996B Capital Appreciation Bonds	\$ 7,135,652
Series 1196C Capital Appreciation Bonds	864,600
Series 1999A EFC Loans	1,265,000
Series 2010A Refunding Bonds	<u>9,105,000</u>
	18,370,252
Bond accretion - Series 1196B and 1996C	15,350,099
Bond premium - Series 2010A	<u>64,396</u>
	<u>\$ 33,784,747</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>Principal**</u>	<u>Interest *</u>	<u>Total</u>	<u>Fiscal Year Ending January 31,</u>
\$ 5,565,000	\$ 414,761	\$ 5,979,761	2016
5,670,000	322,841	5,992,841	2017
6,075,000	236,140	6,311,140	2018
6,165,000	146,939	6,311,939	2019
5,915,000	63,838	5,978,838	2020
<u>10,565,000</u>	<u>59,112</u>	<u>10,624,112</u>	2021-2022
<u>\$ 39,955,000</u>	<u>\$ 1,243,631</u>	<u>\$ 41,198,631</u>	Total

*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 \$3,991,065.

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	\$ 37,879,393	\$ 1,325,958	\$ 5,485,000	\$ 33,720,351
Bond premium	117,592	(53,196)	-	64,396
	<u>\$ 37,996,985</u>	<u>\$ 1,272,762</u>	<u>\$ 5,485,000</u>	<u>\$ 33,784,747</u>

Total interest paid in 2015 was \$2,955,096.

NOTE F - INDEBTEDNESS (Continued)

9. Non-Current Governmental Liabilities

The following is a summary of the City's non-current governmental liabilities:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retirement / Adjustments</u>	<u>Ending Balance</u>
Government activities				
Bonds and notes payable:				
General obligation debt:				
Serial bonds payable - Water Fund	\$ 235,000	\$ -	\$ 45,000	\$ 190,000
NYS EFC payable - Water Fund	1,628,700	-	180,807	1,447,893
NYS EFC payable - Water Fund	2,540,000	-	90,000	2,450,000
NYS EFC payable - Sewer Fund	1,201,250	-	46,410	1,154,840
Serial bonds payable - Capital Projects	215,000	-	215,000	-
	<u>5,819,950</u>	<u>-</u>	<u>577,217</u>	<u>5,242,733</u>
Capital leases payable:				
Capital lease payable - General Fund	664,512	-	39,428	625,084
Capital lease payable - General Fund	1,449,542	-	51,238	1,398,304
Capital lease payable - Water Fund	830,740	-	35,738	795,002
	<u>2,944,794</u>	<u>-</u>	<u>126,404</u>	<u>2,818,390</u>
 Total bonds and capital leases payable	 <u>8,764,744</u>	 <u>-</u>	 <u>703,621</u>	 <u>8,061,123</u>
 Repayment agreements (b)	 <u>37,879,391</u>	 <u>-</u>	 <u>4,094,644</u>	 <u>33,784,747</u>
Other liabilities:				
Judgments and claims payable	80,000	-	16,000	64,000
Landfill closure	390,000	-	30,000	360,000
Retirement debt (a)	397,457	-	397,457	-
Retirement debt (d)	8,576,532	861,880	754,429	8,683,983
Compensated absences	5,399,773	-	305,711	5,094,062
Net pension liability	5,175,851	-	1,536,288	3,639,563
Other post employment benefits (c)	42,361,417	15,152,775	5,670,628	51,843,564
	<u>62,381,030</u>	<u>16,014,655</u>	<u>8,710,513</u>	<u>69,685,172</u>
 Total other liabilities	 <u>62,381,030</u>	 <u>16,014,655</u>	 <u>8,710,513</u>	 <u>69,685,172</u>
 Total long-term liabilities	 <u>\$ 109,025,165</u>	 <u>\$ 16,014,655</u>	 <u>\$ 13,508,778</u>	 <u>\$ 111,531,042</u>

NOTE F - INDEBTEDNESS (Continued)

- (a) Represents debt for the 2004 amortization covering the period April 1, 2004 to December 31, 2004; 2005 amortization covering the period April 1, 2005 to December 31, 2005; 2006 amortization covering the period April 1, 2006 to December 31, 2006; 2007 amortization covering the period April 1, 2007 to December 31, 2007; 2008 amortization covering the period April 1, 2007 to December 31, 2008. See Note G.
- (b) Repayment agreements include Capital Appreciation Bonds and accreted interest of \$15,350,099.
- (c) Postemployment health insurance liability at December 31, 2014, has been adjusted to actuarial computations as prescribed under GASB No. 45. See Note H.
- (d) Represents debt for 2010 (2011), 2011 (2012), 2012 (2013) and 2013 (2014) amortization for participation in the 2010 Contribution Stabilization Program.

