

CITY OF SCHENECTADY, NEW YORK

SINGLE AUDIT

DECEMBER 31, 2015

CITY OF SCHENECTADY, NEW YORK

TABLE OF CONTENTS

DECEMBER 31, 2015

	<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Regulatory Basis Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8-9
Schedule of Findings and Questioned Costs	10

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACKCPAS.COM
WWW.CUSACKCPAS.COM

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and Members
of the City Council of the
City of Schenectady, 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 regulatory basis financial statements of the City of Schenectady, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Schenectady, New York'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 of Schenectady, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Schenectady, New York'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Schenectady, New York's regulatory basis 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
May 27, 2016

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACKCPAS.COM
WWW.CUSACKCPAS.COM

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and Members
of the City Council of the
City of Schenectady, New York

Report on Compliance for Each Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the City of Schenectady, New York 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 on compliance, we considered the City of Schenectady, New York'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 of Schenectady, New York's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the regulatory basis financial statements of the City of Schenectady, New York as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Schenectady, New York's basic financial statements. We issued our report thereon dated May 27, 2016, which contained an adverse opinion on *U.S. Generally*

Accepted Accounting Principles and a qualified opinion on those regulatory basis financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the regulatory basis financial statements as a whole.

Purpose of this Report

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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
May 27, 2016

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Pass-Through Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Financial Assistance of the Primary Government:		
<u>U.S. Department of Housing and Urban Development</u>		
Direct:		
Community Development Block Grants -		
Entitlement Grants	14.218	\$ 1,610,997
Section 108 - Loan Guarantees	14.248	1,595,479
Total Community Development Block Grants		<u>3,206,476</u>
Emergency Shelter Grant:		
E-15-MC-36	14.231	66,894
E-14-MC-36-014	14.231	125,877
E-13-MC-36-0006	14.231	7,649
S-12-MC-36-012	14.231	91
Total Emergency Shelter Grant		<u>200,511</u>
HOME Investment Partnership Program:		
M05-MC360510	14.239	583
M09-MC360510	14.239	458
M10-MC360510	14.239	9,632
M11-MC360510	14.239	263,617
M12-MC360510	14.239	315,653
M13-MC360510	14.239	150,372
M14-MC360510	14.239	365,130
M15-MC360510	14.239	28,521
Total HOME Investment Partnership Program		<u>1,133,966</u>
Shelter Plus Care	14.238	<u>205,538</u>
Lead Hazard Reduction Demonstration Grant Program	14.905	<u>1,148,926</u>
Total U.S. Department of Housing and Urban Development		<u>5,895,417</u>
<u>U.S. Department of Justice</u>		
Direct:		
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	20,768
Bullet Proof Vest Partnership Program (BVP)	16.607	713
Alcohol, Tobacco, and Firearms Training Assistance	16.012	13,402
Joint Law Enforcement Operations (JLEO)	16.111	9,770
Drug Enforcement Administration (DEA)		
Law Enforcement Assistance Narcotics		
and Dangerous Drugs Laboratory Analysis	16.001	101,061
Regional Information Sharing Systems	16.610	21,646
Equitable Sharing Program	16.922	236,994
Total U.S. Department of Justice		<u>404,354</u>

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Pass-Through Federal CFDA Number	Federal Expenditures
Federal Financial Assistance of the Primary Government (Continued):		
<u>U.S. Department of Transportation</u>		
Passed Through NYS Department of Transportation Highway Planning and Construction	20.205	<u>1,445,818</u>
<u>U.S. Department of Homeland Security</u>		
Passed Through NYS Division of Homeland Security and Emergency Services		
Homeland Security Grant Program (WM1283552)	97.067	10,342
Homeland Security Grant Program (WM14175342)	97.067	102,824
Homeland Security Grant Program (WM13175332)	97.067	239,260
Passed Through NYS Emergency Agency		
Federal Emergency Management Agency (FEMA) Disaster Housing Assistance Grant (093-65508-00)	97.036	<u>160,720</u>
Total U.S. Department of Homeland Security		<u>513,146</u>
Total Expenditures of Federal Awards of the Primary Government		<u>\$ 8,258,735</u>

CITY OF SCHENECTADY, NEW YORK
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents expenditures under federal financial assistance programs administered by the City of Schenectady, New York and is presented on the accrual basis of accounting.

Relationship to Financial Statements

Federal awards revenue is reported in the City of Schenectady, New York's financial statements as follows:

General Fund	\$ 211,970
Capital Projects Fund (Federal Aid)	1,445,818
Capital Projects Fund (Other Long-term Proceeds)	1,595,479
Special Grant Fund (Federal Aid)	4,681,238
Special Grant Fund (Departmental Income)	<u>87,235</u>
Federal Awards Revenue	8,021,740
Amounts for Equitable Sharing Program Received in Trust and Agency	<u>236,994</u>
Total Received	<u><u>\$ 8,258,735</u></u>

2. SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

The City of Schenectady, New York is an independent municipal corporation. All federal grant operations of the primary government and its blended component units, except for Schenectady Local Development Corporation, are included in the scope of the single audit.

3. SUBRECIPIENTS

The City of Schenectady, New York is the primary government and provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
CDBG Subrecipients (Includes Program Income):		
Community Land Trust of Schenectady, Inc. (CLT)	14.218	\$ 14,615
Better Neighborhoods, Inc. (BNI)	14.218	<u>56,817</u>
Total		<u><u>\$ 71,432</u></u>

CITY OF SCHENECTADY, NEW YORK
 NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2015

3. SUBRECIPIENTS (CONTINUED)

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
HOME Subrecipients (Includes Program Income):		
City of Troy, New York	14.239	\$ 289,445
Town of Colonie, New York	14.239	77,051
Better Neighborhoods, Inc. (BNI)	14.239	86,798
Community Land Trust of Schenectady, Inc. (CLT)	14.239	214,854
Schenectady Housing Development Fund Corporation	14.239	41,929
Habitat for Humanity	14.239	232,594
Northeast Parent and Child Center	14.239	6,942
Total		<u>\$ 949,613</u>
 Lead Hazard Reduction Demonstration Grant Program Schenectady County, New York	 14.905	 <u>\$ 146,114</u>

4. HUD SECTION 108 LOAN PAYABLE

The City of Schenectady has an outstanding HUD Section 108 loan payable granted under the Housing and Community Development Act of 1974 for Loan Guarantee Assistance (CFDA 14.248) for the following projects and with the following outstanding loan balances as of December 31, 2015.

• Neighborhood Stabilization Project, Long-Term Commitment No. B-13-MC-36-0107	\$ 2,840,000
• Neighborhood Stabilization Project - due within one year	<u>130,000</u>
• Neighborhood Stabilization Project - Total	<u>\$ 2,970,000</u>

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION I — SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Modified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are 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
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.248	Section 108 Loan Guarantees
20.205	Highway Planning and Construction
97.067	Homeland Security Grant Program

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 - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

None

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACKCPAS.COM
WWW.CUSACKCPAS.COM

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

May 27, 2016

To the City Council
City of Schenectady, New York

We have audited the regulatory basis financial statements of the City of Schenectady for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and Government Auditing Standards and OMB Circular A-133 as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Schenectady are described in Note 1 to the financial statements. With the exception of GASB 68 (Footnote 2), there were no new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the City of Schenectady during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were the allowance for uncollectible accounts, the accruals for compensated absences, the incurred but not recorded insurance liabilities and the appropriate levels of established reserves.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 27, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Schenectady's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Schenectady's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the supplementary information, which is supplementary information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the supplementary information and do not express an opinion or provide any assurance on the supplementary information.

CURRENT YEAR RECOMMENDATIONS

GASB 77

GASB 77, tax abatement disclosures, will be effective for the 2016 financial statements and will require disclosing by property description the actual 2016 PILOT revenue, what the real property tax would have been if the property had been on the tax roll, and the final year of the PILOT. The disclosure will also require a breakdown by fund and certain additional information.

We recommend management begin compiling this information and maintain it for the 2016 financial statement closing process.

§ 207-A and C Claim Liabilities

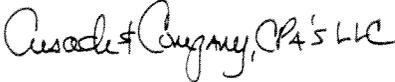
The City has retained a portion of the workers' compensation liabilities to cover losses under §207-A and C of the workers' compensation law for police officers and firefighters. These employees are entitled to full pay when out on leave, and the City is required to cover any amount of losses not reimbursed through insurance.

We recommend the City estimate its exposure in 2016 and consider recording the estimated loss in the non-current government liability account group.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Schenectady, New York and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Cusack & Company, CPAs, LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY CPA'S, LLC

CITY OF SCHENECTADY, NEW YORK
REGULATORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2015

CITY OF SCHENECTADY, NEW YORK

TABLE OF CONTENTS

DECEMBER 31, 2015

	<u>Page</u>
Management’s Discussion and Analysis (Unaudited)	1-8
Independent Auditor’s Report	9-11
Regulatory Basis Financial Statements	
Regulatory Basis Balance Sheet - General Fund	12
Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund	13
Regulatory Basis Balance Sheets and Statements of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds	
Water Fund	14
Sewer Fund	15
Recreation Fund	16
Downtown Schenectady Improvement Fund	17
Miscellaneous Special Revenue	18
Special Grant Fund	19
Regulatory Basis Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects Fund	20
Regulatory Basis Balance Sheet - Agency Fund	21
Regulatory Basis Balance Sheet - Non-Current Government Liability Account Group	22
Notes to Regulatory Basis Financial Statements	23-58

INTRODUCTION

This discussion and analysis of financial performance provides an overview of the City of Schenectady, New York's (the "City") financial activities for the year ended December 31, 2015. Readers are asked to consider this information in conjunction with the City's financial statements.

Except as noted below, the financial statements of the City of Schenectady, New York have been prepared in accordance with regulatory accounting principles prescribed by the New York State Office of the State Comptroller for complying with Article 3, Section 30 of General Municipal Law under which every municipal corporation is required to make an annual financial report.

Acquisitions of equipment and capital facilities should be recorded in the balance sheet in a non-current governmental asset account group to account for all land, buildings, improvements and equipment utilized by the City. The City does not maintain a general fixed asset account group and the amount that should be recorded in this account group is not known.

Further information can be found in the Notes to the Regulatory Basis Financial Statements.

FINANCIAL HIGHLIGHTS

In January 2016 Standard & Poor's affirmed the City's general obligation bond A rating with a stable outlook and Moody's Investor Services affirmed the City's general obligation bond A3 rating and revised the outlook to positive.

