CITY OF TROY, NEW YORK

Basic Financial Statements
And
Reports Required Under Uniform Guidance
as of and for the year ended
December 31, 2019

Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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SUPPLEMENTARY INFORMATION

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

December 9, 2020

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Troy, New York (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Troy Industrial Development Authority, Troy Local Development Corporation, and Troy Capital Resource Corporation which collectively represent 78%, 84% and 45%, respectively of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The financial statements of Troy Industrial Development Authority, Troy Local Development Corporation, and Troy Capital Resource Corporation were also audited in accordance with *Government Auditing Standards.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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(Continued)

Auditor's Responsibility (Continued)

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

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

Summary of Opinions

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

Basis for Adverse Opinion on Governmental Activities

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Governmental Activities* paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the City, as of December 31, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City as of December 31, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of changes in total OPEB liability and related ratios, and schedules of contributions – pension plans and proportionate share of the net pension liability(asset) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards listed in the accompanying table of contents 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 not a required part of the basic financial statements.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters (Continued)

Other Information (Continued)

In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020, on our consideration of the City of Troy'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Troy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Troy's internal control over financial reporting and compliance.

Bonadio & Co., LLP

CITY OF TROY, NEW YORK

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Component Units
ASSETS:		
CURRENT ASSETS:		
Cash	$ 61,050,296	$ 1,536,572
Restricted cash	7,982,844	-
Cash with fiscal agent	13,811,838	-
Taxes receivable, net of allowance for doubtful accounts	5,258,056	-
Accounts receivable	5,911,452	505,150
Grants receivable	-	191,327
Due from other governments	10,579,730	-
Due from fiduciary fund	620,815	-
Prepaid expenses	99,965	25,804
Loans receivable, current portion	-	53,476
Total current assets	105,314,996	2,312,329
NONCURRENT ASSETS:		
Capital assets, net	286,564,695	538,056
Real property held for resale or development	-	2,772,137
Loan receivable, net	-	19,634
Other noncurrent assets	-	614
Total noncurrent assets	286,564,695	3,330,441
Total assets	391,879,691	5,642,770
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources - ERS	3,048,877	-
Deferred outflows of resources - PFRS	10,484,704	-
Deferred outflows of resources - OPEB	14,036,226	-
Total deferred outflows of resources	27,569,807	-
Total assets and deferred outflows of resources	419,449,498	5,642,770
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	$ 8,756,046	$ 96,929
Accrued expenses	7,923,128	-
Grants payable	-	75,000
Due to other governments	7,234,296	-
Unearned revenue	1,866,846	579,054
Bond anticipation notes payable	45,414,958	
Bonds and loans payable, current portion	6,926,853	167,000
Total current liabilities	78,122,127	917,983
LONG-TERM LIABILITIES:		
Bonds and loans payable, net of current portion	26,409,427	996,000
NYS Employeee Retirement System loans payable	5,892,081	-
Compensated absences	5,921,568	-
Net pension liability - ERS	3,291,108	-
Net pension liability - PFRS	9,999,455	-
Workers' Compensation	1,876,525	
Total other post employment benefits	201,309,475	-
Total long-term liabilities	254,699,639	996,000
Total liabilities	332,821,766	1,913,983
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources - ERS	1,478,994	-
Deferred inflows of resources - PFRS	4,118,938	-
Deferred inflows of resources - OPEB	19,992,331	-
Land purchase option	-	117,301
Total deferred inflows of resources	25,590,263	117,301
Total liabilities and deferred inflows or resources	358,412,029	2,031,284
NET POSITION:		
Net investment in capital assets	243,450,341	538,056
Restricted	28,152,294	-
Unrestricted	(210,565,166)	3,073,430
TOTAL NET POSITION	$ 61,037,469	$ 3,611,486

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Program Revenue			Net (Expense) Revenue and Changes in Net Position	
PRIMARY GOVERNMENT:	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Component Units
Governmental activities:						
General governmental support	$ 12,217,401	$ 711,565	$ 737,819	$ 15,075	$ (10,752,942)	$ -
Public safety	46,910,576	5,408,571	767,017	-	(40,734,988)	-
Health	239,538	76,036	-	-	(163,502)	-
Transportation	5,192,137	941,714	(780,705)	1,738,309	(3,292,819)	-
Economic Assistance and Opportunity	5,675	-	5,675	-	-	-
Culture and recreation	2,378,667	852,122	-	355,487	(1,171,058)	-
Home and community services	17,512,996	21,978,526	3,246,178	4,700,899	12,412,607	-
Interest	2,173,932	-	-	-	(2,173,932)	-
Total governmental activities	$ 86,630,922	$ 29,968,534	$ 3,975,984	$ 6,809,770	(45,876,634)	-
COMPONENT UNITS:						
Troy Industrial Development Authority	$ 503,902	$ -	$ -	$ -	-	(503,902)
Troy Local Development Corporation	271,450	-	596,327	-	-	324,877
Troy Capital Resource Corporation	143,057	-	-	-	-	(143,057)
Troy Community Land Bank Corporation	1,248,730	-	271,011	-	-	(977,719)
Total component units	$ 2,167,139	$ -	$ 867,338	$ -	-	(1,299,801)
GENERAL REVENUE:						
Real property taxes and tax items					27,013,838	-
Nonproperty tax items					18,407,667	-
General state aid					12,279,463	-
Grants					-	-
Donation of property for sale					-	496,000
Sale of property and compensation for loss					276,838	255,400
Use of money and property					975,946	88,733
Gain on satisfaction of environmental remediation obligation					-	479,012
Miscellaneous					2,634,037	381,083
Total general revenue					61,587,789	1,700,228
Change in net position					15,711,155	400,427
Total net position - beginning of year					45,326,314	3,211,059
Net position - end of year					$ 61,037,469	$ 3,611,486

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	General Fund	Special Revenue Funds: Special Grant Fund	Special Revenue Funds: Water Fund	Special Revenue Funds: Sewer Fund	Special Revenue Funds: Garbage Fund	Debt Service Fund	Capital Projects Fund	Total
ASSETS								
Cash	$ 14,452,044	$ 1,785,579	$ 7,023,699	$ 1,938,588	$ 213,502	$ -	$ 35,636,884	$ 61,050,296
Restricted cash	1,140,118	-	-	-	-	371,528	6,471,198	7,982,844
Cash with fiscal agent	10,793,314	-	-	-	-	3,018,524	-	13,811,838
Due from other governments	5,405,174	508,608	2,180,457	-	81,312	-	2,404,179	10,579,730
Taxes receivable, net	5,258,056	-	-	-	-	-	-	5,258,056
Accounts receivables	2,838,660	81,151	1,240,831	919,054	701,756	-	130,000	5,911,452
Due from other funds	2,642,527	45,815	69,369	-	130,831	583,676	7,052,615	10,524,833
Prepaid and other assets	71,745	-	23,265	516	516	-	3,923	99,965
TOTAL ASSETS	$ 42,601,638	$ 2,421,153	$ 10,537,621	$ 2,858,158	$ 1,127,917	$ 3,973,728	$ 51,698,799	$ 115,219,014

(Continued)

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
DECEMBER 31, 2019

	General Fund	Special Revenue Funds: Special Grant Fund	Special Revenue Funds: Water Fund	Special Revenue Funds: Sewer Fund	Special Revenue Funds: Garbage Fund	Debt Service Fund	Capital Projects Fund	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
LIABILITIES:								
Accounts payable	$ 3,161,587	$ 244,935	$ 338,953	$ 252,691	$ 244,979	$ -	$ 4,512,901	$ 8,756,046
Accrued liabilities	7,263,552	-	118,470	30,556	73,459	-	-	7,486,037
Other liabilities	215,550	-	41,365	-	-	-	-	256,915
Due to other governments	7,224,740	-	-	-	-	-	9,556	7,234,296
Due to other funds	1,836,543	454,972	4,300,244	1,672,623	81,822	-	1,557,814	9,904,018
Unearned revenue	1,604,122	65,675	84,647	-	112,402	-	-	1,866,846
BANs payable	-	-	-	-	-	-	45,414,958	45,414,958
Compensated absences	180,176	-	-	-	-	-	-	180,176
Total liabilities	21,486,270	765,582	4,883,679	1,955,870	512,662	-	51,495,229	81,099,292
DEFERRED INFLOWS OF RESOURCES								
Deferred taxes	2,532,957	-	-	-	-	-	-	2,532,957
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	24,019,227	765,582	4,883,679	1,955,870	512,662	-	51,495,229	83,632,249
FUND BALANCE:								
Nonspendable	71,745	-	23,265	516	516	-	3,923	99,965
Restricted	15,375,807	1,655,571	5,630,677	901,772	614,739	3,973,728	-	28,152,294
Assigned	117,736	-	-	-	-	-	199,647	317,383
Unassigned	3,017,123	-	-	-	-	-	-	3,017,123
Total Fund Balance	18,582,411	1,655,571	5,653,942	902,288	615,255	3,973,728	203,570	31,586,765
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 42,601,638	$ 2,421,153	$ 10,537,621	$ 2,858,158	$ 1,127,917	$ 3,973,728	$ 51,698,799	$ 115,219,014