NOTE G – NEW YORK STATE RETIREMENT SYSTEMS

1. Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (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.

2. 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>
2015	\$	2,288,470	\$	4,864,254
2014	\$	2,232,162	\$	5,018,604
2013	\$	1,926,080	\$	4,452,748

NOTE G - NEW YORK STATE RETIREMENT SYSTEMS (Continued)

2. *Funding Policy* - Continued

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).

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 years 2004-2006 the City amortized the allowable amounts of \$653,184 for the Employees with a balance of \$133,660 at December 31, 2015. The portion of these amortized liabilities covering the nine-month period April 1, 2014 to December 31, 2014, \$15,455 and \$382,002 respectively, are included in the financial statements as non-current governmental liabilities.

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 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) \$156,607 for the ERS Retirement System and \$314,411 for the Police and Fire Retirement System with a current balance of \$87,808 and \$176,285 at December 31, 2015, respectfully. The City for 2011 (2012) elected to amortize \$964,234 for Police and Fire Employees and \$639,484 for the ERS Retirement Systems with a current balance of \$620,501 and \$411,519 at December 31, 2015, respectfully. The City for 2012 (2013) elected to amortize \$811,575 for the ERS System and \$1,680,810 for Police and Fire with a current balance of \$592,758 and \$1,227,630 respectfully. The City for 2013 (2014), elected to amortize \$851,877 for the ERS Retirement System and \$2,134,072 for the Police and Fire Retirement System, with a current balance of \$705,141 and \$1,776,475 at December 31, 2015, respectfully. The City 2014 (2015) also elected to amortize an additional \$718,220 for the ERS System and \$1,581,263 for the Police and Fire Retirement System, with a balance of \$656,047 and \$1,444,279 at December 31, 2015, respectfully. The City 2015 (2016) also elected to amortize an additional \$248,667 for the ERS System and \$613,213 for the Police and Fire Retirement System. The amortization for 2010 (2011), 2011 (2012), 2012 (2013), 2013 (2014), 2014 (2015) and 2015 (2016) are all included in the financial statements as Non-Current Governmental Liabilities.

NOTE G - NEW YORK STATE RETIREMENT SYSTEMS (Continued)

2. *Funding Policy* - Continued

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

At December 31, 2015, the City reported a net pension liability of \$1,880,636 and \$1,758,927 for its proportionate share of the ERS and PFRS net pension liability, respectively. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. 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, 2015, the City's proportionate share was .055669% and .6390066% for ERS and PFRS, respectively, which was unchanged from its proportionate share measured at December 31, 2014. At December 31, 2015, 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	\$ 60,201	\$ -
Net difference between projected and actual savings on pension plan investments	326,643	-
Contributions subsequent to the measurement date	<u>1,716,353</u>	<u>123,036</u>
Total	<u>\$ 2,103,197</u>	<u>\$ 123,036</u>
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
PFRS		
Differences between expected and actual experience	\$ 212,115	\$ -
Net difference between projected and actual savings on pension plan investments	590,530	-
Contributions subsequent to the measurement date	<u>3,744,410</u>	<u>215,143</u>
Total	<u>\$ 4,547,055</u>	<u>\$ 215,143</u>

NOTE G - NEW YORK STATE RETIREMENT SYSTEMS (Continued)

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

For the year ended December 31, 2015, the City recognized pension expense/(income) of \$1,699,830 and \$3,988,930 for ERS and PFRS, respectively. At December 31, 2015, The City reported deferred outflows/inflows of resources related to pensions from the following sources:

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

Plan's Year Ended March 31:		Plan's Year Ended March 31:	
2016	\$ 65,952	2016	\$ 147,027
2017	65,952	2017	147,027
2018	65,952	2018	147,027
2018	65,952	2018	147,027
2019	-	2019	(606)
2020	-	2020	-
Thereafter	-	Thereafter	-
	<u>\$ 263,808</u>		<u>\$ 587,502</u>

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014.