General Fund

- Actual Total Revenues were augmented by \$2.3 million of the \$3.5 million Fund Balance that was appropriated in the 2015 Budget to support Actual Total Expenditures.
- Ending Fund Balance is \$14.6 million and is comprised of \$5.7 million of restricted funds, \$0.1 million of assigned funds and \$8.8 million of unrestricted funds.
 - Total Fund Balance decreased approximately 13% when compared to last year.
 - \$454 thousand was needed to pay contractors to demolish two privately-owned apartment buildings that were destroyed by a fire in March 2015;
 - \$435 thousand was used, as planned, to support certain capital needs; and
 - \$1.4 million was needed to cover general expenditures.
 - Unrestricted Fund Balance is 11% of the 2016 Adopted Budget.

FINANCIAL HIGHLIGHTS (Continued)

Water Fund

- Actual Total Revenues were sufficient to support Total Expenditures.
- Operations produced a surplus of \$0.5 million.
- Ending Fund Balance is \$6.1 million and is comprised of \$5.0 million of restricted funds and \$1.1 million of assigned funds.
 - Total Fund Balance increased approximately 9% when compared to last year.

Sewer Fund

- Actual Total Revenues were sufficient to support Total Expenditures without the need to use the budgeted Appropriated Fund Balance.
- Operations, including transfer of reserve for capital use, produced a surplus of \$.8 million.
- Ending Fund Balance is \$9.1 million and is comprised of \$7.5 million of restricted funds and \$1.6 million of assigned funds.
 - Total Fund Balance increased approximately 10% when compared to last year.

Recreation Fund

- Operations, including a \$30.1 thousand reserve transfer used for capital needs, resulted in a slight surplus of \$133.3 thousand.
- Ending Fund Balance of \$732.3 thousand is comprised of \$564.8 thousand of restricted funds, \$158.0 thousand of assigned funds and \$9.5 thousand that is unspendable (pro shop inventory).
 - Total Fund Balance increased approximately 22%, when compared to last year.

[Remainder of Page Intentionally Left Blank]

FINANCIAL HIGHLIGHTS (Continued)

The City's Funds

The table, in millions, that follows illustrates the recent changes in the City's General, Water, Sewer and Recreation Funds balance sheets. The General Fund and Business Type Fund Balances, when combined, represent a slight reduction in fund balances. Specifically, the General Fund has decreased 13% and the Recreation, Water and Sewer funds combined have increased 9%. When all these funds are combined, fund balance has declined 3%.

	Governmental Activities (General Fund)		Business Activities (Recreation, Water, Sewer)		Grand Total *	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
	Cash	18.9	19.7	1.4	1.0	20.3
Restricted Cash	8.9	5.7	11.6	13.1	20.5	18.8
Receivables (Net)	<u>9.6</u>	<u>9.5</u>	<u>3.3</u>	<u>3.2</u>	<u>12.9</u>	<u>12.7</u>
Total Assets	<u>37.4</u>	<u>34.9</u>	<u>16.3</u>	<u>17.3</u>	<u>53.7</u>	<u>52.2</u>
Total Short Term Liabilities	20.1	19.8	1.0	0.6	21.1	20.4
Deferred Inflows of Resources	<u>0.5</u>	<u>0.5</u>	<u>0.7</u>	<u>0.7</u>	<u>1.2</u>	<u>1.2</u>
Total Liabilities and Deferred Inflows	<u>20.6</u>	<u>20.3</u>	<u>1.7</u>	<u>1.3</u>	<u>22.3</u>	<u>21.6</u>
Fund Balances:						
Restricted	8.9	5.7	11.6	13.0	20.5	18.7
Assigned	0.2	0.1	3.0	3.0	3.2	3.1
Unrestricted	<u>7.7</u>	<u>8.8</u>	<u>0.0</u>	<u>0.0</u>	<u>7.7</u>	<u>8.8</u>
Total Fund Balance	<u>16.8</u>	<u>14.6</u>	<u>14.6</u>	<u>16.0</u>	<u>31.4</u>	<u>30.6</u>

* Excludes Capital Project Fund Activity wherein financial resources used for acquisition or construction of major capital facilities and equipment is recorded. Information regarding the City's Bonds and BANs follow.

CITY OF SCHENECTADY, NEW YORK
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(CONTINUED)
 DECEMBER 31, 2015

The City's Funds (Continued)

	Governmental		Business		Grand Total *	
	Activities		Activities			
	(General Fund)		(Recreation, Water, Sewer)			
	2014	2015	2014	2015	2014	2015
Revenues						
Real Property Taxes	29.5	28.3	0.0	0.0	29.5	28.3
Real Property Tax Items	4.2	3.7	0.0	0.0	4.2	3.7
Non Property Tax Items	13.7	13.8	0.0	0.0	13.7	13.8
Departmental Income	9.7	8.4	20.1	20.6	29.8	29.0
Intergovernmental						
Charges	0.2	0.1	0.0	0.0	0.2	0.1
Use of Money & Property	0.1	0.1	0.0	0.0	0.1	0.1
Licenses & Permits	1.2	1.3	0.0	0.0	1.2	1.3
Fines & Forfeitures	1.0	0.9	0.0	0.0	1.0	0.9
Sale of Property &						
Compensation for Loss	1.1	2.6	0.0	0.0	1.1	2.6
Misc Local Sources	0.5	0.4	0.2	0.1	0.7	0.5
Interfund Revenue	4.6	4.5	0.0	0.0	4.6	4.5
State Aid	12.1	11.9	0.0	0.0	12.1	11.9
Federal Aid	<u>0.1</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.2</u>
Total Revenues	<u>78.0</u>	<u>76.2</u>	<u>20.3</u>	<u>20.7</u>	<u>98.3</u>	<u>96.9</u>
Program Expenses						
General Government						
Support	6.4	6.2	1.6	1.5	8.0	7.7
Public Safety	28.5	28.4	0.0	0.0	28.5	28.4
Transportation	4.6	4.3	0.0	0.0	4.6	4.3
Culture & Recreation	1.0	0.9	0.8	0.8	1.8	1.7
Home & Community						
Service	6.0	5.8	10.7	11.0	16.7	16.8
Employee Benefits	23.6	26.9	1.8	2.0	25.4	28.9
Debt Service	<u>5.2</u>	<u>5.6</u>	<u>3.8</u>	<u>4.0</u>	<u>9.0</u>	<u>9.6</u>
Total Expenses Before						
Transfers	<u>75.3</u>	<u>78.1</u>	<u>18.7</u>	<u>19.3</u>	<u>94.0</u>	<u>97.4</u>
Excess (Deficiency)						
Before Transfers	<u>2.7</u>	<u>(1.9)</u>	<u>1.6</u>	<u>1.4</u>	<u>4.3</u>	<u>(0.5)</u>
Transfers	0.0	0.2	0.0	0.0	0.0	0.2
Capital Contributions	<u>(0.3)</u>	<u>(0.6)</u>	<u>(0.1)</u>	<u>(0.0)</u>	<u>(0.4)</u>	<u>(0.6)</u>
Increase (Decrease) in						
Fund Balances	<u>2.4</u>	<u>(2.3)</u>	<u>1.5</u>	<u>1.4</u>	<u>3.9</u>	<u>(0.9)</u>

* Excludes Capital Project Fund Activity wherein financial resources used for acquisition or construction of major capital facilities and equipment is recorded. Information regarding the City's Bonds and BANs follow.

The City's Funds (Continued)

The table on the preceding page illustrates the operation of the City's General, Water, Sewer and Recreation Funds, in millions, over a two-year period. Across all the funds represented, Fund Balances remained relatively unchanged. Further details for those funds as well as other City funds follow:

Governmental

General Fund

This is the chief operating fund of the City. The 2015 operations, including transfer of reserves for capital use, produced a \$2.3 million deficit. The Actual Total Revenues, excluding Appropriated Fund Balance and Interfund Transfers, fell short of the Total Revenue budget by approximately \$1.1 million and Actual Total Expenditures were under the Actual Total Expenditure budget by approximately \$3.9 million. In the 2015 Adopted Budget, \$3.5 million of Fund Balance was appropriated to support expenditures. Only \$2.3 million of the Fund Balance was actually needed to support overall expenditures. Regarding expenditures all departments were within budget due to efficient operations. Overall, Employee Benefits were also under budget although healthcare expenses were over budget by \$357.3 thousand.

During 2015 the City, as planned, used \$0.44 million of its capital project reserve that was funded with previous year's surpluses to fund certain of its capital needs instead of bonding. The City anticipates continuance of this practice and with the close of fiscal year 2015 a deposit was made to the capital project reserve of \$530.4 thousand. The current fiscal year end's Unassigned Fund Balance is \$8.8 million and the Total Fund Balance is \$14.6 million. As a measure of the General Fund's liquidity, the Unassigned Fund Balance is 11.2% of the Total Expenditures & Other Uses and the Total Fund Balance is 18.6%.

Special Revenue Funds

Water

Operations of the City's water district are reported here. The 2015 operations produced a \$0.5 million surplus.

The 2015 Year End Restricted Fund Balance includes a capital project reserve that has been increased by \$0.8 million. The current year end's Total Fund Balance is \$6.1 million, compared to \$5.7 million in the previous year.

The City's Funds (Continued)

Governmental (Continued)

Special Revenue Funds (Continued)

Sewer

Operations of the City's sewer district are reported here. The 2015 operations produced a \$0.8 million surplus.

The 2015 Year End Restricted Fund Balance includes a capital project reserve that has been increased by \$.8 million. The current year end's Total Fund Balance is \$9.1 million, compared to \$8.3 million in the previous year.

Recreation

Operations of the City's golf course are reported here. The 2015 operations produced a \$133 thousand surplus.

The 2015 Year End Restricted Fund Balance reflects a deposit of \$150 thousand into the capital project reserve. The current year end's Total Fund Balance is \$732.3 thousand, compared to \$599.0 thousand in the previous year.

Downtown Schenectady Improvement Fund ("DSIC")

Reflects activities related to the City working with DSIC on the revitalization of Downtown Schenectady. The City's implementation of billing and collection of a component of DSIC's annual revenue is represented within this fund.

Miscellaneous Revenue Fund

Reflects activities related to the Revitalization of the Upper Union Street area. The City's implementation of billing and collection of a component of the Upper Union Street Business District's annual revenue is represented within this fund.