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Fund balance, all governmental funds	$ 31,586,765
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	286,564,695
Pension related government-wide activity:	
Deferred outflows of resources - ERS	3,048,877
Deferred outflows of resources - PFRS	10,484,704
Net pension liability - ERS	(3,291,108)
Net pension liability - PFRS	(9,999,455)
Deferred inflows of resources - ERS	(1,478,994)
Deferred inflows of resources - PFRS	(4,118,938)
Long-term liabilities are not due and payable in the current period and are, therefore not reported in the funds:	
Bonds and notes payable	(33,336,280)
NYS Employee Retirement System loans payable	(5,892,081)
Compensated absences	(5,921,568)
Workers' compensation liability	(1,876,525)
OPEB related government-wide activity:	
Total other postemployment benefits	(201,309,475)
Deferred outflows of resources - OPEB	14,036,226
Deferred inflows of resources - OPEB	(19,992,331)
Deferral of property taxes levied in the current year is recognized as revenue under the accrual basis of accounting	2,532,957
Net position of governmental activities	$ 61,037,469

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

		Special Revenue Funds						
	General Fund	Special Grant Fund	Water Fund	Sewer Fund	Garbage Fund	Debt Service Fund	Capital Projects Fund	Total
REVENUES:								
Real property taxes and tax items	$ 26,938,398	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,938,398
Nonproperty tax items	18,407,667	-	-	-	-	-	-	18,407,667
Departmental income	4,945,866	245,935	4,194,036	4,173,296	3,689,150	-	-	17,248,283
Intergovernmental charges	351,178	-	7,128,006	179,006	-	-	-	7,658,190
Use of money and property	218,918	718	296,572	8,640	119,098	175,021	156,979	975,946
Licenses and permits	914,504	-	11,980	-	-	-	-	926,484
Fines and forfeitures	1,682,454	45,815	-	-	-	-	-	1,728,269
Interfund revenue	2,080,308	-	327,000	-	-	-	-	2,407,308
Sale of property and compensation for loss	266,038	-	10,800	-	-	-	-	276,838
Miscellaneous	1,671,221	153,144	127,655	29,758	50,438	-	230,293	2,262,509
State aid	12,400,425	285,791	-	-	-	-	1,609,118	14,295,334
Federal aid	408,949	3,160,282	-	-	-	-	5,200,652	8,769,883
Total revenues	70,285,926	3,891,685	12,096,049	4,390,700	3,858,686	175,021	7,197,042	101,895,109
EXPENDITURES:								
General governmental support	8,375,384	3,885,173	501,746	-	23,643	-	-	12,785,946
Public safety	38,058,467	155,535	-	-	-	-	-	38,214,002
Public health	190,622	-	-	-	-	-	-	190,622
Transportation	4,671,024	-	-	-	-	-	-	4,671,024
Culture and recreation	1,991,716	-	-	-	-	-	-	1,991,716
Home and community services	1,098,624	-	8,889,799	2,644,611	3,812,662	-	-	16,445,696
Employee benefits	6,507,695	-	-	-	11,901	-	-	6,519,596
Capital outlays	-	-	-	-	-	-	27,094,967	27,094,967
Debt Service								
Principal	4,738,161	-	466,646	61,490	10,000	-	-	5,276,297
Interest	4,505,348	-	277,465	11,997	-	7,369	-	4,802,179
Total expenditures	70,137,041	4,040,708	10,135,656	2,718,098	3,858,206	7,369	27,094,967	117,992,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	148,885	(149,023)	1,960,393	1,672,602	480	167,652	(19,897,925)	(16,096,936)
OTHER FINANCING SOURCES (USES):								
Proceeds from issuance of debt	-	-	-	-	-	-	13,352,398	13,352,398
Premium on bond issued	-	-	-	-	-	371,528	-	371,528
BANs redeemed from appropriations	-	-	-	-	-	-	1,019,000	1,019,000
Operating transfers - in	2,141,087	-	-	-	614,775	583,676	5,722,675	9,062,213
Operating transfers - out	(2,171,249)	-	(3,168,600)	(1,672,602)	-	(1,452,867)	(596,895)	(9,062,213)
Total other financing sources (uses)	(30,162)	-	(3,168,600)	(1,672,602)	614,775	(497,663)	19,497,178	14,742,926
CHANGE IN FUND BALANCE	118,723	(149,023)	(1,208,207)	-	615,255	(330,011)	(400,747)	(1,354,010)
FUND BALANCE - beginning of year	18,463,688	1,804,594	6,862,149	902,288	-	4,303,739	604,317	32,940,775
FUND BALANCE - end of year	$ 18,582,411	$ 1,655,571	$ 5,653,942	$ 902,288	$ 615,255	$ 3,973,728	$ 203,570	$ 31,586,765

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net changes in fund balance - Total governmental funds	$ (1,354,010)
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position	30,441,719
Pension expense resulting from the GASB 68/71 related reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities	(1,553,025)
Compensated absences do not require the expenditure of current resources and are, therefore, are not reported as expenditures in the governmental funds	(559,534)
Proceeds from issuance of debt is not reported as revenue in government-wide financial statements	(13,352,398)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	5,276,297
Proceeds from BANs redeemed from appropriations recorded as revenue in the governmental funds are not recognized as revenue in the statement of activities	(1,019,000)
Bond accretion on MAC debt decreases the principal balance and decreases interest expense in the government-wide financial statements	2,628,247
Repayments of ERS and TRS loan payables are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	1,340,386
Accrued postemployment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds	(4,352,442)
Accrued workers' compensation liability does not require the expenditure of current resources and therefore, is not reported as expenditures in the governmental funds	(1,876,525)
Payments on judgments and claims are recorded as expenditures in the governmental funds but are recorded as payments of liabilities in the statement of net position	16,000
Property tax revenue is recorded to the extent it is received within 60 days of year-end for governmental funds, but in the statement of activities this revenue is recorded as earned upon levy	75,440
Change in net position - governmental activities	$ 15,711,155

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019

		Agency
ASSETS:		
Cash	$	1,172,063
Other current assets		36,338
Total Assets	$	1,208,401
LIABILITIES:		
Accounts payable	$	587,586
Due to governmental funds		620,815
Total Liabilities	$	1,208,401