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

Actuarial cost method:	Entry age normal
Inflation:	2.70%
Salary scale:	4.9% indexed by service
Projected Cola's:	1.4% compounded annually
Decrements:	Developed from the Plan's 2010 experience study of the period April 1, 2005 through May 31, 2010
Mortality improvement:	Society of Actuaries Scale MP-2014
Investment Rate of Return:	7.5% compounded annually, net of investment expenses

Long-term Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

NOTE G - NEW YORK STATE RETIREMENT SYSTEMS (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	38	7.30
International Equity	13	8.55
Private Equity	10	11.00
Real Estate	8	8.25
Absolute Return	3	6.75
Opportunistic Portfolio	3	8.60
Real Asset	3	8.65
Bonds & Mortgages	18	4.00
Cash	2	2.25
Inflation-indexed bonds	2	4.00
	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. 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.

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 7.5%, 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 (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount <u>7.50%</u>	1% Increase <u>8.50%</u>
<u>ERS</u>			
Proportionate Share of Net Pension Liability (Asset)	\$ <u>12,535,254</u>	\$ <u>1,880,636</u>	\$ <u>(7,114,503)</u>
<u>PFRS</u>			
Proportionate Share of Net Pension Liability (Asset)	\$ <u>23,419,187</u>	\$ <u>1,758,927</u>	\$ <u>(16,393,679)</u>

NOTE H - OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The City administers a single-employer defined benefit healthcare plan (“the 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 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.

Funding Policy. The obligations of the plan members, employers and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by City. For the year ended December 31, 2015, the City contributed \$5,670,628 to the Plan. Some Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$107,916 for the year ended December 31, 2015.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Retiree Health Plan:

Annual required contributions and OPEB expense	\$ 15,152,775
Contributions made	<u>5,670,628</u>
Increase in net OPEB obligation	9,482,147
Net OPEB obligation, beginning of year	<u>42,361,417</u>
Net OPEB obligation, end of year	<u><u>\$ 51,843,564</u></u>

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended December 31, 2015, was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$ 15,152,775	37.4%	\$ 51,843,564
12/31/2014	\$ 10,941,128	47.5%	\$ 36,297,995
12/31/2013	\$ 10,707,841	52.1%	\$ 30,558,867

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Measurement Date – January 1, 2014.

Retirement Age For Active Employees - Based on the historical average retirement age for the covered group according to the NY State Retirement System schedule, active plan members were assumed to retire as early as age fifty-five.

Marital Status - 80% of employees are assumed married. Females are assumed to be three years younger than males. Actual spouse coverage information was used for retirees where available.

Mortality - Life expectancies were based on RP 2000 mortality tables for healthy Male and Female employees and retirees, projected to 2014 using Scale AA.

Turnover and Retirement Rates - The turnover and retirement rates were updated to use rates from the 2010 NYS Retirement System valuation was used as the basis for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the several insurance providers. A rate of 10% initially, reduced to an ultimate rate of 5% after four years, was used.

Health Insurance Premiums - 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Payroll Growth Rate - No salary increases were assumed since benefits are not based on compensation.

Based on the historical and expected returns of the City’s short-term investment portfolio, a discount rate of 4% was used. In addition, the projection unit credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2015, was thirty years.

NOTE I – INTERFUND TRANSACTIONS

Interfund transactions for the period ended December 31, 2015 are as follows:

	Activity			
	<u>Due From</u>	<u>Due To</u>	<u>Revenue</u>	<u>Expenditures</u>
Governmental Funds:				
General	\$ 1,926,575	\$ 549,190	\$ 2,211,809	\$ 725,000
Special Grant	143,383	301,382	-	-
Water	607,231	33,436	-	1,972,000
Sewer	-	1,520,837	-	900,000
Debt Service	902,376	522	901,198	173,268
Capital Projects	827,176	1,521,850	725,000	67,739
Fiduciary:				
Trust and Agency	7,213	486,737	-	-
	<u>\$ 4,413,954</u>	<u>\$ 4,413,954</u>	<u>\$ 3,838,007</u>	<u>\$ 3,838,007</u>

NOTE J - 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.