Special Grant Fund

Reflects accounting of special federal, state or local grants wherein expenditures are restricted for a specific purpose. The City managed approximately 28 grants through this fund. The fund's receivables and deferred revenues are largely comprised of loan activities through the Community Development Agency, Schenectady Local Development Agency and the Schenectady Housing Development Fund Corporation.

The City's Funds (Continued)

Governmental (Continued)

Capital Projects Fund

Reflects accounting of financial resources used or available for capital facilities or equipment. The fund has a deficit totaling \$18,787,252, which reflects the temporary financing of project costs through the issuance of bond anticipation notes (BANs). The deficit will be offset when permanent financing is issued and/or BAN principal payments are budgeted and paid in the governmental fund(s) responsible for the debt.

Fiduciary Funds

Agency

Reflects accounting of funds and/or property held in capacity as a trustee, custodian or agent. The City manages approximately 16 Agency Accounts in support of various activities to benefit its facilities and neighborhoods. An additional 48 accounts are used in support of various operational needs, fringe benefits, etc.

DEBT-BONDS AND BOND ANTICIPATION NOTES

The Bonds mature over time, 2017-2038, and have interest rates ranging from 0.0% to 5.9%. The BANs mature May 13, 2016 at a .62% interest rate.

The table that follows shows that Total Debt Outstanding has increased slightly, approximately 4%, when compared to 2014. The City continues to use capital reserves created from surpluses to assist in the funding of its capital projects.

	<u>2014</u>	<u>2015</u>
Bonds	\$ 70,496,039	\$ 66,372,830
Bond Anticipation Notes	<u>32,636,315</u>	<u>40,688,310</u>
Total Debt Outstanding	<u>\$ 103,132,354</u>	<u>\$ 107,061,140</u>

ECONOMIC FACTORS

Economic factors that influence the City's operations include:

- Creation of Mohawk Harbor
 - \$480 million project on a 60-acre waterfront site, hosting:
 - Casino
 - Hotels
 - Apartments and Condominiums
 - Retail and Office Space
- A re-energized Downtown
 - Home to Proctors Theatre and
 - Containing new restaurants and diverse corporations added during the last few years.
- Reliance on state aid
- Rising Healthcare and Retirement costs
- Distressed housing stock in many neighborhoods

CONTACTING THE CITY'S MANAGEMENT

The City's financial statements are designed to provide all interested parties with a general overview of the City's finances as well as to reflect accountability for all funds/property managed by the City. The address of the City's Commissioner of Finance and Administration is:

City of Schenectady
105 Jay Street-Room 103
Schenectady, NY 12305-1938

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: CPAS@CUSACKCPAS.COM
WWW.CUSACKCPAS.COM

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of
the City Council - City of Schenectady
Schenectady, New York

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the City of Schenectady, New York (the "City") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic regulatory financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions prescribed by the New York State Office of the State Comptroller. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the City of Schenectady, New York, on the basis of the financial reporting provisions of New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of New York State Office of the State Comptroller.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 1, the financial statements referred to above do not include in the balance sheet general fixed assets, which should be included to fully conform with accounting principles prescribed by the New York State Office of the State Comptroller. The additional amounts that should be recorded in the non-current government asset account group for fixed assets is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effect of such adjustments as might have been determined to be necessary had we been able to audit the item mentioned above, the regulatory basis financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Schenectady, New York as of December 31, 2015, and the results of its operations for the year then ended in accordance with accounting principles prescribed by the New York State Office of the State Comptroller as described in Note 1.

Other Matters

Supplementary Information

Management's discussion and analysis on pages 1-8 is presented to supplement the basic regulatory basis financial statements. We have applied certain limited procedures to the other 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 regulatory basis financial statements, and other knowledge we obtained during our audit of the basic regulatory basis financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
May 27, 2016

CITY OF SCHENECTADY, NEW YORK

REGULATORY BASIS BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2015

Assets

Cash	\$ 19,678,497
Cash - restricted	5,680,994
Taxes receivable, net	2,940,057
Other receivables, net	1,700,004
State and federal receivables	300,008
Due from other funds	782,565
Due from other governments	<u>3,787,211</u>

Total Assets \$ 34,869,336

Liabilities

Accounts payable	\$ 1,141,413
Accrued liabilities	951,906
Other liabilities	2,960,882
Due to other governments	<u>14,718,507</u>

Total Liabilities 19,772,708

Deferred Inflows of Resources

Deferred Revenue	<u>553,148</u>
------------------	----------------

Fund Balance

Restricted	5,680,994
Assigned	124,026
Unassigned	<u>8,738,460</u>

Total Fund Balance 14,543,480

Total Liabilities, Deferred Inflows
and Fund Balance \$ 34,869,336

CITY OF SCHENECTADY, NEW YORK
REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 29,794,294	\$ 29,794,294	\$ 28,289,460	\$ (1,504,834)
Real property tax items	3,670,299	3,670,299	3,717,664	47,365
Non-property tax items	13,692,680	13,692,680	13,790,346	97,666
Departmental income	9,613,396	9,413,396	8,425,192	(988,204)
Intergovernmental charges	277,889	277,889	132,467	(145,422)
Use of money and property	79,500	79,500	56,830	(22,670)
Licenses and permits	1,099,850	1,123,668	1,336,538	212,870
Fines and forfeitures	1,063,500	1,063,500	880,696	(182,804)
Sales of property and compensation for loss	1,107,500	1,335,911	2,626,623	1,290,712
Miscellaneous local sources	1,101,000	291,000	406,377	115,377
Interfund revenues	4,486,036	4,486,036	4,486,036	-
State aid	12,083,494	12,083,494	11,905,634	(177,860)
Federal aid	59,200	59,200	211,970	152,770
	<u>78,128,638</u>	<u>77,370,867</u>	<u>76,265,833</u>	<u>(1,105,034)</u>
Other Sources				
Interfund Transfer	-	-	199,768	199,768
Appropriated Fund Balance	<u>3,506,938</u>	<u>5,096,479</u>	<u>-</u>	<u>(5,096,479)</u>
Total Revenues, Other Sources and Appropriated Fund Balance	<u>81,635,576</u>	<u>82,467,346</u>	<u>76,465,601</u>	<u>(6,001,745)</u>
Expenditures				
General government support	7,914,133	7,105,740	6,170,366	935,374
Public safety	29,047,325	29,605,824	28,454,676	1,151,148
Transportation	4,796,366	4,792,631	4,312,826	479,805
Economic assistance and opportunity	5,000	5,000	5,000	-
Culture and recreation	972,586	989,436	926,124	63,312
Home and community services	5,982,455	6,050,520	5,752,686	297,834
Employee benefits	27,488,128	27,862,747	26,908,501	954,246
Debt service (principal and interest)	<u>5,429,583</u>	<u>5,657,994</u>	<u>5,637,966</u>	<u>20,028</u>
Total Expenditures	81,635,576	82,069,892	78,168,145	3,901,747
Other Uses				
Transfers to Capital Project Fund	<u>-</u>	<u>550,723</u>	<u>550,723</u>	<u>-</u>
Total Expenditures and Other Uses	<u>81,635,576</u>	<u>82,620,615</u>	<u>78,718,868</u>	<u>3,901,747</u>
Deficiency of Revenues and Other Sources Over Expenditures and Other Financing Uses				
	<u>\$ -</u>	<u>\$ (153,269)</u>	<u>(2,253,267)</u>	<u>\$ (2,099,998)</u>
Fund Balance - January 1, 2015			16,796,749	
Prior Year Fund Balance Adjustment			<u>(2)</u>	
Fund Balance - December 31, 2015			<u>\$ 14,543,480</u>	

CITY OF SCHENECTADY, NEW YORK
WATER FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets		
Cash	\$	211,653
Cash-restricted		4,997,416
Other receivables		1,249,269
Total Assets		<u>\$ 6,458,338</u>
Liabilities		
Accounts payable	\$	116,912
Accrued liabilities		20,010
Total Liabilities		<u>136,922</u>
Deferred Inflows of Resources		
Deferred revenue		<u>181,309</u>
Fund Balance		
Restricted		4,997,416
Assigned		1,142,691
Total Fund Balance		<u>6,140,107</u>
Total Liabilities, Deferred Inflows and Fund Balance		<u>\$ 6,458,338</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Departmental income	\$ 7,887,790	\$ 7,887,790	\$ 7,981,869	\$ 94,079
Use of money and property	7,300	7,300	12,426	5,126
Refund prior year expenditure	-	-	1,563	1,563
Interfund revenue	54,000	54,000	52,272	(1,728)
Total Revenues	<u>7,949,090</u>	<u>7,949,090</u>	8,048,130	99,040
Appropriated Fund Balance				
Total Revenues and Appropriated Fund Balance	<u>233,361</u>	<u>311,616</u>	-	(311,616)
Expenditures				
General government support	1,004,437	1,099,261	1,016,469	82,792
Home and community services	5,393,122	5,529,381	4,822,556	706,825
Employee benefits	635,912	621,616	577,243	44,373
Debt service (principal and interest)	1,148,980	1,148,980	1,148,969	11
Total Expenditures	<u>8,182,451</u>	<u>8,399,238</u>	<u>7,565,237</u>	<u>834,001</u>
Excess of (Deficiency) Revenues Over Expenditures				
	<u>\$ -</u>	<u>\$ (138,532)</u>	482,893	<u>\$ 621,425</u>
Fund Balance - January 1, 2015			<u>5,657,214</u>	
Fund Balance - December 31, 2015			<u>\$ 6,140,107</u>	