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

STATEMENT OF NET POSITION - COMPONENT UNITS
DECEMBER 31, 2019

	Troy Industrial Development Authority	Troy Local Development Corporation	Troy Capital Resource Corporation	Troy Community Land Bank Corporation	Total
ASSETS					
CURRENT ASSETS					
Cash	$ 515,168	$ 466,861	$ 290,402	$ 264,141	$ 1,536,572
Accounts receivable, net of allowance for doubtful accounts	-	5,150	-	500,000	505,150
Grants receivable	-	191,327	-	-	191,327
Prepaid expenses	1,101	15,253	-	9,450	25,804
Loans receivable, current portion	-	53,476	-	-	53,476
Total current assets	516,269	732,067	290,402	773,591	2,312,329
NONCURRENT ASSETS					
Capital assets, net	-	537,287	-	769	538,056
Real property held for resale or development	287,000	2,036,228	-	448,909	2,772,137
Loan receivable, net	-	19,634	-	-	19,634
Other noncurrent assets	-	614	-	-	614
Total noncurrent assets	287,000	2,593,763	-	449,678	3,330,441
Total assets	803,269	3,325,830	290,402	1,223,269	5,642,770
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	3,500	27,595	-	65,834	96,929
Loan payable, current portion	-	167,000	-	-	167,000
Grants payable	-	75,000	-	-	75,000
Unearned revenue	-	-	-	579,054	579,054
Total current liabilities	3,500	269,595	-	644,888	917,983
Long-term liabilities					
Loan payable, long-term portion	-	996,000	-	-	996,000
Total long-term liabilities	-	996,000	-	-	996,000
Total liabilities	3,500	1,265,595	-	644,888	1,913,983
DEFERRED INFLOWS OF RESOURCES					
Land purchase option	117,301	-	-	-	117,301
NET POSITION					
Net investment in capital assets	-	537,287	-	769	538,056
Unrestricted	682,468	1,522,948	290,402	577,612	3,073,430
	$ 682,468	$ 2,060,235	$ 290,402	$ 578,381	$ 3,611,486

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Troy Industrial Development Authority	Troy Local Development Corporation	Troy Capital Resource Corporation	Troy Community Land Bank Corporation	Total
Operating Revenue					
Donation of property for sale	$ -	$ -	$ -	$ 496,000	$ 496,000
Sale of property	-	-	-	255,400	255,400
Grant revenue	-	521,327	-	271,011	792,338
Other income	215,156	77,967	4,000	83,960	381,083
Use of money and property	-	79,767	-	-	79,767
Total Operating Revenue	215,156	679,061	4,000	1,106,371	2,004,588
Operating Expenses					
Economic assistance	503,902	121,018	143,057	1,248,315	2,016,292
Depreciation	-	4,829	-	415	5,244
Total Operating Expenses	503,902	125,847	143,057	1,248,730	2,021,536
Operating Income (Loss)	(288,746)	553,214	(139,057)	(142,359)	(16,948)
Nonoperating Revenues					
Gain on satisfaction of environmental remediation obligation	-	479,012	-	-	479,012
Interest income	7,625	-	805	536	8,966
Pass-through grant revenue	-	75,000	-	-	75,000
Total Nonoperating Revenue	7,625	554,012	805	536	562,978
Nonoperating Expenses					
Pass-through grant expenses	-	75,000	-	-	75,000
Debt service - interest	-	70,603	-	-	70,603
Total Nonoperating Expenses	-	145,603	-	-	145,603
Change in net position	(281,121)	961,623	(138,252)	(141,823)	400,427
NET POSITION - beginning of year	963,589	1,098,612	428,654	720,204	3,211,059
NET POSITION - end of year	$ 682,468	$ 2,060,235	$ 290,402	$ 578,381	$ 3,611,486

The accompanying notes are an integral part of these statements.

CITY OF TROY, NEW YORK

STATEMENT OF CASH FLOWS - COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Troy Industrial Development Authority	Troy Local Development Corporation	Troy Capital Resource Corporation	Troy Community Land Bank Corporation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ -	$ 152,584	$ -	$ -	$ 152,584
Proceeds from grants	-	405,000	-	208,841	613,841
Payments to vendors for goods and services	(500,231)	(132,967)	(143,057)	(564,194)	(1,340,449)
Payments for loan advances	-	(10,000)	-	-	(10,000)
Payments to employees for salaries and benefits	-	-	-	(92,176)	(92,176)
Proceeds from loan repayments	-	80,862	-	-	80,862
Payments for environmental remediation obligation	-	(485,988)	-	-	(485,988)
Receipts from property sales	-	-	-	261,554	261,554
Other receipts	243,156	-	5,500	83,960	332,616
Net cash flows provided by (used in) operating activities	(257,075)	9,491	(137,557)	(102,015)	(487,156)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from interest income	7,625	-	805	537	8,967
Proceeds on loan payable	-	221,667	-	-	221,667
Proceeds from interest prepaid on loan payable	-	48,030	-	-	48,030
Payment on loan payable	-	(167,000)	-	-	(167,000)
Interest paid	-	(64,505)	-	-	(64,505)
Net cash provided by (used in) investing activities	7,625	38,192	805	537	47,159
Net increase (decrease) in cash and cash equivalents	(249,450)	47,683	(136,752)	(101,478)	(439,997)
Cash and cash equivalents - beginning of year	764,618	419,178	427,154	365,619	1,976,569
Cash and cash equivalents - end of year	$ 515,168	$ 466,861	$ 290,402	$ 264,141	$ 1,536,572
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income (loss)	$ (288,746)	$ 553,214	$ (139,057)	$ (142,359)	$ (16,948)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	4,829	-	415	5,244
Property donated (non-cash revenue)	-	-	-	(496,000)	(496,000)
Cost of property sales	-	-	-	542,966	542,966
Changes in operating assets and liabilities:					
Accounts receivable	28,000	(5,150)	1,500	(493,846)	(469,496)
Grants receivable	-	(116,327)	-	-	(116,327)
Loans receivable	-	70,862	-	-	70,862
Prepaid expenses	221	(9,287)	-	(2,557)	(11,623)
Accounts payable and accrued expenses	3,450	(2,662)	-	51,536	52,324
Environmental remediation obligation	-	(485,988)	-	-	(485,988)
Unearned grant revenue	-	-	-	437,830	437,830
Net cash flows provided by (used in) operating activities	$ (257,075)	$ 9,491	$ (137,557)	$ (102,015)	$ (487,156)

The accompanying notes are an integral part of these statements.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Financial Reporting Entity

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

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

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

Component Units of the City include the following:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity – Continued

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

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

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

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

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

B. Government-Wide Financial Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide Financial Statements – Continued

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

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

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

C. Fund Financial Statements

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

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

Fund Categories

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Financial Statements – Continued

Fund Categories – Continued

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

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

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Accrual Basis of Accounting

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

Modified Accrual Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Risk Disclosure

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

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

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

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

Property Taxes

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

The City has established a $1,551,326 allowance for doubtful accounts based on collection history and a review of accounts by management.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Due From/To Other Funds
During the course of its operations, the City has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of December 31, 2019, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Liabilities

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

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

Compensated Absences

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position and Fund Balance Classifications

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

a) *Net Investment in capital assets* - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b) *Restricted net position* - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations for other governments; or (2) law through constitutional provisions or enabling legislation.

Restricted net position and fund balance includes the following:

General Fund		
Debt service	$ 10,424,854	
Capital	3,648,285	
Insurance	592,898	
Snow and Ice	426,930	
Unemployment Insurance	262,152	
Workers Compensation	20,688	$ 15,375,807
Debt Service Fund		
Debt service		3,973,728
Special Revenue Funds		
Special Grant Fund		1,655,571
Water Fund		5,630,677
Sewer Fund		901,772
Garbage Fund		614,739
		$ 28,152,294

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position and Fund Balance Classifications (Continued)

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

a) *Nonspendable fund balance* - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2019 by the City are nonspendable in form.

b) *Restricted fund balance* - Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The City has available the following restricted fund balances:

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position and Fund Balance Classifications (Continued)

Governmental Fund Statements (Continued)

b) *Restricted fund balance* (Continued)

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

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

c) *Committed fund balance* - Includes amounts that can be used for the specific purposes pursuant to constraints imposed be 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, 2019.

d) *Assigned fund balance* - Includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance in the general fund. As of December 31, 2019, the City's encumbrances were classified as follows:

General Governmental Support	$ 38,063
Public Safety	60,538
Transportation	19,135
	$ 117,736

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position and Fund Balance Classifications (Continued)

Order of Fund Balance Spending Policy

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

F. Budgetary Data

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

a. Not later than October 10, the City Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1.

b. The operating budget includes proposed expenditures and the means of financing them.

c. Public hearings are conducted to obtain taxpayer comments.

d. No later than December 1, the budget is legally enacted through the passage of a legislative resolution.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

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

H. Operating Revenues

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

NOTE 2 – CASH

The City's cash balance includes both unrestricted and restricted amounts. Restricted balances represent amounts required by statute to be reserved for various purposes. The use of restricted cash is limited by legal requirements. The cash balance as of December 31, 2019 is as follows:

Unrestricted Cash		
General Fund		$ 14,452,044
Special Revenue Funds:		
Special Grant Fund	$ 1,785,579	
Water Fund	7,023,699	
Sewer Fund	1,938,588	
Garbage Fund	213,502	10,961,368
Capital Projects Fund		35,636,884
Total Unrestricted Cash		61,050,296
Restricted Cash		
General Fund		1,140,118
Debt Service Fund		371,528
Capital Projects Fund		6,471,198
Total Restricted Cash		7,982,844
Total Cash		$ 69,033,140

Restricted cash includes cash with fiscal agent of $13,811,838 and represents amounts held for the payment of principal and interest on outstanding obligations held by the Municipal Assistance Corporation for the City of Troy (MAC) in the general and debt service funds. This amount is excluded from the City's cash balance subject to collateralization requirements.