NOTE J - CITY AND STATE ACTIONS (Continued)

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.
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 K - LANDFILL

During November 1993, directives were issued by the state and federal governments ordering the City to discontinue receiving solid waste at their landfill facility. In addition to the stop order, the City was ordered to close the facility and initiate a program to both maintain and monitor the closed site for the following thirty years. The City utilized the services of the MAC to obtain the financing necessary to close the landfill (project) and fund the costs associated with the monitoring requirements. The project was completed during March 1999, and long-term financing has been disclosed under Note F, repayment agreements.

NOTE K – LANDFILL (Continued)

As a means of recognizing the potential cost to the City for the monitoring of the landfill, the City has recorded a non-current governmental liability based on annual projections prepared by its consulting engineers. The amount currently projected is \$30,000 per year for the next thirteen years, for a total of \$390,000.

NOTE L - COMMITMENTS AND CONTINGENCIES

1. Sales and Use Tax

On September 25, 2009, the City and County renewed their current agreement that was in effect for the period December 1, 2004 through November 30, 2009, whereby the City agreed to:

- a. Extend the term of the agreement from December 1, 2009 through February 28, 2015;
- b. Receive 18.07% of the local share of the 3% County-wide sales and use tax;
- c. Receive 24.37% of the local share of the additional 1% County-wide sales and use tax effective September 1, 1994, and
- d. Repay \$165,000 of the \$330,000 balance remaining with respect to the \$440,000 obligation due to the County by the City pursuant to the sales tax agreement between the parties dated November 23, 1982. The payment of \$165,000 was deducted by the County from the March 15, 2005, sales and use tax distribution due to the City. The remaining balance of \$165,000, after the March 15, 2005 payment, shall be paid by the City to the County without interest over a period of ten years at \$16,500 per year. Balance due to the County at December 31, 2014 is \$16,500.

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 29, 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 \$80,000,000.00, 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 80,000,000.00, 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 \$80,000,000.00, 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 \$80,000,000.00, 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).
- 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.

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

2. 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 \$3,018,020 and \$4,796,832 respectively, represents the amount owed to these entities at December 31, 2015.
- b. The amount of uncollected 1985-2015 County taxes totaling \$3,185,898, and the amount of uncollected sewer rent at December 31, 2015, totaling \$1,610,934, will be paid only after they have been collected.

3. 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 \$34.26 per contract per month of claims and a \$34.94 for individual and \$88.04 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 \$3,965 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.

4. 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. The City has recognized an accrued non-current liability for judgments and claims of \$141,658 to allow for future claims on certain pending matters.

5. 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.

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

6. 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.

7. 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.

8. 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.

9. Employee Union

On December 18, 2009, the United Public Service Employees Union was certified as the exclusive representative of several positions previously non-covered by a bargaining unit. The titles included for exclusive representative include the Assessor, Assistant to the City Clerk, Assistant Operations Manager, City Water Plant Operator, City Auditor, City Engineer, Commissioner of Planning and Community Development, Deputy City Clerk, Deputy Comptroller for Financial Operations, Grants Writing Specialist, Personnel Associate, Recreation Director, and Superintendent of Water and Sewer in the City of Troy. On January 3, 2013 the City Common Council approved the terms of the new contract for the period commencing January 1, 2010 thru December 31, 2014 with a 3.5% and a 2% raise for 2010 and 2011. There will be wage reopener on January 1, 2013 and January 1, 2014.

On June 7, 2012, the City Council ratified the Employment Memorandum of Agreement with the Troy Uniformed Firefighters Association (UFA). This agreement extended their current contract that expired on December 31, 2010 to December 31, 2012. This agreement included a 2% salary increase for calendar year 2011 and zero (0%) percent salary increase for 2012.