CITY OF SCHENECTADY, NEW YORK
SEWER FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Cash	\$ 569,391
Cash-restricted	7,513,100
Other receivables	1,999,361
Total Assets	<u>\$ 10,081,852</u>
Liabilities	
Accounts payable	\$ 172,659
Accrued liabilities	131,193
Other liabilities	111,238
Total Liabilities	<u>415,090</u>
Deferred Inflows of Resources	
Deferred revenue	<u>527,254</u>
Fund Balance	
Restricted	7,513,100
Assigned	1,626,408
Total Fund Balance	<u>9,139,508</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 10,081,852</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 10,544	\$ 10,544	\$ 9,873	\$ (671)
Departmental income	11,259,317	11,259,317	11,441,271	181,954
Use of money and property	10,908	10,908	20,359	9,451
Miscellaneous local sources	63,866	63,866	64,654	788
Total Revenues	<u>11,344,635</u>	<u>11,344,635</u>	<u>11,536,157</u>	<u>191,522</u>
Other Sources				
Interfund transfers	-	-	2	2
Appropriated Fund Balance	<u>233,087</u>	<u>777,587</u>	<u>-</u>	<u>(777,587)</u>
Total Revenues, Other Sources and Appropriated Fund Balance	<u>11,577,722</u>	<u>12,122,222</u>	<u>11,536,159</u>	<u>(586,063)</u>
Expenditures				
General government support	363,858	985,820	430,039	555,781
Home and community services	6,939,043	7,162,981	6,223,129	939,852
Employee benefits	1,577,876	1,558,295	1,374,554	183,741
Debt service (principal and interest)	2,696,945	2,696,945	2,696,846	99
Total Expenditures	<u>11,577,722</u>	<u>12,404,041</u>	<u>10,724,568</u>	<u>1,679,473</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (281,819)</u>	811,591	<u>\$ 1,093,410</u>
Fund Balance - January 1, 2015			<u>8,327,917</u>	
Fund Balance - December 31, 2015			<u>\$ 9,139,508</u>	

CITY OF SCHENECTADY, NEW YORK
RECREATION FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets		
Cash	\$	184,026
Cash - restricted		564,781
Inventory		9,557
Total Assets		<u>\$ 758,364</u>
Liabilities		
Accounts payable	\$	17,564
Other liabilities		8,505
Total Liabilities		<u>26,069</u>
Fund Balance		
Nonspendable		9,557
Restricted		564,781
Assigned		157,957
Total Fund Balance		<u>732,295</u>
Total Liabilities and Fund Balance	\$	<u>758,364</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Departmental income	\$ 1,049,900	\$ 1,049,900	\$ 1,160,453	\$ 110,553
Use of money and property	650	650	1,477	827
State aid	5,000	5,000	-	(5,000)
Total Revenues	<u>1,055,550</u>	<u>1,055,550</u>	<u>1,161,930</u>	<u>106,380</u>
Other Sources				
Interfund transfers	-	-	7,000	7,000
Appropriated Fund Balance	<u>500</u>	<u>30,950</u>	<u>-</u>	<u>(30,950)</u>
Total Revenue, Other Sources and Appropriated Fund Balance	<u>1,056,050</u>	<u>1,086,500</u>	<u>1,168,930</u>	<u>82,430</u>
Expenditures				
General government support	7,210	7,490	6,961	529
Culture and recreation	772,991	781,760	743,689	38,071
Employee benefits	85,589	85,309	64,313	20,996
Debt service (principal and interest)	190,260	190,260	190,251	9
Total Expenditures	<u>1,056,050</u>	<u>1,064,819</u>	<u>1,005,214</u>	<u>59,605</u>
Other Uses				
Interfund transfers	<u>-</u>	<u>30,450</u>	<u>30,450</u>	<u>-</u>
Total Expenditures and Other Uses	<u>1,056,050</u>	<u>1,095,269</u>	<u>1,035,664</u>	<u>59,605</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (8,769)</u>	133,266	<u>\$ 142,035</u>
Fund Balance - January 1, 2015			<u>599,029</u>	
Fund Balance - December 31, 2015			<u>\$ 732,295</u>	

**Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015**

Revenues	
Real property tax	\$ 260,000
Expenditures	
Transportation	<u>260,000</u>
Excess of Revenues Over Expenditures	-
Fund Balance - January 1, 2015	<u>-</u>
Fund Balance - December 31, 2015	<u><u>\$ -</u></u>

**Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015**

Revenues	
Real property tax	\$ 48,667
Expenditures	
General government support	<u> 48,667</u>
Excess of Revenues Over Expenditures	-
Fund Balance - January 1, 2015	<u> -</u>
Fund Balance - December 31, 2015	<u><u> -</u></u>

CITY OF SCHENECTADY, NEW YORK
SPECIAL GRANT FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Cash	\$ 606,342
Accounts receivable	88,771
State and federal aid receivables	1,075,615
Total Assets	<u>\$ 1,770,728</u>
Liabilities	
Accounts payable	\$ 448,795
Retainage payable	43,339
Due to other funds	513,764
Due to other governments	1,305
Total Liabilities	<u>1,007,203</u>
Deferred Inflows of Resources	323,125
Fund Balance	
Assigned	<u>440,400</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 1,770,728</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015

Revenues	
Departmental income	\$ 96,146
Use of money and property	2
Miscellaneous local sources	70,563
State aid	453,984
Federal aid	4,681,238
Total Revenues	<u>5,301,933</u>
Other Sources	
Interfund transfer	<u>115,000</u>
Total Revenues and Other Sources	5,416,933
Expenditures	
Home and community services	<u>5,245,306</u>
Excess of Revenues Over Expenditures	171,627
Fund Balance - January 1, 2015	<u>268,773</u>
Fund Balance - December 31, 2015	<u>\$ 440,400</u>

CITY OF SCHENECTADY, NEW YORK
CAPITAL PROJECTS FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Cash	\$ 20,015,150
Other receivables	2,400
State and federal aid receivables	2,823,338
Total Assets	<u>\$ 22,840,888</u>
Liabilities	
Accounts payable	\$ 449,578
Retained percentages	221,451
Bond anticipation notes	40,688,310
Due to other funds	268,801
Total Liabilities	<u>41,628,140</u>
Fund Balance	
Unassigned Deficit	(18,787,252)
Total Liabilities and Fund Deficit	<u>\$ 22,840,888</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Deficit
For the Year Ended December 31, 2015

Revenues	
Use of money and property	\$ 330
State aid	1,837,532
Federal aid	1,445,818
Total Revenues	<u>3,283,680</u>
Other Financing Sources	
Interfund transfers	2,170,320
Other long-term proceeds	2,960,000
Notes redeemed from appropriations	1,062,500
Installment purchase debt	2,448,200
Total Revenues and Other Financing Sources	<u>11,924,700</u>
Expenditures	
General government support	2,583,742
Public safety	3,037,503
Transportation	5,302,409
Culture and recreation	476,248
Home and community services	2,668,725
Total Expenditures	<u>14,068,627</u>
Other Financing Uses	
Interfund transfers	1,910,917
Total Expenditures and Other Financing Uses	<u>15,979,544</u>
Excess of Expenditures and Other Financing Uses Over Revenues and Other Financing Sources	(4,054,844)
Fund Deficit - January 1, 2015	<u>(14,732,408)</u>
Fund Deficit - December 31, 2015	<u>\$ (18,787,252)</u>

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Cash	\$ <u>959,026</u>
Liabilities	
Agency liabilities	\$ 113,660
Other liabilities	<u>845,366</u>
Total Liabilities	<u><u>\$ 959,026</u></u>

Regulatory Basis Balance Sheet
December 31, 2015

Assets

Provisions to be made in future budgets \$ 167,003,638

Liabilities

Installment purchase debt	\$ 5,010,687
Judgments and claims payable	9,835,701
Compensated absences	2,279,003
Due to retirement systems	4,129,074
Due to other governments	310,490
Bonds and capital notes payable	66,372,830
Other post-employment benefits	71,073,902
Net pension liability - proportionate share	4,187,303
Other debt	2,970,000
Deferred inflows of resources - pensions	834,648
Total Liabilities	<u>\$ 167,003,638</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as discussed in Note 1G, the financial statements of the City of Schenectady, New York (the "City") have been prepared in accordance with regulatory accounting principles prescribed by the New York State Office of the State Comptroller for complying with Article 3, Section 30 of General Municipal Law in which every municipal corporation is required to make an annual financial report an Annual Update Document (AUD). The most significant differences between this regulatory basis of accounting and generally accepted accounting principles ("GAAP") is that Government Accounting Standards Board ("GASB") Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" ("GASB 34") need not be implemented to meet the requirements of General Municipal Law. GASB 34 requires significant changes including:

- Government-Wide Reporting
- Focus on Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management's Discussion and Analysis
- Capitalization of Infrastructure Assets

Management has implemented certain of the provisions of GASB 34 including the budgetary reporting and management's discussion and analysis, however taken as a whole, the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Management has considered the costs and benefits of adopting GASB 34 and determined that preparing the financial statements utilizing another comprehensive basis of accounting (regulatory basis) as opposed to GAAP makes fiscal sense for the City.

Although the AUD does not require the reporting of modified budget information, a budget to actual comparison has been included in these financial statements for each applicable fund.

A. Financial Reporting Entity

The City of Schenectady was incorporated in 1789 and is governed by the City Charter, other general laws of the State of New York and various local laws and ordinances. The City Council, which is the legislative body of the City, consists of seven council members. The Mayor serves as chief executive officer and the Commissioner of Finance and Administration serves as the chief fiscal officer of the City.

The City provides the following basic services: police and law enforcement, fire protection, maintenance of city streets, water and sewer utilities, parks and recreation programs, health services and refuse and garbage services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. *Financial Reporting Entity (Continued)*

GASB Statement No. 61 defines the financial reporting entity for the City to include all funds, account groups, agencies, boards, commissions and authorities where the elected officials (the Mayor and/or the City Council, respectively) are financially accountable and for which a financial benefit or burden relationship exists. The following terms are used to describe the components of a reporting entity:

- Primary Government

A legally separate state, general purpose local or special purpose government with a separately elected governing body. It must be fiscally independent of other primary governments.

- Component Unit

A legally separate organization for which the elected officials are financially accountable. Also the primary government is able to impose its will on the component unit or there is a potential for the component unit to provide a financial benefit or incur a financial burden on the primary government.

As required by the New York State Office of the State Comptroller, the regulatory basis financial statements include the City of Schenectady as the primary government and its blended component units. The blended component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Blended component units have been included in the special revenue funds of the City.

Operational or financial responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

- Blended Component Units

The City of Schenectady Community Development Agency ("CDA"), a legally separate entity, is governed by a board appointed by the City Council. The CDA is reported as if it were part of the City's operations because its sole activity is to administer federal funds received by the City for urban renewal. The CDA has been included in the City's Special Grant Fund since it was established.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. *Financial Reporting Entity (Continued)*

- Blended Component Units (Continued)

The Schenectady Urban Renewal Agency (“SURA”) is governed by a board that consists of the members of the City Council of the City of Schenectady and the Mayor of the City of Schenectady. The SURA was formed to undertake activities which benefit the City of Schenectady, and influence is assumed due to the composition of the board.