Restricted cash also includes cash held with fiscal agent of $6,471,198 in the capital projects fund. This cash represents amounts held in connection with the energy performance contract. This amount is also excluded from the City's cash balance subject to collateralization requirements.

NOTE 2 – CASH (Continued)

At December 31, 2019, the City's cash balances were either insured or collateralized with securities held by the pledging financial institution's trust department in the City's name.

	Bank Balance	Carrying Amount
Cash, including fiduciary funds	$ 65,806,063	$ 56,386,786
Collateralized with securities held by the financial institution's trust department or agent in the City's name	$ 65,086,219	
Covered by FDIC insurance	719,844	
Total	$ 65,806,063	

NOTE 3 - CAPITAL ASSETS

The following schedule identifies changes to the City's fixed assets for the year ended December 31, 2019:

	January 1, 2019 Balance	Additions	Deletions	December 31, 2019 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 2,117,948	$ 133,250	$ -	$ 2,251,198
Buildings and land improvements	51,763,067	2,062,587	-	53,825,654
Machinery and equipment	29,271,607	3,212,072	-	32,483,679
Infrastructure	171,846,862	23,446,918	-	195,293,780
Construction in progress	1,123,492	27,095,033	25,508,141	2,710,384
	$ 256,122,976	$ 55,949,860	$ 25,508,141	$ 286,564,695

NOTE 4 – SHORT-TERM DEBT

Bond Anticipation Notes

Liabilities for Bond Anticipation Notes (BANs) are generally accounted for in the capital projects fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. The City had the following BANs outstanding at December 31, 2019:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
BAN - Sea Wall Reconstruction	8/02/2019	3.00%	$ 10,000,000	$ -	$ 10,000,000	$ -
BAN - Various Equipment	8/02/2019	3.00%	718,000	-	718,000	-
BAN - Police Vehicles	2/08/2019	2.75%	245,000	-	245,000	-
BAN - Abatement/Demolition of New Building	2/08/2019	2.75%	226,733	-	226,733	-
BAN - Various Equipment	2/06/2020	2.07%	765,000	-	33,000	732,000
BAN - OCA Project	2/06/2020	2.07%	2,475,000	-	65,000	2,410,000
BAN - Spring Avenue Bridge	2/06/2020	2.07%	450,000	-	15,000	435,000
BAN - Riverfront North Extension	2/06/2020	2.07%	1,065,000	-	35,000	1,030,000
BAN - Sea Wall	2/06/2020	2.07%	4,352,000	-	417,000	3,935,000
BAN - South Troy Industrial Roadway	2/06/2020	2.07%	1,350,000	-	55,000	1,295,000
BAN - Bike Trail	2/06/2020	2.07%	1,489,000	-	1,000,000	489,000
BAN - Powers Park Renovation	2/06/2020	2.07%	449,000	-	15,000	434,000
BAN - 2017 General Fund Capital Plan	2/06/2020	2.07%	225,000	-	-	225,000
BAN - 2018 Water Fund Capital Plan	2/06/2020	2.07%	3,500,000	-	-	3,500,000
BAN - Tropical Storm Irene	2/06/2020	2.07%	2,700,000	-	-	2,700,000
BAN - Tropical Storm Irene	7/31/2020	1.50%	500,000	-	25,000	475,000
BAN - Building Demolition	7/31/2020	1.50%	660,000	-	250,000	410,000
BAN - 2017 General Fund Capital Plan	7/31/2020	1.50%	632,695	-	304,000	328,695
BAN - Ingalls Avenue Boat Launch	7/31/2020	1.50%	700,000	-	500,000	200,000
BAN - Leonard Hospital Demolition	7/31/2020	1.50%	2,500,000	-	-	2,500,000
BAN - 2018 General Fund Capital Plan	7/31/2020	1.50%	330,000	-	-	330,000
BAN - Tropical Storm Irene	7/31/2020	3.00%	1,000,000	-	-	1,000,000
BAN - Sewer Fund CSO Project	5/12/2021	0.68%	485,437	-	10,000	475,437
BAN - Building Demolition	2/06/2020	2.07%	-	200,000	-	200,000
BAN - South Troy Industrial Roadway	7/31/2020	1.50%	-	1,750,000	-	1,750,000
BAN - Ingalls Avenue Boat Launch	2/06/2020	2.07%	-	657,850	-	657,850
BAN - 2018 General Fund Capital Plan	2/06/2020	2.07%	-	775,000	-	775,000
BAN - 2019 Garbage Fund Capital Plan	2/06/2020	2.07%	-	355,000	-	355,000
BAN - South Troy Industrial Roadway	2/06/2020	2.07%	-	250,000	-	250,000
BAN - 2019 General Fund Capital Plan - DPW/Recreation	2/06/2020	2.07%	-	665,000	-	665,000
BAN - 2019 General Fund Capital Plan - DPW/Recreation	7/31/2020	1.50%	-	618,000	-	618,000
BAN - 2019 General Fund Capital Plan - Fire	2/06/2020	2.07%	-	95,000	-	95,000
BAN - 2019 General Fund Capital Plan - Fire	7/31/2020	1.50%	-	660,000	-	660,000
BAN - 2019 General Fund Capital Plan - Knickerbacker Ice Arena	2/06/2020	2.07%	-	550,000	-	550,000
BAN - 2019 General Fund Capital Plan	2/06/2020	2.07%	-	596,000	-	596,000
BAN - Tropical Storm Irene	2/06/2020	2.07%	-	1,250,000	-	1,250,000
BAN - Knickerbacker Pool Reconstruction	2/06/2020	2.07%	-	500,000	-	500,000
BAN - Sea Wall	2/06/2020	2.07%	-	9,000,000	-	9,000,000
BAN - South Troy Industrial Roadway	2/06/2020	2.07%	-	2,000,000	-	2,000,000
BAN - South Troy Industrial Roadway	2/06/2020	2.07%	-	1,400,000	-	1,400,000
BAN - Sewer Fund CSO Project	5/21/2021	0.68%	-	1,188,976	-	1,188,976
	Total		$ 36,817,865	$ 22,510,826	$ 13,913,733	$ 45,414,958