NOTE L - COMMITMENTS AND CONTINGENCIES (Continued)

9. Employee Union - Continued

Also, on December 6, 2012, the City Council passed a similar Memorandum of Agreement with the City of Troy Police Command Officers Association (COATS). This agreement extends their current agreement that expired on December 31, 2010 to December 31, 2012. This agreement included a 2% salary increase for the calendar year 2011 and a zero (0%) percent increase for 2012. It also included a \$1,000 increase in their premium pay from \$3,700 to \$4,700 per year. In addition, it included a one-time lump sum payment in the amount of \$950.

The expiration status of the remaining City units include the PBA – December 31, 2012, UFCA – December 31, 2010, and CSEA – December 31, 2011.

NOTE M - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is required to adopt the provisions of this Statement for the year ending December 31, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The City is required to adopt the provisions of these Statements for the year ending December 31, 2016, with early adoption encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* which supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 64, 74, and 82. Statement No. 76 reduces the number of categories of authoritative generally accepted accounting principles (GAAP) hierarchy and the framework for selecting those principles to two categories. The primary category "Category A" will consist of officially established GASB Statements and GASB Interpretations heretofore issued and currently in effect. The second category "Category B" will consist of GASB Technical Bulletins, GASB Implementation Guides when presented in the form of a *Comprehensive Implementation Guide*, and literature of the AICPA cleared by the GASB. The goal of Statement No. 76 is to help governments apply financial reporting guidance with less variability, therefore improving usefulness and comparability of financial statement information among state and local governments. The City is required to adopt the provisions of Statement No. 76 for the year ending December 31, 2016, and should be adopted retroactively, with early adoption permitted.

NOTE M - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED (Continued)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreements. The City is required to adopt the provisions of these Statements for the year ending December 31, 2016, with early adoption encouraged.

In March 2016, GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GAS 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement addresses issues related to the presentation of payroll related measures in required Other information, selection of assumptions and the treatment of deviations and classification of payments made by employers to meet employee contribution requirements. The Statement takes effect for reporting periods beginning after June 15, 2016 except for the selection of assumptions in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end in which the effective date is on or after June 15, 2017. Earlier adoption is encouraged.

Management is not able to estimate the extent of the potential impact of these Statements on the City's financial statements.

Note N – RESIDUAL EQUITY TRANSFER

A reconciliation of individual capital projects was performed as of December 31, 2015 and it was determined that excess funds remained in the capital projects fund. During November 2016, the City Council approved the transfer of these excess funds from the capital projects fund to the general, special grant and water funds as applicable.

NOTE O - SUBSEQUENT EVENTS

On January 21, 2016, the City Council passed an ordinance authorizing the Mayor to execute an agreement with the Town of Halfmoon for the supply of water to the town at the wholesale rate for twenty years.

On March 3, 2016, the City Council passed a resolution authorizing the issuance of \$3,000,000 in serial bonds to finance the cost of the reconstruction of the City water systems.

On March 28, 2016, the City Council passed a resolution authorizing the issuance of an additional \$510,391 in serial bonds to finance a capital project described in the Combined Sewer Overflow Long Term Control Plan.

On April 7, 2016, the City Council passed an ordinance authorizing the implementation of a parking violation amnesty program.

On April 7, 2016, the City Council passed a resolution authorizing the City of Troy to accept a grant from the Troy Capital Resource Corporation in the hiring of a consultant with expertise in the area of municipal finance.