The Schenectady Housing Development Fund Corporation (“SHDFC”) provides down-payment loans to low and moderate income people to purchase homes within the City of Schenectady. The initial funding comes from the CDA. The board is comprised of the Mayor of the City of Schenectady and two Schenectady City Council members who then elect eight other members. The day-to-day operations are performed by City of Schenectady personnel.

The SHDFC blended component unit’s financial statements were audited as of and for the year ended December 31, 2015 by other auditors, whose report expressed an unmodified opinion.

B. *Basis of Presentation*

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

1. Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City’s expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is based upon determination of financial position and changes in financial position. The following are the City’s governmental fund types:

General Fund - The general fund is the principal fund and includes all operations not required to be recorded in other funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

1. Governmental Funds (Continued)

Special Revenue Funds - Used to account for the proceeds of specific revenue sources that are legally or otherwise restricted to expenditures for specified purposes. The Special Revenue Funds are:

Water Fund - used to account for water district operations.

Sewer Fund - used to account for sewer district operations.

Recreation Fund - used to account primarily for golf course operations and other similar rentals.

Downtown Schenectady Improvement Fund - used to account for the Downtown Schenectady Improvement Corporation (“DSIC”) working with the City to expand the functions of the DSIC to provide a broader focus on the revitalization of Downtown Schenectady.

Miscellaneous Special Revenue Fund - used to account for the Upper Union Street Revitalization Program.

Special Grant Fund - used to account for federal, state or local grants that are legally restricted to expenditures for a specific grant purpose.

Capital Projects Fund - Used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

2. Fiduciary Fund

Agency Fund - Used to account for money and/or property received and held in the capacity of trustee, custodian or agent.

3. Account Group

Used to establish accounting control and accountability for general long-term debt. Account groups are not “funds.” They are concerned with measurement of financial position and not results of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

3. Account Group (Continued)

The Non-Current Government Liability Account Group is used to account for general obligation bonds and other forms of long-term debt not required to be recorded in other funds. The bonds are backed by the full faith and credit of the City and are supported by general revenues to be provided for in future budgets. Other obligations include: compensated absences, amounts due to employee retirement systems, other post-employment benefits, claims and judgments and capital leases to be provided for in future budgets. The account group does not constitute a fund as such but is a supplementary self-balancing group of accounts.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the regulatory basis financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus. Measurement focus is the determination of what should be measured.

Modified Accrual Basis - All governmental funds are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter, within one year, to be used to pay liabilities of the current period with the exception of property taxes, water and sewer rents, in which a sixty day collection period is utilized.

Material revenues that are accrued include state and federal aid and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made unless it has not been received within one year after the fiscal year has ended.

Expenditures are recorded when the fund liability is incurred except that:

- a. Principal and interest on indebtedness are recognized as an expenditure when due.
- b. Compensated absences, such as vacation and sick leave which vest or accumulate, are charged as an expenditure if anticipated to be paid with available current resources.
- c. Non-current government liabilities are recorded at the par value of the principal amount; no liability is recorded for interest payable to maturity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Excluded from the Financial Reporting Entity

The following potential component units have been excluded from the regulatory basis of reporting based on the criteria established by GASB 61.

a. Municipal Housing Authority (“MHA”)

The Housing Authority of the City of Schenectady (“MHA”) is organized under the laws of the State of New York by the City of Schenectady for the purpose of providing adequate housing for qualified low-income individuals. To accomplish this purpose, the City appoints a Governing Board for five-year staggered terms but the Board designates its own management. Additionally, the MHA has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (“HUD”) to be the administrator of the housing and housing related programs.

The MHA is considered to be a potential component unit because five of the members are appointed by the Mayor of the City of Schenectady, and the MHA must receive City Council approval to expand their operations. Additionally, all assets and operations can revert to the City after 40 years, if the City Council chooses to take up operations.

The MHA is not considered a blended component unit and, therefore, not included in the reporting entity as the day-to-day operations are independent of City personnel. The MHA’s financial statements can be obtained from City Hall, Schenectady, New York, 12305.

b. City of Schenectady Industrial Development Agency

The City of Schenectady Industrial Development Agency (“IDA”) was created in 1977 by the City Council of the City of Schenectady under the provisions of Chapter 783, Section 856.1-a of General Municipal Laws of New York State for the purpose of encouraging economic growth in the City of Schenectady. The IDA is a separate entity and operates independently of the City of Schenectady.

The IDA is not considered a blended component unit and, therefore, not included in the reporting entity as the day-to-day operations are independent of City personnel. The IDA’s financial statements can be obtained from City Hall, Schenectady, New York, 12305.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Excluded from the Financial Reporting Entity (Continued)

The following organizations are excluded from the reporting entity.

a. Schenectady City School District

The Schenectady City School District was created by State legislation which designates the school board as the governing authority. School board members are elected by the qualified voters of the District. The school board designates management and exercises complete responsibility for all fiscal matters. The City Council exercises no oversight over school district operations.

b. Land Reutilization Corporation of the Capital Region

The Land Reutilization Corporation of the Capital Region (the "Land Bank") was incorporated on June 29, 2012. The Land Bank was organized and operates as a not-for-profit corporation under the provisions of Article 16 of New York's Not-For-Profit Corporation Law and the Intergovernmental Cooperation Agreement by and between participating foreclosing governmental entities.

The Land Bank was created by three governmental entities: The City of Schenectady, the County of Schenectady and the City of Amsterdam. The governments will make foreclosed properties available to the Corporation with remuneration being made in the future as the properties are sold, based on a profit margin sharing formula.

Since the City of Schenectady does not appoint a majority of the board members to the Land Bank, and the Land Bank is not financially dependent on the City of Schenectady, the Land Bank is not considered a component unit to be reported in City financial statements.

The Executive Director of the Land Bank is currently a City of Schenectady employee and the 2015 financial statements were provided by an independent contractor and have been audited by an independent CPA firm engaged by the Land Bank. The Land Bank's financial statements can be obtained from City Hall - Room 14, Schenectady, New York, 12305.

E. Property Taxes and Collections

City property taxes are levied annually on January 1st on real property in the City. The annual levy includes City and County taxes, water and sewer rents, and delinquent metered charges for water and sewer. The Schenectady City School District returns its delinquent taxes to the City for collection. The City assumes the responsibility of collection of all unpaid taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Data

1. Budget Policies - The budget policies are as follows:
 - a. No later than October 1, the Mayor submits a tentative budget to the City Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all governmental funds, except for the Downtown Schenectady Improvement Fund, Miscellaneous Special Revenue Fund and the Special Grant Fund.
 - b. After public hearings are conducted to obtain taxpayer comments, but no later than November 1st the City Council adopts the budget.
 - c. The Commissioner of Finance and Administration, with the approval of the Mayor, is authorized to transfer certain budgeted amounts within departments; however, all revisions that alter appropriations of any department or fund must be approved by the Mayor and City Council.
 - d. Budgetary controls are established for the capital project fund through resolutions authorizing individual projects and a capital program budget which remains in effect for the life of the project.

2. Encumbrances

Encumbrances are reservations of fund balance for outstanding purchase commitments. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis of Accounting

- a. Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior years.
- b. Budgetary controls for the Special Grant Fund are established in accordance with applicable grant agreements which generally cover a period other than the City's fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. *Budgetary Data (Continued)*

3. Budget Basis of Accounting (Continued)

- c. Budgetary controls for the component units are established in accordance with internal policies and applicable grant agreements which may cover a period other than the City's fiscal year.

G. *Departure from Regulatory Basis of Accounting*

Acquisitions of equipment and capital facilities are appropriately recorded as expenditures in the various governmental funds of the City. These acquisitions should also be recorded in the balance sheet in a non-current governmental asset account group, as required by accounting principles prescribed by the New York State Office of the State Comptroller, to account for all land, buildings, improvements and equipment utilized by the City. The City does not maintain a non-current governmental asset account group and the amount that should be recorded in this account group is not known.

H. *Estimates*

The preparation of financial statements in accordance with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

The significant estimates included in the regulatory basis financial statements include the estimated incurred but not recorded ("IBNR") liability for workers' compensation, health insurance and the realizable value of the taxes receivable. It is at least reasonably possible that a condition, situation, or set of circumstances that existed at the date of the regulatory basis financial statements will change in the near term due to one or more future events.

I. *Self-Insurance, Risk Retention, Workers' Compensation and Health Insurance Plans*

Excluding certain vision coverage, the City is self-insured for the healthcare benefits offered and all workers' compensation.

The City has retained a portion of the liability to cover losses under §207-C and §207-A of the Workers' Compensation Law for police officers and firefighters. Employees are entitled to their full pay when out on leave. The City is required to cover any amount of losses not reimbursed by workers' compensation.

Workers' compensation claims are subject to approval by a Workers' Compensation board. Approved claims are paid and charged to the appropriate fund.

The City maintains general liability insurance which carries a deductible of \$50,000 per claim.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*I. Self-Insurance, Risk Retention, Workers' Compensation and Health Insurance Plans
 (Continued)*

The City pays health insurance on a cost-reimbursement basis. The plan allows for an up to 20% coinsurance by the employee/subscriber. Each fund is responsible for the claims incurred for their employees. In 2015, the City is self-insured up to \$150,000 per individual, and is commercially insured for claims exceeding \$150,000 up to \$1,000,000 per subscriber per year. Individual claims exceeding \$1,000,000 per subscriber per year are self-insured. The risk of future claims is retained by the City.

The City establishes workers compensation and health insurance 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 such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim 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 calculations 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.

As discussed above, 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 the past year:

	<u>Workers' Compensation</u>	<u>Health Insurance</u>	<u>Risk Retention</u>
Unpaid Claims and Claims Adjustment Expenses at Beginning of Year	\$ 7,685,289	\$ 574,722	\$ 1,217,304
Provision for Incurred Claims Expense for Events of the Current and Prior Years	3,750,665	11,739,228	(207,364)
Payments Made During the Current Year	<u>(1,942,106)</u>	<u>(11,407,009)</u>	<u>(164,886)</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$ 9,493,848</u>	<u>\$ 906,941</u>	<u>\$ 845,054</u>
Reflected as Follows:			
General Fund	\$ 1,901,618	\$ 906,941	\$ 422,527
Non-Current Government Liability Account Group	<u>7,592,230</u>	<u>-</u>	<u>422,527</u>
	<u>\$ 9,493,848</u>	<u>\$ 906,941</u>	<u>\$ 845,054</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Change in Accounting Principles

For the year ended December 31, 2015, the City implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement date. The implementation of the Statements requires the City to report as a liability its portion of the collective net pension liability in the New York State Employees' and Police and Fire Retirement Systems.