NOTE 5 – LONG-TERM LIABILITIES

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

	Beginning Balance	Increase	Decrease	Ending Balance	Due within One Year
Government activities					
Bonds and notes payable:					
General obligation debt:					
Serial bonds payable - Water Fund	$ 50,000	$ -	$ 50,000	$ -	$ -
NYS EFC payable - Water Fund	868,155	-	206,390	661,765	213,332
NYS EFC payable - Water Fund	2,165,000	-	100,000	2,065,000	100,000
NYS EFC payable - Sewer Fund	1,008,150	-	51,490	956,660	52,850
Serial bonds payable - General Fund	1,121,888	-	101,888	1,020,000	100,000
Serial bonds payable - General Fund	-	5,286,000	-	5,286,000	302,140
Serial bonds payable - Garbage Fund	-	330,000	-	330,000	18,860
Serial bonds payable - Water Fund	-	1,233,200	55,000	1,178,200	33,200
	5,213,193	6,849,200	564,768	11,497,625	820,382
Capital leases payable:					
Capital lease payable - General Fund	496,545	-	46,508	450,037	48,468
Capital lease payable - General Fund	1,206,399	-	77,032	1,129,367	86,226
Capital lease payable - Water Fund	660,360	-	55,256	605,104	60,609
Capital lease payable - General Fund	-	6,503,198	-	6,503,198	-
	2,363,304	6,503,198	178,796	8,687,706	195,303
Total bonds and capital leases payable	7,576,497	13,352,398	743,564	20,185,331	1,015,685
Repayment agreements - MAC debt (a)	19,292,929	-	6,141,980	13,150,949	5,911,168
Total bonds and notes payable	26,869,426	13,352,398	6,885,544	33,336,280	6,926,853
Other liabilities:					
Judgments and claims payable	16,000	-	16,000	-	-
Retirement debt (c)	7,232,467	-	1,340,386	5,892,081	-
Compensated absences	5,362,034	559,534	-	5,921,568	-
Net pension liability - ERS	1,521,383	1,769,725	-	3,291,108	-
Net pension liability - PFRS	6,118,437	3,881,018	-	9,999,455	
Total other post employment benefits (b)	187,247,058	30,140,145	16,077,728	201,309,475	-
Total other liabilities	207,497,379	36,350,422	17,434,114	226,413,687	-
Total long-term liabilities	$234,366,805	$ 49,702,820	$ 24,319,658	$259,749,967	$ 6,926,853

(a) Repayment agreements include Capital Appreciation Bonds and accreted interest of $8,477,638.

(b) Postemployment health insurance liability at December 31, 2019, has been adjusted to actuarial determinations as prescribed under GASB No. 75. See Note 9.

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

NOTE 5 – LONG-TERM LIABILITIES (Continued)

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

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 Contacts) for the provisions of energy service, including but not limited to, electricity, heating, ventilation, cooling, steam or hot water, in which a person agrees to install, maintain or manage energy systems or equipment to improve efficiency of, or produce energy in connection with building or facility in exchange for a portion of the energy saving and revenues.

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

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

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

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

State Clean Water Program
The City has entered into loan agreements with the New York State Environmental Facilities Corporation (EFC) to finance the cost of improvements to the City's sewer system which were necessary to eliminate the discharge of untreated sewage into the Hudson River. The general obligation serial bonds shown under the Sewer Fund represent the unpaid balance of these bonds at December 31, 2019.

State Drinking Water Program
The City has also entered into loan agreements with EFC to help finance recent improvements to the City's water system. The general obligation serial bonds shown under Water Fund represent the unpaid balance of these bonds at December 31, 2019.

NOTE 5 – LONG-TERM LIABILITIES (Continued)

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

	Year of Issue	Original Balance	Interest Rate	Final Maturity	December 31, 2019
General Fund					
Capital Lease	2011	$ 1,648,598	4.55%	07/2029	$ 1,129,367
Capital Lease	2012	$ 738,648	4.23%	03/2027	450,037
Capital Lease	2019	$ 6,503,198	2.90%	07/2040	6,503,198
General Obligation	2010	$ 1,121,888	3.00%	08/2028	1,020,000
General Obligation	2019	$ 5,286,000	2.00%	08/2034	5,286,000
					14,388,602
Water Fund					
General Obligation	2019	$ 1,233,200	1.30%	08/2048	1,178,200
NYS EFC Obligation	2001	$ 3,390,000	3.25%	12/2022	661,765
NYS EFC Obligation	2007	$ 3,136,180	4.63%	09/2036	2,065,000
Capital Lease	2011	$ 946,746	4.29%	07/2027	605,104
					4,510,069
Sewer Fund					
NYS EFC Obligation	2004	$ 1,625,890		04/2034	956,660
Garbage Fund					
General Obligation	2019	$ 330,000	2.00%	08/2034	330,000
	Total general obligation bonds and leases payable				$ 20,185,331

The annual debt service requirements to maturity, including principal and interest, for bonds, notes and capital leases payable as of December 31, 2019, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2020	$ 1,015,685	$ 419,734	$ 1,435,419
2021	1,197,687	682,712	1,880,399
2022	1,344,119	539,468	1,883,587
2023	1,152,321	497,953	1,650,274
2024	1,182,265	462,568	1,644,833
2025-2029	5,931,261	1,745,502	7,676,763
2030-2034	4,998,353	952,412	5,950,765
2035-2039	2,460,486	352,608	2,813,094
2040-2044	673,154	81,100	754,254
2045-2048	230,000	22,302	252,302
	$ 20,185,331	$ 5,756,359	$ 25,941,690

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Debt Service Payment and Funding Requirements – Repayment Agreements

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

A summary of the City's debt under these repayment agreements with the Municipal Assistance Corporation for the City of Troy as of December 31, 2019 is as follows:

Series 1996B Capital Appreciation Bonds	$ 2,312,543
Series 1196C Capital Appreciation Bonds	864,600
Series 2010A Refunding Bonds	1,495,000
	4,672,143
Bond accretion - Series 1996B and 1996C	8,477,638
Bond premium - Series 2010A	1,168
	$ 13,150,949

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:

Fiscal Year Ending December 31,	Principal**	Interest *	Total
2020	$ 5,915,000	$ 63,838	$ 5,978,838
2021	5,930,000	41,562	5,971,562
2022	4,635,000	17,550	4,652,550
	$ 16,480,000	$ 122,950	$ 16,602,950

*Net of anticipated interest subsidies on EFC loans.
**Includes Series 1996B and 1996C Capital Appreciation Bonds at their maturity values, with future bond accretion of $2,764,917.

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

	Beginning Balance	Bond Accretion/ Amortization	Payments	Ending Balance
Bonds and loans payable	$ 19,287,759	$ 722,022	$ 6,860,000	$ 13,149,781
Bond premium	5,170	(4,002)	-	1,168
	$ 19,292,929	$ 718,020	$ 6,860,000	$ 13,150,949

Total interest paid, net of bond accretion, on debt in 2019 was $2,173,932.

NOTE 6 – PENSION PLANS

Plan Description

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

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

Funding Policy

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

	ERS	PFRS
2019	$ 2,098,052	$ 5,890,899
2018	$ 2,132,614	$ 5,747,953
2017	$ 2,181,251	$ 5,875,063

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

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

- Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g., billings due February 2009 would be based on the pension value as of March 31, 2008).

NOTE 6 – PENSION PLANS (Continued)

Funding Policy - Continued

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

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

- For SFY 2005-06, the amount in excess of 9.5% of employees' covered pensionable salaries.

- For SFY 2007-08, the amount in excess of 10.5% of employees' covered pensionable salaries.

The City of Troy has also elected to participate in the Employer Contribution Stabilization Program per Part II of Chapter 57, Laws of 2010, which was signed into law on August 11, 2010. This program gives localities the option to amortize a portion of their annual pension cost. The amortized amount will be paid in equal installments over a ten-year period and may be prepaid at any time. The portion of the retirement bill that the City has elected to amortize for 2010 (2011) $316,334 for the Police and Fire Retirement System with a current balance of $79,983 at December 31, 2019. The City for 2011 (2012) elected to amortize $639,484 for the ERS Retirement System and $964,232 for Police and Fire Employees with a current balance of $225,252 and $339,641 at December 31, 2019, respectfully. The City for 2012 (2013) elected to amortize $814,579 for the ERS System and $1,687,033 for Police and Fire with a current balance of $365,608 and $762,309 at December 31, 2019 respectfully. The City for 2013 (2014), elected to amortize $855,721 for the ERS Retirement System and $2,143,704 for the Police and Fire Retirement System, with a current balance of $483,422 and $1,218,729 at December 31, 2019, respectfully. The City for 2014 (2015) also elected to amortize an additional $721,055 for the ERS System and $1,587,399 for the Police and Fire Retirement System, with a balance of $473,603 and $1,042,636 at December 31, 2019, respectfully. The City 2015 (2016) also elected to amortize an additional $249,650 for the ERS System and $615,639 for the Police and Fire Retirement System with a current balance of $188,717 and $465,381 at December 31, 2019, respectfully. The City 2016 (2017) also elected to amortize an additional $721,386 for the Police and Fire Retirement System with a current balance of $531,438 at December 31, 2019. The amortization for 2010 (2011), 2011 (2012), 2012 (2013), 2013 (2014), 2014 (2015), 2015 (2016), and 2016 (2017) are all included in the government-wide financial statements as long-term liabilities.