OTHER 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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUE:					
Real property taxes and tax items	\$ 21,657,849	\$ 21,657,849	\$ 22,056,430	\$ -	\$ 398,581
Nonproperty tax items	16,500,000	16,500,000	16,578,008	-	78,008
Departmental income	5,652,405	5,623,205	5,228,857	-	(394,348)
Intergovernmental charges	328,830	328,830	326,370	-	(2,460)
Use of money and property	52,500	66,500	46,395	-	(20,105)
Licenses and permits	703,000	703,000	731,269	-	28,269
Fines and forfeitures	1,281,500	1,281,500	1,194,873	-	(86,627)
Sale of property and compensation for loss	691,500	691,500	35,067	-	(656,433)
Miscellaneous local sources	490,994	542,494	1,384,118	-	841,624
Interfund revenues	1,804,462	1,804,462	1,575,773	-	(228,689)
State aid	13,629,463	13,629,463	13,742,491	-	113,028
Federal aid	635,121	1,162,270	1,021,860	-	(140,410)
Total revenue	<u>63,427,624</u>	<u>63,991,073</u>	<u>63,921,511</u>	<u>-</u>	<u>(69,562)</u>
EXPENDITURES:					
General governmental support	10,132,253	10,040,516	8,840,406	11,360	1,188,750
Public safety	33,653,041	34,161,707	33,342,994	48,549	770,164
Public health	166,841	162,669	157,605	903	4,161
Transportation	3,956,896	3,986,793	4,180,084	2,469	(195,760)
Culture and recreation	2,159,455	2,228,297	2,316,286	-	(87,989)
Home and community services	4,131,057	4,183,010	4,140,458	-	42,552
Employee benefits	4,863,003	4,863,003	4,610,292	-	252,711
Debt service - principal	3,812,058	3,812,058	3,810,399	-	1,659
Debt service - interest	2,525,020	2,525,020	2,722,131	-	(197,111)
Total expenditures	<u>65,399,624</u>	<u>65,963,073</u>	<u>64,120,655</u>	<u>63,281</u>	<u>1,779,137</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(1,972,000)</u>	<u>(1,972,000)</u>	<u>(199,144)</u>	<u>(63,281)</u>	<u>1,709,575</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	2,697,000	2,697,000	2,211,809	-	(485,191)
Operating transfers out	(725,000)	(725,000)	(725,000)	-	-
Total other financing sources (uses)	<u>1,972,000</u>	<u>1,972,000</u>	<u>1,486,809</u>	<u>-</u>	<u>(485,191)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>1,287,665</u>	<u>(63,281)</u>	<u>1,224,384</u>
FUND BALANCE - beginning of year	<u>11,897,754</u>	<u>11,897,754</u>	<u>11,897,754</u>	<u>-</u>	<u>-</u>
Residual equity transfer	<u>-</u>	<u>-</u>	<u>1,069,639</u>	<u>-</u>	<u>1,069,639</u>
FUND BALANCE - end of year	<u>\$ 11,897,754</u>	<u>\$ 11,897,754</u>	<u>\$ 14,255,058</u>	<u>\$ (63,281)</u>	<u>\$ 2,294,023</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, 2015**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Final Budget Variance with Budgetary Actual</i>
REVENUE:					
Departmental income	\$ 11,990,562	\$ 11,990,562	\$ 12,544,316	\$ -	\$ 553,754
Intergovernmental charges	35,000	35,000	33,709	-	(1,291)
Use of money and property	210,000	210,000	245,584	-	35,584
Licenses and permits	12,000	12,000	15,030	-	3,030
Sale of property and compensation for loss	116,000	51,000	47,767	-	(3,233)
Miscellaneous local sources	5,705	70,705	102,452	-	31,747
Interfund revenue	327,000	327,000	327,000	-	-
State aid	-	-	26,392	-	26,392
Federal aid	-	-	79,177	-	79,177
Total revenue	<u>12,696,267</u>	<u>12,696,267</u>	<u>13,421,427</u>	<u>-</u>	<u>725,160</u>
EXPENDITURES:					
General governmental support	577,535	636,695	415,553	-	221,142
Home and community services	11,542,374	11,483,214	8,772,173	15,452	2,695,589
Debt service - principal	363,970	363,970	351,545	-	12,425
Debt service - interest	212,388	212,388	204,928	-	7,460
Total expenditures	<u>12,696,267</u>	<u>12,696,267</u>	<u>9,744,199</u>	<u>15,452</u>	<u>2,936,616</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>3,677,228</u>	<u>(15,452)</u>	<u>3,661,776</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers out	-	-	(1,972,000)	-	(1,972,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,972,000)</u>	<u>-</u>	<u>(1,972,000)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>1,705,228</u>	<u>(15,452)</u>	<u>1,689,776</u>
FUND BALANCE - beginning of year	<u>3,035,394</u>	<u>3,035,394</u>	<u>3,035,394</u>	<u>-</u>	<u>-</u>
Residual equity transfer	-	-	(14,657)	-	(14,657)
FUND BALANCE - end of year	<u>\$ 3,035,394</u>	<u>\$ 3,035,394</u>	<u>\$ 4,725,965</u>	<u>\$ (15,452)</u>	<u>\$ 1,675,119</u>