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Capital Projects Fund

Capital Projects Fund had deficits totaling \$18,787,252 at December 31, 2015, which was caused by the temporary financing of project costs through the issuance of bond anticipation notes (BANs). The deficit will be offset when permanent financing is issued and/or BAN principal payments are budgeted and paid in the governmental fund(s) responsible for the debt.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Assets

Cash and Investments

The City's investment policies are governed by State statutes. The City's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The City is authorized to use demand accounts, certificates of deposit, obligations of the United States of America, New York State and local municipalities and school districts, certificates of participation and repurchase agreements with certain restrictions.

Collateral is required for demand deposits and certificates of deposit for all of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of any state and its municipalities and school districts.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

A. Assets (Continued)

At December 31, 2015, the book amount of the primary government's deposits (excluding \$6,900 in petty cash) was \$60,974,849 and the bank balances were \$62,047,938. The insured and collateral status of the year-end bank balances was as follows:

	<u>Amount</u>
Covered by federal deposit insurance	\$ 520,645
Collateralized with securities held by a third party custodian for the benefit of the City, pursuant to a three-party custody agreement (\$61,884,926 available).	<u>60,454,204</u>
Total	<u>\$ 60,974,849</u>

For the year ended December 31, 2015, the SURA's book amount was \$2,663 and the bank balance was \$3,563.

For the year ended December 31, 2015, the SHDFC's book and bank balance amount was \$9,390.

B. Cash Restricted

Cash restricted consists of the following at December 31, 2015:

<u>General Fund</u>	
Reserve for Debt	\$ 679,593
Capital Reserve	3,325,897
Snow and Ice Removal	202,809
Tax Stabilization	585,394
Tax Certiorari	464,774
Litigation and Claims	<u>422,527</u>
	<u>5,680,994</u>
<u>Water Fund</u>	
Reserve for Debt	269,698
Reserve for Capital	<u>4,727,718</u>
	<u>4,997,416</u>
<u>Sewer Fund</u>	
Reserve for Capital	6,452,072
Reserve for Repairs	214,892
Reserve for Debt	<u>846,136</u>
	<u>7,513,100</u>
<u>Recreation Fund</u>	
Reserve for Debt	10,297
Reserve for Capital	<u>554,484</u>
	<u>564,781</u>
Total Cash - Restricted	<u>\$ 18,756,291</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

C. Property Taxes

The City tax levy may be paid in four equal installments due January 1st, April 1st, July 1st, and October 1st.

At December 31, 2015, the total real property tax receivable of \$19,607,335 is reduced by an allowance for uncollectible and unavailable taxes in the amount of \$16,667,278 resulting in net realizable taxes receivable of \$2,940,057.

The above-mentioned net realized taxes receivable at December 31, 2015 also include the amount of taxes the City must collect on behalf of the Schenectady City School District. At December 31, 2015 the City is obligated to pay the Schenectady School District \$6,988,010 which is reflected in the Due to Other Governments on the general fund balance sheet.

D. Other Receivables and Deferred Inflows of Resources

A majority of the other receivables and deferred inflows of resources in the City's Special Grant Fund is comprised of the following loan activities at December 31, 2015.

Community Development Agency (a blended component unit)

The CDA is the recipient of Community Development Entitlement Grants to operate revolving loan funds. These funds are to be loaned to industry, not-for-profit organizations and individuals for the purpose of creating and retaining permanent jobs within the City or for rehabilitation of property. Loans outstanding at December 31, 2015 require periodic payments of principal and interest, or interest only for loans that have not been fully drawn down. The principal loan balances at December 31, 2015 is as follows:

Total Loans Outstanding	\$ 490,146
Less Allowance for Uncollectible Accounts	(444,197)
Net Loans Receivable	<u>\$ 45,949</u>

Loans are recorded as a receivable with a corresponding entry to deferred inflows of resources. When the loan payments are received, revenue is recognized to the extent of principal received. As funds are reloaned a corresponding expenditure is recorded. When a loan is written off as uncollectible, a corresponding decrease in the amount of deferred inflows of resources is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

D. Other Receivables and Deferred Inflows of Resources (Continued)

Schenectady Housing Development Fund Corporation (a blended component unit)

The SHDFC is a subrecipient of federal funds received by the City through its Community Development Block Grant (CDBG). Draw down requests are made to the City as CDBG funds are needed to meet loans commitments, and revenue is recognized when received by the SHDFC.

Loans are recorded as a receivable with a corresponding entry to deferred inflows of resources. As loans are repaid, the principal is recognized as revenue to be used for future housing loans. As funds are reloaned, a corresponding expenditure is recorded. Many of these loans are subject to a higher than normal risk of default.

Loans receivable consist of the following at December 31, 2015:

Loans receivable, January 1	\$ 36,196
Add new loans made	12,982
Less principal payments received	(13,747)
Write-offs and adjustments	<u>(1,166)</u>
Loans Receivable, December 31	<u>\$ 34,265</u>

See Note 3E6 for other deferred inflows of resources in the special grant fund.

Other receivables in the general fund are comprised primarily of franchise, trash and code violation fees, while other receivables in the water and sewer funds are comprised primarily of rents and metered sales.

E. Liabilities

1. Pension Plans

General Information

The City participates in the New York State and Local Employees' Retirement System ("ERS") and New York State and Local Police and Fire Retirement System ("PFRS") collectively the "Systems". The Systems are cost sharing multiple-employer, public employee retirement systems. The Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

Plan Description and Benefits Provided

The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in plan net position allocated to the Systems. The Comptroller of the State of New York (the “Comptroller”) serves as sole trustee and administrative head of the Systems. System benefits are established under provisions of the New York State Retirement and Social Security Laws (“NYSRSSL”). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for ERS employees who joined the System after July 27, 1976 who contribute 3% of their salary, for the first ten years of membership and employees who joined on or after January 1, 2010 who generally must contribute 3% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the Systems’ fiscal year ending March 31.

The City is required to contribute at an actuarially determined rate. Required contributions for the current and preceding two years were:

	<u>ERS</u>		<u>PFRS</u>	
	<u>Amount</u>	<u>Rate*</u>	<u>Amount</u>	<u>Police/Fire Rates*</u>
2015	\$ 2,145,142	18.8%	\$ 5,956,178	24.7/30.1%
2014	\$ 2,769,499	20.3%	\$ 7,041,053	27.3/33.0%
2013	\$ 2,830,111	21.0%	\$ 6,877,429	28.4/34.4%

* Reflects rates of most populated tier.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

The City's contributions made to the Systems were equal to 100 percent of the contributions required for 2012. In 2013 the City, as anticipated in its adopted budget, elected to amortize (pay over time) \$3,250,427, the maximum allowed. In 2014 the City, as anticipated in its adopted budget, elected to amortize the amount of \$1,489,734, a portion of the amount allowed. All amortizations were done under the NYS Original Contribution Stabilization Program.

Pursuant to the Chapter 260 of the Laws of 2002, the state legislature authorized local governments to make available retirement incentive programs. Additional retirement incentive programs were authorized in 2004 and 2007. The costs of these programs are being billed and paid over ten years and include interest at 8.75%.

The outstanding balance as of December 31, 2015 for the all pension liabilities was \$4,129,074 (\$77,859 for previous amortized retirement incentive program amount, \$2,690,534 for the 2013 amortization and \$1,360,681 for the 2014 amortization).

Covered Payroll

The City of Schenectady's covered payrolls for 2015 are as follows:

ERS	\$ 15,067,202
PFRS	<u>23,533,375</u>
Total	<u>\$ 38,600,577</u>

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

At December 31, 2015, the City reported a liability in the non-current government liability account group of \$1,860,740 for ERS and \$2,326,563 for PFRS for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined, and is reflected in the non-current government liability group at December 31, 2015.

At December 31, 2015, the City's proportion was .056% percent ERS and .845% PFRS.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

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

At December 31, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 340,133
Net difference between projected and actual earnings on pension plan investments	<u>1,104,291</u>
	<u><u>\$ 1,444,424</u></u>

At December 31, 2015, the City reported deferred inflows of resources related to pensions from the following sources:

	Total Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>\$ 834,648</u>

The net amount of the employer's balances of deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31, 2016	\$ 178,215
December 31, 2017	178,215
December 31, 2018	178,215
December 31, 2019	178,215
December 31, 2020	<u>(103,084)</u>
	<u><u>\$ 609,776</u></u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

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

Actuarial Assumptions. The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions:

Significant actuarial assumptions used in the April 1, 2014 valuation were as follows:

Interest rate	7.5%
Salary increase	4.9%
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period August 1, 2005 - March 31, 2010.

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

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.30%
International equity	8.55%
Private equity	11.0%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-indexed bonds	4.00%

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS and PFRS. 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 System'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.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
<u>ERS</u>			
Employers' proportionate share of the net pension asset (liability)	<u>\$(12,402,637)</u>	<u>\$ (1,860,740)</u>	<u>\$ 7,039,235</u>

<u>PFRS</u>			
Employers' proportionate share of the net pension asset (liability)	<u>\$(30,976,965)</u>	<u>\$ (2,326,563)</u>	<u>\$ 21,684,203</u>

Pension Plan Fiduciary Net Position

The components of the net pension liability of the Systems as of March 31, 2015 was as follows (in thousands):

	<u>ERS</u>	<u>PFRS</u>
Systems total pension liability	\$ 164,591,504	\$ 28,474,417
Systems net position	<u>161,213,259</u>	<u>28,199,157</u>
Systems net pension liability	<u>(3,378,245)</u>	<u>(275,260)</u>
Ratio of systems net position to the employers' total pension liability	<u>97.9%</u>	<u>99.0%</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

Restatement of Non-Current Government Liability Account Group

For the year ended December 31, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of a liability and deferred inflows of resources related to the City's participation in the New York State and Local Employees' Retirement Systems. The City's non-current government liability account group has been restated as follows:

Non-Current Government Liability Account Group, beginning of year, as previously stated	\$(144,499,057)
GASB Statement No. 68 Implementation	<u>(6,007,745)</u>
Non-Current Government Liability Account Group, beginning of year, as restated	<u><u>\$(150,506,802)</u></u>

Deferred Compensation

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their current salary (up to \$18,000 for participants under age 50 and \$24,000 for those 50 years of age and older) until future years. During the past year, the employees contributed approximately \$948,000. The deferred compensation amounts are not available to the employees until termination, retirement, death, or unforeseeable emergency.