NOTE 6 – PENSION PLANS (Continued)

Funding Policy - Continued

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

At December 31, 2019, the City reported a net pension liability of $3,291,108 and $9,999,455 for its proportionate share of the ERS and PFRS net pension liability, respectively. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as April 1, 2018. 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, 2019, the City's proportionate share was .0471389% and .6053322% for ERS and PFRS, respectively, which was a decrease from the proportionate share at December 31, 2018 of .4620491% and .0159108% for ERS and PFRS, respectively. At December 31, 2019, the City recognized deferred outflows of resources and deferred inflows of resources from the following sources:

ERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 648,088	$ 220,926
Changes of assumptions	827,250	-
Net difference between projected and actual earnings on pension plan investments	-	844,680
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	413,388
Contributions subsequent to the measurement date	1,573,539	-
Total	$ 3,048,877	$ 1,478,994

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

Plan's Year Ended March 31:	
2020	$ 498,055
2021	(780,705)
2022	(141,324)
2023	420,319
2024	-
Thereafter	-
	$ (3,655)

NOTE 6 – PENSION PLANS (Continued)

Funding Policy – Continued

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

PFRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,429,144	$ 1,067,607
Changes of assumptions	3,633,069	-
Net difference between projected and actual earnings on pension plan investments	-	2,002,647
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,317	1,048,684
Contributions subsequent to the measurement date	4,418,174	-
Total	$ 10,484,704	$ 4,118,938

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

Plan's Year Ended March 31:	
2020	$ 1,681,925
2021	(684,674)
2022	(190,927)
2023	980,645
2024	160,621
Thereafter	-
	$ 1,947,590

For the year ended December 31, 2019, the City recognized pension expense of $1,941,503 and $6,295,404 for ERS and PFRS, respectively.

Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019.

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

Inflation:	2.50%
Salary scale:	4.2% ERS, 5.0% PFRS, indexed by service
Projected COLAs:	1.3% annually
Decrements:	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement:	Society of Actuaries Scale MP-2014
Investment Rate of Return:	7.0% compounded annually, net of investment expenses

NOTE 6 – PENSION PLANS (Continued)

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

The target allocation and best estimates of arithmetic of real rates of return for each major asset class are summarized as of March 31, 2019 in the following table:

Asset Type	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.50%
Real Estate	10%	5.55%
Absolute Return Strategies	2%	3.75%
Opportunistic Portfolio	3%	5.68%
Real Assets	3%	5.29%
Bonds & Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.25%
	100%	

Discount Rate
The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

ERS	1% Decrease 6.0%	Current Discount 7.0%	1% Increase 8.0%
Proportionate Share of Net Pension Liability (Asset)	$ 14,389,249	$ 3,291,108	$ (6,032,118)

PFRS	1% Decrease 6.0%	Current Discount 7.0%	1% Increase 8.0%
Proportionate Share of Net Pension Liability (Asset)	$ 36,136,538	$ 9,999,455	$ (11,828,042)

NOTE 6 – PENSION PLANS (Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employer as of March 31, 2019, were as follows:

ERS	Pension Plan's Fiduciary Net Position	City's Proportionate Share of Plan's Fiduciary Net Position	City's Allocation Percentage As Determined By the Plan
Total pension liability	$ 189,803,429,000	$ 88,163,313	0.0464498%
Net position	(182,718,124,000)	(84,872,202)	0.0464498%
Net pension liability (asset)	$ 7,085,305,000	$ 3,291,111	0.0464498%
ERS net position as a percentage of total pension liability	96.27%	96.27%	
PFRS			
Total pension liability	$ 34,128,100,000	$ 203,488,114	0.5962480%
Net position	(32,451,037,000)	(193,488,660)	0.5962480%
Net pension liability (asset)	$ 1,677,063,000	$ 9,999,454	0.5962480%
ERS net position as a percentage of total pension liability	95.09%	95.09%	

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

Benefits Provided

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

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The City's total OPEB liability of $201,309,475 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

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

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

Healthcare Cost Trend Rates	7.50% for the current year decreasing to an ultimate rate of 4.50% by 2027.
Share of Benefit-Related Costs	Varies based on applicable bargaining unit.

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

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

Changes in the Total OPEB Liability

Balance at December 31, 2018	$ 187,247,058
Changes for the Year	
Service cost	5,518,963
Interest	7,777,711
Changes of benefit terms	-
Changes in assumptions or other inputs	16,843,471
Differences between expected and actual experience	(8,951,361)
Benefit payments	(7,126,367)
Net changes	14,062,417
Balance at December 31, 2019	$ 201,309,475

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

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.26%) and 1 percentage point higher (4.26%) than the current discount rate:

	1% Decrease (2.26%)	Current Discount (3.26%)	1% Increase (4.26%)
Total OPEB Liability	$ 234,036,588	$ 201,309,475	$ 175,229,694

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (6.50%) and 1 percentage point higher 8.50%) than the current healthcare cost trend rate:

	Healthcare		
	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Total OPEB Liability	$ 170,369,211	$ 201,309,475	$ 241,332,410

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

For the year ended December 31, 2019, the City recognized OPEB expense of $10,109,807. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 14,036,226	$ 19,992,331
Difference between expected and actual experience	-	-
Total	$ 14,036,226	$ 19,992,331

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

Fiscal Year Ending December 31:	Amount
2020	$ (1,817,865)
2021	(1,817,865)
2022	(1,817,865)
2023	(1,817,865)
2024	1,315,355
Thereafter	-
	$ (5,956,105)

NOTE 8 – INTERFUND TRANSACTIONS

Interfund transactions for the period ended December 31, 2019 are as follows:

	Interfund Activity			
	Due From	Due To	Revenue	Expenditures
Governmental Funds:				
General	$ 2,642,527	$ 1,836,543	$ 2,141,087	$ 2,171,249
Special Grant	45,815	454,972	-	-
Water	69,369	4,300,244	-	3,168,600
Sewer	-	1,672,623	-	1,672,602
Debt Service	583,676	-	583,676	1,452,867
Capital Projects	7,052,615	1,557,814	5,722,675	596,895
Garbage	130,831	81,822	614,775	
Fiduciary:				
Trust and Agency	-	620,815	-	-
	$ 10,524,833	$ 10,524,833	$ 9,062,213	$ 9,062,213

NOTE 9 - CITY AND STATE ACTIONS

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

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

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

During 1995, the State Legislature created the MAC.

1. The MAC is a corporate governmental agency and instrumentality of the state constituting a public benefit corporation. The MAC Board is made up of five members, three appointed by the Governor, one by the Senate Majority Leader, and one by the Speaker of the State Assembly.
2. The MAC was established for the purpose of providing financing assistance and fiscal monitoring for the City. The Financial Control Act authorized the MAC to provide financing assistance to the City if the Mayor certified to the MAC that funds are required by the City to enable it (1) to pay for any item which is permitted by law to be included in the City's capital budget for the fiscal year for which such certification is made, including payments to reimburse the General Fund for monies advanced and expended for any such item, (2) to pay operating expenses, (3) to liquidate all or a portion of the City's deficits for the years 1993 through 1995, both inclusive, or to pay, at maturity, or on the redemption date, the principal of and interest on obligations of the City issued for such purposes,

NOTE 9 - CITY AND STATE ACTIONS (Continued)

(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 10 - COMMITMENTS AND CONTINGENCIES

Sales and Use Tax

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

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

Due to Other Governments

Due to other governments includes:

General Fund

a. The City acts as a tax collection agent for delinquent school taxes for the two School Districts, as well as tax and sewer rents for the County. A liability of $1,448,495 and $4,039,476 respectively, represents the amount owed to these entities at December 31, 2019.

b. The amount of uncollected 1985-2017 County taxes totaling $2,800,578, and the amount of uncollected sewer rent at December 31, 2019, totaling $1,238,898, will be paid only after they have been collected.

Workers' Compensation Plan

The City is self-insured for workers' compensation benefits on a cost-reimbursement basis. Under the program, the City is responsible for claim payments.