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, 2015

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Final Budget Variance with Budgetary Actual</i>
REVENUE:					
Departmental income	\$ 4,281,553	\$ 4,281,553	\$ 3,886,408	\$ -	\$ (395,145)
Intergovernmental charges	100	100	-	-	(100)
Use of money and property	1,000	1,000	253	-	(747)
Miscellaneous sources	7,221	27,221	-	-	(27,221)
Sale of property	<u>20,000</u>	<u>-</u>	<u>25,127</u>	<u>-</u>	<u>25,127</u>
		-			
Total revenue	<u>4,309,874</u>	<u>4,309,874</u>	<u>3,911,788</u>	<u>-</u>	<u>(398,086)</u>
EXPENDITURES:					
General governmental support	48,652	18,652	-	-	18,652
Home and community services	4,200,517	3,330,517	3,017,109	140,545	172,863
Debt service - principal	46,410	46,410	46,410	-	-
Debt service - interest	<u>14,295</u>	<u>14,295</u>	<u>28,037</u>	<u>-</u>	<u>(13,742)</u>
Total expenditures	<u>4,309,874</u>	<u>3,409,874</u>	<u>3,091,556</u>	<u>140,545</u>	<u>177,773</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>900,000</u>	<u>820,232</u>	<u>(140,545)</u>	<u>(220,313)</u>
OTHER FINANCING SOURCES:					
Operating transfers out	<u>-</u>	<u>(900,000)</u>	<u>(900,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>(900,000)</u>	<u>(900,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	(79,768)	(140,545)	(220,313)
FUND BALANCE - beginning of year	<u>862,260</u>	<u>862,260</u>	<u>862,260</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ 862,260</u>	<u>\$ 862,260</u>	<u>\$ 782,492</u>	<u>\$ (140,545)</u>	<u>\$ (220,313)</u>

CITY OF TROY, NEW YORK

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS PLAN (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Actuarial Valuation Date	Fiscal Year Ended	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a percentage of Covered Payroll
January 1, 2015	12/31/2015	\$ -	\$ 168,600,944	\$ 168,600,944	0%	\$ 32,676,319	516.0%
January 1, 2014	12/31/2014	\$ -	\$ 138,563,006	\$ 138,563,006	0%	\$ 33,125,377	418.3%
January 1, 2013	12/31/2013	\$ -	\$ 134,151,636	\$ 134,151,636	0%	\$ 30,797,580	435.6%

CITY OF TROY, NEW YORK

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS										
Proportion of the net pension liability (asset)	0.055669%									
Proportionate share of the net pension liability (asset)	\$ 1,881									
Covered-employee payroll	\$ 12,756									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	14.75%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.95%									

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.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN - PFRS										
Proportion of the net pension liability (asset)	0.6390066%									
Proportionate share of the net pension liability (asset)	\$ 1,759									
Covered-employee payroll	\$ 17,628									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.98%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.00%									

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.

CITY OF TROY, NEW YORK

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS										
Contractually required contribution	\$ 2,139									
Contributions in relation to the contractually required contribution	2,139									
Contribution deficiency (excess)	\$ -									
Covered-employee payroll	\$ 12,756									
Contributions as a percentage of covered-employee payroll	16.77%									
Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN - PFRS										
Contractually required contribution	\$ 4,538									
Contributions in relation to the contractually required contribution	4,538									
Contribution deficiency (excess)	\$ -									
Covered-employee payroll	\$ 17,628									
Contributions as a percentage of covered-employee payroll	25.74%									

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.

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.

REQUIRED REPORTS UNDER UNIFORM GUIDANCE

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

November 3, 2016

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements, which comprise the balance sheet – all fund types and account groups – statutory basis as of December 31, 2015 of the City of Troy, New York (City), and the statements of revenues, expenditures and changes in fund balance – all governmental fund types – statutory basis as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2016. An adverse opinion was issued on the City's financial statements in accordance with generally accepted accounting principles. Unmodified opinions were reported on the financial statements in accordance with the statutory basis of accounting.