The City has significant administrative involvement for the assets of the deferred compensation plan and is involved in the investment function of the plan. The City has entered into two separate agreements with the trustees of the two plans who invest the funds in accordance with the trust agreements. The City appoints a committee of employees that represent the City in all matters concerning the administration of the plan. The committee has full power and authority to adopt rules and regulations for the administration of the plan. The committee also contracts with providers to manage the investment of plan assets and is responsible for selecting the plan investment options. Additionally, the committee reviews and approves withdrawals, terminations and benefit payments.

The City accounts for and reports its deferred compensation plan under the provisions of GASB Statements No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

1. Pension Plans (Continued)

The plans issue separate financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to the City of Schenectady.

2. Compensated Absences

Pursuant to contractual agreements, City employees are entitled to accrue sick, vacation and personal leave. The maximum accrual of these absences depends upon the contractual agreement each employee falls under. All employees who leave the employment of the City are entitled to be paid for unused vacation leave up to a maximum of 10 weeks. Unused sick leave, at rates ranging from twenty-five to seventy-five percent, depending on the contract and hire date, is paid to all employees, except police and fire, upon retirement, layoff or death.

The expenditure is recorded at the time the benefit is paid or when anticipated to be paid with available current resources. Estimated vested vacation and sick leave and compensated absences accumulated by City employees have been recorded in the General Fund, for those amounts anticipated to be paid with available current resources, with the remainder recorded in the Non-Current Government Liability account group.

The City has accrued compensated absences for vacation, vesting sick leave and other compensated absences with similar characteristics in accordance with Governmental Accounting Standards Board (GASB) Pronouncement Number 16 - Accounting For Compensated Absences. In accordance with GASB No. 16, additional amounts for employees who are expected to attain vested status and the related fringe benefits have also been accrued.

3. Short-Term Debt

Liabilities for bond anticipation notes (BANs) are generally accounted for in the Capital Projects Fund. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date.

At December 31, 2015, BANs outstanding of \$40,688,310 are reflected in the Capital Projects Fund. The BANs fund various improvements and have a maturity date of May 13, 2016 with an interest rate of .62%.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

3. Short-Term Debt (Continued)

The following is a summary of changes in short-term debt for the year ended December 31, 2015:

	<u>Payable at</u> <u>January 1, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Payable at</u> <u>December 31, 2015</u>
Bond Anticipation Notes	<u>\$ 32,636,315</u>	<u>\$ 9,114,495</u>	<u>\$ 1,062,500</u>	<u>\$ 40,688,310</u>

4. Long -Term Debt

At December 31, 2015 the total outstanding serial bonds of the primary government was \$66,372,830.

Serial Bonds - The local government, like most governmental units, borrows money in order to acquire land or equipment or construct buildings and improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of these capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Non-Current Government Liability Account Group. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Other Debt - Other debt at December 31, 2015 includes the total outstanding of \$2,970,000 on a \$3,000,000 US Department of Housing and Urban Development contract for loan guarantee assistance provided under section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. 5308. \$2,500,000 is to be used for the acquisition of real property in fee or by long-term lease pursuant to 24 CFR 570.703 (a), including acquisition of properties from the Schenectady Urban Renewal Agency, which may include costs of surveys, appraisals, the preparation of legal documents, recording fees and other similar costs that are necessary to effect the acquisition; and the clearance, demolition, and removal of building and improvements on real property acquired with Guaranteed Loan Funds. It is anticipated that \$500,000 will be used in support of the development or redevelopment of a low-income residential facility.

In addition to the above long-term debt the City has the following noncurrent liabilities:

Due to Retirement Systems - Represents amounts accrued for early retirement incentives adopted by the City Council and the amortization of a portion of the bills due in 2013 and 2014 under the contribution stabilization program.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long -Term Debt (Continued)

Compensated Absences - Represents the value of earned and unused portion of the liability for compensated absences.

Installment Purchase Debt- Represents the future minimum lease payments on capital leases.

Judgments and Claims - Represents legal judgments, claims and tax certiorari proceedings that are anticipated to be settled against the City. See Note 4C and 4D. In addition, the judgment and claim liability represents the estimate of the City's share of incurred but not reported claim costs for the self-insured workers' compensation and health insurance obligations, net of the amounts recorded in the general fund. See Note 1 I.

Due to Other Governments - Represents the estimated net present value of the liability to the Downtown Schenectady Improvement Corporation.

Net Pension Liability - Represents the City of Schenectady's proportionate share of the NYS pension liability under GASB 68.

Deferred Inflows of Resources-Pensions - Represents changes between employer contributions and proportionate share of contributions as required by GASB 68.

Postemployment Benefits - Represents the actuarial present value for the continuation of certain medical and dental insurance for current and future retirees and their spouses.

The following is a summary of changes in long-term liabilities for the year ended December 31, 2015:

	<u>Payable at</u> <u>January 1, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Other</u> <u>Increase</u> <u>(Decrease)</u>	<u>Payable at</u> <u>December 31, 2015</u>
Serial Bonds	\$ 70,496,039	\$ -	\$ 4,123,209	\$ -	\$ 66,372,830
Due to Retirement Systems	4,248,544	372,434	491,904	-	4,129,074
Compensated Absences	2,285,872	-	-	(6,869)	2,279,003
Installment Purchase Debt	3,834,849	2,448,199	1,272,361	-	5,010,687
Judgment and Claims					
Payable	8,387,540	-	-	1,448,161	9,835,701
Due to Other Governments	306,076	-	29,595	34,009	310,490
Other Debt	40,000	2,960,000	30,000	-	2,970,000
Net Pension Liability	6,007,745	-	-	(1,820,442)	4,187,303
Deferred Inflows of					
Resources-Pensions	-	-	-	834,648	834,648
Post-employment Benefits	54,900,137	-	8,408,470	24,582,235	71,073,902
Total	<u>\$150,506,802</u>	<u>\$ 5,780,633</u>	<u>\$ 14,355,539</u>	<u>\$ 25,071,742</u>	<u>\$167,003,638</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Serial bonds are comprised of the following at December 31, 2015:

<u>Payable From/ Description</u>	<u>Issued</u>	<u>Original Amounts</u>	<u>Interest Rate (%)</u>	<u>Final Maturity</u>	<u>Balance Outstanding 2015</u>
General Fund					
General Purpose	2002	\$ 4,184,925	4.00%-4.125%	2017	\$ 330,000
General Purpose	2007	\$ 4,973,643	3.29%-4.25%	2026	3,350,795
General Purpose	2008	\$ 3,985,323	4.00%-4.5%	2030	3,102,462
General Purpose	2010	\$ 3,768,600	2.00%-3.00%	2019	685,600
General Purpose	2011	\$ 3,769,500	4.375%-5.00%	2038	3,462,000
General Purpose	2014	\$ 28,340,209	3.5%	2038	27,579,673
Water Fund					
Water Fund	2002	\$ 1,231,344	4.00%-4.125%	2017	200,000
Water Fund	2007	\$ 1,012,300	3.29%-4.25%	2026	681,995
Water Fund	2008	\$ 1,891,941	4.00%-4.25%	2030	1,472,822
Water Fund	2010	\$ 3,220,000	2.00%-3.00%	2019	570,000
Water Fund	2011	\$ 1,884,750	4.375%-5.00%	2038	1,731,000
Water Fund	2014	\$ 1,469,558	3.5%	2038	1,430,121
Sewer Fund					
Sewer Fund	2002	\$ 1,314,731	4.00%-4.125%	2017	200,000
Sewer Fund	2007	\$ 3,343,000	3.29%-4.25%	2026	2,252,210
Sewer Fund	2008	\$ 5,500,708	4.00%-4.5%	2030	4,282,146
Sewer Fund	2010	\$ 3,492,800	2.00%-3.00%	2019	659,400
Sewer Fund	2011	\$ 6,910,750	4.375%-5.00%	2038	6,347,000
Sewer Fund	2011	\$ 210,000	3.40%-5.65%	2016	45,000
Sewer Fund	2011	\$ 570,000	3.60%-5.90%	2016	115,000
Sewer Fund	2013	\$ 738,830	0%	2017	722,830
Sewer Fund	2014	\$ 6,779,671	3.5%	2038	6,597,738
Recreation Fund					
Golf Course	2002	\$ 153,000	4.9%-5.0%	2017	20,000
Golf Course	2008	\$ 67,528	4.00%-4.5%	2030	52,569
Golf Course	2014	\$ 495,771	3.5%	2038	<u>482,469</u>
Total Serial Bonds					<u>\$ 66,372,830</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Serial bond maturities, and the related interest, are as follows:

	<u>Serial Bonds</u>	<u>Interest</u>
2016	\$ 3,633,000	\$ 2,467,148
2017	3,794,830	2,341,831
2018	2,680,000	2,235,544
2019	2,770,000	2,135,625
2020	2,565,000	2,036,619
2021-2025	14,495,000	8,587,959
2026-2030	14,755,000	5,729,891
2031-2035	12,730,000	3,165,213
2036-2038	8,950,000	579,356
Total	<u>\$ 66,372,830</u>	<u>\$ 29,279,186</u>

Other Long-Term Debt

Principal payments and interest due are as follows:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 130,000	\$ 81,535
2017	130,000	80,456
2018	155,000	79,247
2019	155,000	77,186
2020	155,000	74,271
2021-2025	780,000	316,953
2026-2030	800,000	200,705
2031-2034	665,000	62,100
Total	<u>\$ 2,970,000</u>	<u>\$ 972,453</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Installment Purchase Debt (Continued)

Minimum future lease payments for vehicles and energy improvements are:

2016	\$ 1,364,988
2017	1,380,758
2018	641,071
2019	577,175
2020	1,155,750
Thereafter	<u>292,703</u>
Total Payments	5,412,445
Less: interest	<u>(401,758)</u>
Total	<u>\$ 5,010,687</u>

Due to Employees' Retirement Systems and Police and Fire Retirement Systems

The due to retirement systems maturities are as follows:

2016	<u>\$ 77,859</u>
------	------------------

The principal payment schedule from the New York State Retirement Systems for the amortization of its retirement payment is described in Note 3 E1 is reflected below.