Any excess funding received over claims paid and accrued is held in the workers' compensation reserve, restricted for future claim payments.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

Health Insurance Plan
All of the City's health insurance plans are self-insured.

All known claims filed and an estimate of all incurred, but not reported claims existing at December 31, 2019, have been recorded as accrued liabilities in the general fund and as long-term debt.

The City establishes health insurance claims liabilities based on estimates of the ultimate cost of claims. Claims under this plan are paid during the year or in the subsequent year. The length of time that claims may be submitted is limited to ninety days after year-end.

The City has stop loss insurance limiting its liability to $150,000 per insured.

The City establishes Workers' Compensation and unemployment claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on complex factors, such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

The City establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

The following represents changes in those aggregate liabilities for the City during 2020:

	Workers' Compensation	Health
Unpaid claims and claim adjustment - beginning of year	$ 1,831,270	$ 666,194
Incurred claims and claim adjustment expenses:		
Provision for incurred claim expenses for events of the current year	170,763	5,777,333
Total incurred claims and claim adjustment expenses	2,002,033	6,443,527
Payments made for claims arising during the current year	(45,895)	(6,142,218)
Total unpaid claims and claim adjustment expenses - end of year	$ 1,956,138	$ 301,309

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

Lawsuits

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

Grant Programs

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The City believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the City's financial position or results of operations.

Housing Trust Fund Corporation

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

Federal Loan Guarantee Program

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

City Hall Lease Agreement

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

Employee Unions
The City workforce is predominately represented by the following unions:

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

The status of these collective bargaining agreements is as follows:

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

NOTE 11 – COMBINED SEWER OVERFLOW PROJECT

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

Municipality	Allocation %
Albany	58.68%
Troy	34.76%
Cohoes	2.74%
Rennselaer	2.13%
Watervliet	1.16%
Green Island	0.53%

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

NOTE 12 – PROPERTY TAX ABATEMENT

Payments in Lieu of Taxes Agreements

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

The following information relates to the PILOT agreements entered into under the agreements for the year ended December 31, 2019:

Agreement	Assessed Value	Tax Rate	Tax Value	485B Exemption	PILOT Received	City Tax Abated
Rensselaer County IDA	$ 46,735,000	$ 14.162393	$ 661,879	$ -	$ 252,845	$ 409,034
City of Troy IDA	$115,088,700	$ 14.162393	$ 1,629,931	$ -	$ 603,748	$ 1,026,183

Property Tax Agreement with Housing Development and Redevelopment Companies

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

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

The following information relates to the PILOT agreements entered into under the agreements for the year ended December 31, 2019:

Agreement	Assessed Value	Tax Rate	Tax Value	485B Exemption	PILOT Received	City Tax Abated
City of Troy	$ 33,655,600	$ 14.162393	$ 250,040	$ -	$ 101,054	$ 148,986

NOTE 13 – COVID–19 PANDEMIC

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. During March 2020, the NYS Governor put New York State on pause and shut down large portions of the economy. Businesses throughout New York State remain closed or are operating significantly below their capacity. This reduced economic activity is having an adverse effect on sales and income tax revenue collected by New York State. If New York State is unable to meet its budgeted revenue expectations, it may need to reduce expenditures accordingly, which could result in the City receiving less New York State appropriations than expected. The City has also seen reduced sales tax collections. The City has taken some steps to defer expenditures to future years, but has so far not significantly reduced employment levels or made significant cuts to services. Future decisions will be made dependent upon sales tax rebounding as the economy reopens and whether or not New York State reduces state aid. The passage of a federal stimulus act benefiting local governments may be necessary to prevent New York State from cutting aid. The City is closely monitoring this very fluid situation and is acting as proactively as it can.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF TROY, NEW YORK

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Real property taxes and tax items	$ 27,028,173	$ 27,028,173	$ 26,938,398	$ -	$ (89,775)
Nonproperty tax items	17,100,000	17,750,000	18,407,667	-	657,667
Departmental income	4,873,400	5,095,150	4,945,866	-	(149,284)
Intergovernmental charges	340,000	340,000	351,178	-	11,178
Use of money and property	71,500	71,500	218,918	-	147,418
Licenses and permits	837,550	837,550	914,504	-	76,954
Fines and forfeitures	1,475,000	1,650,000	1,682,454	-	32,454
Interfund revenues	2,285,405	2,285,405	2,080,308	-	(205,097)
Sale of property and compensation for loss	45,000	293,000	266,038	-	(26,962)
Miscellaneous local sources	1,406,655	1,416,655	1,671,221	-	254,566
State aid	14,401,271	14,072,574	12,400,425	-	(1,672,149)
Federal aid	220,747	417,497	408,949	-	(8,548)
Total revenue	70,084,701	71,257,504	70,285,926	-	(971,578)
EXPENDITURES:					
General governmental support	9,462,251	9,053,111	8,375,384	38,063	639,664
Public safety	39,307,150	39,861,277	38,058,467	60,538	1,742,272
Public health	188,907	191,901	190,622	-	1,279
Transportation	3,664,222	4,680,659	4,671,024	19,135	(9,500)
Culture and recreation	2,053,235	2,163,547	1,991,716	-	171,831
Home and community services	1,010,729	1,010,429	1,098,624	-	(88,195)
Employee benefits	6,969,738	7,052,596	6,507,695	-	544,901
Debt service - principal	4,738,163	4,741,211	4,738,161	-	3,050
Debt service - interest	4,501,409	4,498,361	4,505,348	-	(6,987)
Total expenditures	71,895,804	73,253,092	70,137,041	117,736	2,998,315
EXCESS OF REVENUES OVER EXPENDITURES	(1,811,103)	(1,995,588)	148,885	(117,736)	2,026,737
OTHER FINANCING SOURCES (USES):					
Operating transfers in	3,455,878	3,469,098	2,141,087	-	(1,328,011)
Operating transfers out	(1,644,775)	(2,175,075)	(2,171,249)	-	3,826
Total other financing sources (uses)	1,811,103	1,294,023	(30,162)	-	(1,324,185)
NET CHANGE IN FUND BALANCE	-	(701,565)	118,723	(117,736)	702,552
FUND BALANCE - beginning of year	18,463,688	18,463,688	18,463,688	-	-
FUND BALANCE - end of year	$ 18,463,688	$ 17,762,123	$ 18,582,411	$ (117,736)	$ 702,552

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, 2019

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Departmental income	$ 4,800,000	$ 4,800,000	$ 4,194,036	$ -	$ (605,964)
Intergovernmental charges	7,770,000	7,770,000	7,128,006	-	(641,994)
Use of money and property	210,000	210,000	296,572	-	86,572
Licenses and permits	12,000	12,000	11,980	-	(20)
Interfund revenue	327,000	327,000	327,000	-	-
Sale of property and compensation for loss	51,000	51,000	10,800	-	(40,200)
Miscellaneous local sources	139,000	139,000	127,655	-	(11,345)
Total revenue	13,309,000	13,309,000	12,096,049	-	(1,212,951)
EXPENDITURES:					
General governmental support	552,211	710,294	501,746	-	208,548
Home and community services	9,844,920	9,661,297	8,889,799	-	771,498
Debt service - principal	436,646	466,646	466,646	-	-
Debt service - interest	253,223	263,356	277,465	-	(14,109)
Total expenditures	11,087,000	11,101,593	10,135,656	-	965,937
EXCESS OF REVENUES OVER EXPENDITURES	2,222,000	2,207,407	1,960,393	-	(247,014)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(5,852,000)	(6,002,000)	(3,168,600)	-	2,833,400
Total other financing sources (uses)	(5,852,000)	(6,002,000)	(3,168,600)	-	2,833,400
NET CHANGE IN FUND BALANCE	(3,630,000)	(3,794,593)	(1,208,207)	-	2,586,386
FUND BALANCE - beginning of year	6,862,149	6,862,149	6,862,149	-	-
FUND BALANCE - end of year	$ 3,232,149	$ 3,067,556	$ 5,653,942	$ -	$ 2,586,386