Internal Control Over Financial Reporting

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

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

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

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

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

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

November 3, 2016

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

Report on Compliance for Each Major Federal Program

We have audited City of Troy, New York's (City) compliance with the types of compliance requirements described in the Uniform Guidance that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

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

Report on Internal Control Over Compliance

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

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

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

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

CITY OF TROY, NEW YORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development				
Direct Awards:				
Community Development Block Grants - Entitlement Grant	14.218	B-00MC-36-0109	\$ 773,198	\$ -
Emergency Shelter Grants Program	14.231	S-00MC-36-0007	81,165	81,165
City of Schenectady/ HOME Investment Partnership Program	14.239	B-00MC-36-0510	247,075	169,478
Community Development Block Grants - Brownfield Economic Development Initiative - Section 108 Loan Guarantees	14.248	B-00MC-36-0109	<u>1,998,000</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>3,099,438</u>	<u>250,643</u>
U.S. Department of Justice				
Direct Awards:				
Edward Byrne Memorial Justice Assistant Grant Program	16.738	Various	<u>401,976</u>	<u>-</u>
Passed through NYS Department of Criminal Justice Services:				
Federal Surplus Property Transfer Program	16.578	n/a	117,076	-
Public Safety Partnership and Community Policing Grants	16.710	2011, 2013UMUX0142	122,746	-
Violence Against Women Formula Grant	16.588	2013-WE-AX-0062	<u>99,415</u>	<u>-</u>
			339,237	-
Total U.S. Department of Justice			<u>741,213</u>	<u>-</u>
U.S. Department of Transportation				
Passed through NYS Department of Transportation:				
Highway Planning and Construction	20.205	NYS-PIN-Various	2,370,324	-
NYS Gov Traffic Safety State and Community Highway Safety	20.600	CPS-2013-Troy City PD-00315-(042) PTS-2014-Troy City PD-00247-(042)	<u>23,029</u>	<u>-</u>
Total U.S. Department of Transportation			<u>2,393,353</u>	<u>-</u>
U.S. Department of Homeland Security				
Direct Awards:				
Hazard Mitigation Gant	97.039	C0030714	996,593	-
Assistance to Firefighters Grant	97.044	EMW-2013-FO-2076	309,392	-
Presidential Declared Disaster				
Assistance to Individuals and Households - Other Needs	97.050	PA#0083-75484-00	236,080	-
Passed through City of Albany, NY:				
NYS Homeland Security Grant Program	97.067	#C835412, #C835422, #C164139	<u>158,972</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>1,701,037</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 7,935,041</u>	<u>\$ 250,643</u>

CITY OF TROY, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Troy, New York (the City) under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or the respective changes in financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with the statutory basis of accounting prescribed by the New York Office of the State Comptroller and the amounts presented are derived from the City's general ledger.

The City did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. PASS-THROUGH PROGRAMS

Where the City receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

Identifying numbers, other than the CFDA numbers, which may be assigned by pass-through grantors are not maintained in the City's financial management system. The City has identified certain pass-through identifying numbers and included them in the Schedule, as available.

4. INDIRECT COSTS

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

5. MATCHING COSTS

Matching costs, i.e., the City's or State's share of certain program costs, are not included in the schedule of expenditures of federal awards.

4. LOANS AND LOAN GUARANTEES

The City had \$1,831,000 of loans outstanding to the Department of Housing and Urban Development related to the Brownfields Economic Development Initiative and Section 108 as of December 31, 2015.

CITY OF TROY, NEW YORK

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued (GAAP): Adverse

Type of auditor’s report issued on whether the financial statements present fairly in accordance with the Statutory basis of accounting: Unmodified

Internal control over financial reporting:

Material weakness (es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness (es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes No

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.248	CDBG – Section 108 Loan Guarantees
20.205	Highway Planning and Construction
97.039	Hazard Mitigation Grant

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

Auditee qualified as low-risk auditee? Yes No

CITY OF TROY, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED DECEMBER 31, 2015

Section II—Financial Statement Findings

None.

Section III—Federal Award Findings and Questioned Costs

There were no instances of material weaknesses, significant deficiencies or noncompliance, including questioned costs that are required to be reported under the Uniform Guidance.

Section IV - Status of Prior Year Comments

There were no findings required to be reported under *Government Auditing Standards*, OMB Circular A-133 for the year ended December 31, 2014.