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, 2019

	Original Budget	Final Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
REVENUE:					
Departmental income	$ 4,690,000	$ 4,690,000	$ 4,173,296	$ -	$ (516,704)
Intergovernmental charges	179,000	179,000	179,006	-	6
Use of money and property	525	525	8,640	-	8,115
Miscellaneous sources	38,000	38,000	29,758	-	(8,242)
Total revenue	4,907,525	4,907,525	4,390,700	-	(516,825)
EXPENDITURES:					
Home and community services	2,689,788	3,116,074	2,644,611	-	471,463
Debt service - principal	51,490	61,490	61,490	-	-
Debt service - interest	23,384	23,384	11,997	-	11,387
Total expenditures	2,764,662	3,200,948	2,718,098	-	482,850
EXCESS OF REVENUES OVER EXPENDITURES	2,142,863	1,706,577	1,672,602	-	(33,975)
OTHER FINANCING SOURCES:					
Operating transfers out	(2,142,863)	(1,739,713)	(1,672,602)	-	67,111
Total other financing sources (uses)	(2,142,863)	(1,739,713)	(1,672,602)	-	67,111
NET CHANGE IN FUND BALANCE	-	(33,136)	-	-	33,136
FUND BALANCE - beginning of year	902,288	902,288	902,288	-	-
FUND BALANCE - end of year	$ 902,288	$ 869,152	$ 902,288	$ -	$ 33,136

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service cost	$ 5,518,963	$ 6,280,099								
Interest	7,777,711	6,962,924								
Changes in benefit terms	-	-								
Differences between expected and actual experience	(8,951,361)	-								
Changes of assumptions or other inputs	16,843,471	(18,799,296)								
Benefit payments	(7,126,367)	(6,598,488)								
Total change in total OPEB liability	14,062,417	(12,154,761)								
Total OPEB liability - beginning	187,247,058	199,401,819								
Total OPEB liability - ending	$ 201,309,475	$ 187,247,058								
Covered employee payroll	$ 26,325,621	$ 25,987,780								
Total OPEB liability as a percentage of covered employee payroll	764.7%	720.5%								

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

Note to schedule:

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

	2019	2018
Discount rate	3.26%	4.11%

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

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

CITY OF TROY, NEW YORK

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of the net pension liability (asset)	0.0464498%	0.0471389%	0.5091880%	0.0544292%	0.0556690%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.				
Proportionate share of the net pension liability (asset)	$ 3,291	$ 1,521	$ 4,784	$ 8,736	$ 1,881					
Covered-employee payroll	$ 12,101	$ 12,086	$ 12,146	$ 12,551	$ 12,756					
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.20%	12.59%	39.39%	69.60%	14.75%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.70%	90.70%	97.95%					

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN - PFRS	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of the net pension liability (asset)	0.5962480%	0.6053322%	0.6212430%	0.6476601%	0.6390066%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.				
Proportionate share of the net pension liability (asset)	$ 9,999	$ 6,118	$ 12,876	$ 19,175	$ 1,759					
Covered-employee payroll	$ 19,167	$ 18,699	$ 18,380	$ 18,532	$ 17,628					
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.17%	32.72%	70.06%	103.47%	9.98%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	95.09%	96.93%	93.50%	90.20%	99.00%					

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN - ERS	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 2,098	$ 2,133	$ 2,181	$ 2,367	$ 2,288	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.				
Contributions in relation to the contractually required contribution	2,098	2,133	2,181	2,367	2,288					
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
Covered-employee payroll	$ 12,101	$ 12,086	$ 12,146	$ 12,551	$ 12,756					
Contributions as a percentage of covered-employee payroll	17.34%	17.65%	17.96%	18.86%	17.94%					

Last 10 Fiscal Years (Dollar amounts displayed in thousands)

NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN - PFRS	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 5,891	$ 5,748	$ 5,875	$ 6,008	$ 4,864	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.				
Contributions in relation to the contractually required contribution	5,891	5,748	5,875	6,008	4,864					
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
Covered-employee payroll	$ 19,167	$ 18,699	$ 18,380	$ 18,532	$ 17,628					
Contributions as a percentage of covered-employee payroll	30.73%	30.74%	31.96%	32.42%	27.59%					

SUPPLEMENTARY INFORMATION

CITY OF TROY, NEW YORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants - Entitlement Grant	14.218	B-00MC-36-0109	$ 2,285,238	$ -
Total CDBG - Entitlement Grants Cluster			2,285,238	-
Emergency Solutions Grants Program	14.231	S-00MC-36-0007	148,785	129,364
City of Schenectady/ HOME Investment Partnership Program	14.239	M-16-DC-360510	726,259	-
Community Development Block Grants - Brownfield Economic Development Initiative - Section 108 Loan Guarantees	14.248	B-00MC-36-0109	1,163,000	-
Total U.S. Department of Housing and Urban Development			4,323,282	129,364
U.S. Department of Justice				
Direct Awards:				
Edward Byrne Memorial Justice Assistant Grant Program	16.738	Various	29,162	-
Passed through NYS Department of Criminal Justice Services:				
Violence Against Women Formula Grant	16.588	2016-WE-AX-0017	166,909	-
Total U.S. Department of Justice			196,071	-
U.S. Department of Transportation				
Passed through NYS Department of Transportation:				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	1754.99	607,889	-
Highway Planning and Construction	20.205	1755.66	2,623	-
Total Highway Planning and Construction Cluster			610,512	-
Highway Safety Cluster				
NYS Gov Traffic Safety State and Community Highway Safety	20.600	PD-00301-042	15,665	-
National Priority Safety Programs	20.616	N/A	1,300	-
National Priority Safety Programs	20.616	N/A	5,958	-
Subtotal CFDA #20.616			7,258	-
Total Highway Safety Cluster			22,923	-
Total U.S. Department of Transportation			633,435	-
U.S. Department of Homeland Security				
Direct Awards:				
Hazard Mitigation Grant	97.039	4085-0011	13,593,889	-
Port Security Program	97.056	EMW-2016-PU-00644	37,954	-
Passed through NYS Division of Homeland Security and Emergency Services:				
Law Enforcement terrorism Prevention Program (LETPP)	97.067	Various	155,535	-
Total U.S. Department of Homeland Security			13,787,378	-
Total expenditures of federal awards			$ 18,940,166	$ 129,364

See notes to schedule of expenditures of federal awards
See independent auditor's report

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 (City) under programs of the federal government for the year ended December 31, 2019. 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 City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented in conformity with accounting principles generally accepted in the United States and the amounts presented are derived from the City's general ledger.

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.

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

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.

6. LOANS AND LOAN GUARANTEES

The City had $1,163,000 of loans outstanding to the Department of Housing and Urban Development related to the Brownfields Economic Development Initiative and Section 108 (CFDA #14.248) as of December 31, 2019.

REQUIRED REPORTS UNDER UNIFORM GUIDANCE

Bonadio & Co., LLP
Certified Public Accountants

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*

December 9, 2020

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 of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Troy, New York (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2020. Our report includes a reference to other auditors who audited the financial statements of the Troy Industrial Development Authority, Troy Local Development Corp., and Troy Capital Resources Corp., as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report describes an adverse opinion on governmental activities because the City does not depreciate its capital assets as required by accounting principles generally accepted in the United States. All other opinion units had unmodified opinions.

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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(Continued)

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.

Bonadio & Co., LLP

Bonadio & Co., LLP
Certified Public Accountants

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

December 9, 2020

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 *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2019. The City's major federal program is 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 the City's major federal program 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 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 its major federal program for the year ended December 31, 2019.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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 a 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 preceding 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 or significant deficiencies may exist that were not 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.

Bonadio & Co., LLP

CITY OF TROY, NEW YORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements are prepared in accordance with GAAP for governmental activities:	Adverse
Type of auditor's report issued on whether the financial statements are prepared in accordance with GAAP for each major fund, the aggregate discretely presented component units and the aggregate remaining fund information:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	____ Yes _X_ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes _X_ None reported
Noncompliance material to financial statements noted?	____ Yes _X_ No

Federal Awards

Internal control over major programs:	
Material weakness (es) identified?	____ Yes _X_ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes _X_ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR Section 200.516(a)?	____ Yes _X_ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
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 _X_ No

Section II—Financial Statement Findings

None.

Section III—Federal Award Findings and Questioned Costs

None