2016	\$ 428,570
2017	443,606
2018	459,172
2019	475,288
2020	491,971
2021	509,242
2022	527,123
2023	545,635
2024	<u>170,608</u>
	<u>\$ 4,051,215</u>

5. Post Employment Benefits Payable

As of December 31, 2015, the liability for post-employment benefits payable calculated in accordance with Government Accounting Standards Board No. 45 ("GASB 45") is \$282,985,101 based on an actuarial valuation dated December 31, 2015. The City has elected to amortize this liability over 30 years as permitted by GASB 45, therefore the liability appearing in the December 31, 2015 financial statements is \$71,073,902.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

5. Post Employment Benefits Payable (Continued)

A. <i>Present Value of Future Benefits</i>	
1. Retirees	\$ not reported
2. Active employees	not reported
3. Total	<u>\$ 282,985,101</u>
B. <i>Calculation of Amortization of UAL (open level dollar method)</i>	
1. Unfunded Actuarial Accrued Liability ("UAL") at beginning of year	\$ 282,985,101
2. Amortization Period	30 years
3. Present Value Factor at the beginning of the year	17.9837%
4. Amortization Payment at the beginning of the year	<u>\$ 15,059,724</u>
C. <i>Calculation of Annual Required Contribution for the 2015 fiscal year</i>	
1. Normal Cost	\$ 9,518,269
2. Amortization Payment	15,059,724
3. Interest to end of fiscal year at 4.00%	983,120
4. Annual Required Contribution ("ARC")	<u>\$ 25,561,113</u>
D. <i>Calculation of ARC Adjustment</i>	
1. Net OPEB Obligation/(Asset) as of the beginning of year	\$ 54,900,137
2. Amortization Period	30 years
3. Present Value Factor at the end of the year	17.292%
4. Amortization Amount at the end of the year ("ARC Adjustment")	<u>\$ 3,174,883</u>
E. <i>Calculation of OPEB Expense</i>	
1. ARC	\$ 25,561,113
2. Interest at 4.00% on Net OPEB Obligation/(Assets) as of the beginning of year	2,196,005
3. ARC Adjustment	(3,174,883)
3. OPEB	<u>\$ 24,582,235</u>
F. <i>Reconciliation of Net OPEB Obligation</i>	
1. Net OPEB Obligation at the beginning of the year	\$ 54,900,137
2. OPEB Expense	24,582,235
3. Net OPEB Contributions made during the fiscal year	(8,408,470)
4. Net OPEB Obligation at the end of the year	<u>\$ 71,073,902</u>
5. Percentage of Expense Contributed	34.21%
G. <i>Schedule of Funding Progress</i>	
1. Currently retired liability	\$ not reported
2. Actives eligible to retire	not reported
3. Actives not yet eligible	not reported
4. Actuarial Accrued Liability	282,985,101
5. Actuarial Value of Assets	-
6. Unfunded Actuarial Accrued Liability	<u>\$ 282,985,101</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

5. Post Employment Benefits Payable (Continued)

H. *Schedule of Participants*

1. Currently retired participants	\$	529
2. Active participants		552
3. Dependents		359
4. Total Participants		<u>\$ 1,440</u>

I. *Schedule of Employer Contributions*
 Contributions

\$ 8,408,470

J. *Actuarial Assumptions*

1. Funding Interest Rate		4.000%
2. Trend Rates 2014		3.886%-11.000%
3. Ultimate Trend Rate		3.886%
4. Fiscal Year Ultimate Trend Rates Reached		2075

6. Deferred Inflows of Resources and Unearned Revenues

Deferred inflows of resources arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflows of resources is reduced and revenue is recognized.

Unearned revenue arises when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when the City has legal claim to the resources, the liability is removed and revenue is recognized.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

E. Liabilities (Continued)

6. Deferred Inflows of Resources and Unearned Revenues (Continued)

Deferred inflows of resources and unearned revenues at December 31, 2015 consists of the following:

<u>General Fund</u>		
Real property taxes	\$ 355,022	
Parking fees and unpaid municipal voucher billings	198,126	
	<u>\$ 553,148</u>	
<u>Water Fund</u>		
Water rents	<u>\$ 181,309</u>	
<u>Sewer Fund</u>		
Sewer rents	<u>\$ 527,254</u>	
<u>Special Grant Fund</u>		
Community Development Agency State Aid	\$ 107,149	
Community Development Agency loans (see Note 3D)	45,949	
Community Development Agency Program Income	41	
Schenectady Housing Development Fund Corporation (see Note 3 D)	34,265	
Miscellaneous Grants	135,038	
Home Investment Partnership Program	683	
Total	<u>\$ 323,125</u>	
<u>Non-Current Government Liability Group</u>		
Pensions	<u>\$ 834,648</u>	

F. Interfund Balances

Interfund transfers and receivables and payables at December 31, 2015 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Receivables</u>	<u>Payables</u>
General	\$ 199,768	\$ 550,723	\$ 782,565	\$ -
Sewer	2	-	-	-
Recreation	7,000	30,450	-	-
Special Grant	115,000			513,764
Capital Projects	2,170,320	1,910,917	-	268,801
Total	<u>\$ 2,492,090</u>	<u>\$ 2,492,090</u>	<u>\$ 782,565</u>	<u>\$ 782,565</u>

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

G. Fund Equity and Reserves

The City has implemented GASB 54 “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB 54 defines five categories of fund balances as follows:

- **Non-spendable** fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The City’s non-spendable fund balance includes \$9,557 in inventory expenses recorded in the recreation fund at December 31, 2015.
- **Restricted** fund balance includes amounts restricted when constraints placed on the use of resources are 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’s restricted fund balance consists of the following at December 31, 2015:

	General Fund	Water Fund	Sewer Fund	Recreation Fund
Snow and Ice Removal	\$ 202,809	\$ -	\$ -	\$ -
Tax Stabilization	585,394	-	-	-
Bonded Debt	679,593	269,698	846,136	10,297
Tax Certiorari	464,774	-	-	-
Litigation	422,527	-	-	-
Capital Reserve	3,325,897	4,727,718	6,452,072	554,484
Repair Reserve	-	-	214,892	-
	<u>\$ 5,680,994</u>	<u>\$ 4,997,416</u>	<u>\$ 7,513,100</u>	<u>\$ 564,781</u>

- **Committed** fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City had no committed fund balances at December 31, 2015.
- **Assigned** fund balance includes amounts that are constrained by the City to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the City or designated by the City for the ensuing year’s budget. Assigned fund balance includes the following:

3. DETAIL NOTES ON ALL FUNDS AND GROUPS (CONTINUED)

G. Fund Equity and Reserves (Continued)

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Recreation Fund</u>	<u>Special Grant</u>
Encumbrances	\$ 124,026	\$ 262,629	\$ 642,588	\$ 1,692	\$ -
Home and Community Services	-	880,062	983,820	-	440,400
Culture and Recreation	-	-	-	156,265	-
	<u>\$ 124,026</u>	<u>\$ 1,142,691</u>	<u>\$ 1,626,408</u>	<u>\$ 157,957</u>	<u>\$ 440,400</u>

- **Unassigned** fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund.

The City determines whether restricted, committed or unassigned amounts are considered to have been spent first when resources are available from multiple constraint levels. The default policy is that resources are first spent from the highest constraint level.

4. COMMITMENTS AND CONTINGENCIES

- A. Grants** - The City has received several federal and state grants for special purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, would not be material.
- B. Parking Lots** - In 2004, the City of Schenectady entered into an agreement with Schenectady Metroplex Authority (Metroplex) for the sale of five parking lots and the Broadway Center Garage facility for \$1,000,000 with an option for the purchase of two additional parking lots for \$4 that expired June 2014.

As part of the sale agreement the City has agreed to pay the Downtown Schenectady Improvement Corporation the total sum of \$1,000,000 in annual installments of \$50,000 per year for a term of twenty years. The estimated net present value of the liability of \$310,490, calculated using an assumed rate of interest of 6%, has been recorded in the Non-Current Government Liability Account Group at December 31, 2015.

- C. Tax review cases** - Tax review cases are pending against the City for reductions in the assessed value of property. The petitions are for taxes collected in 2009 through 2015. Management believes that the likelihood of reductions is probable. Provision for losses for cases settled after December 31, 2015 and the City's estimate of losses for cases unsettled to date of \$2,285,718 are included in the Non-Current Government Liability Account Group in judgments and claims payable (\$1,820,944) and in a General Fund reserve (\$464,774) that comprise the balance.

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

- D. *Litigation*** - The City has been named defendant in various actions. A review of these actions with the City's Attorney indicates that the risk of loss to the City is probable for certain cases, reasonably possible for other cases or unable to assess the risk of loss. The remaining cases are either fully covered by insurance or without substantial merit. Provision for losses for these cases that have a probable risk of loss are included in the Non-Current Government Liability Account Group (\$422,527) and those that are reasonably possible for which a range of loss has been estimated are included in the miscellaneous reserves in the General Fund (\$422,527) at December 31, 2015.
- E. *Downtown Schenectady Improvement Corporation*** - The City has entered into an agreement with the Downtown Schenectady Improvement Corporation (the "Corporation") to provide certain services to the Downtown Special Assessment District (the "District"). If unanticipated expenses are incurred by the Corporation as a result of performing the contracted services, the District would be required to pay the Corporation the additional amount. For the year ended December 31, 2015, no additional amount was owed.
- F. *Consortium*** - The City is the lead agency for a Consortium consisting of the City of Troy and the Town of Colonie and is responsible for the administration of the HOME Investment Partnership Program Grant (HOME) awarded to the Consortium by the U.S. Department of Housing and Urban Development. The City of Troy was not able to commit the funds as required by the grant. To prevent the loss of the HOME Grant, the City acting in its fiduciary capacity on behalf of the Consortium, prudently and lawfully recaptured the sum of \$1,108,519 allocated to Troy for fiscal year 2004 and reallocated funds to the Town of Colonie and the City. For ten years ending 2016, the City will pay the City of Troy \$100,000 each year from the City's HOME Grant.
- G. *Environmental Concerns*** - The City is engaged in many activities (*e.g.*, water and sewer service, refuse collection, gasoline storage), in the normal course of operations, that are potentially hazardous to the environment. As of December 31, 2015, the City is not aware of any significant environmental conditions that should be disclosed in the financial statements.

In May 2014 the City received a Consent Order from the New York State Department of Environmental Conservation (DEC) to remedy sewer overflow events. Under the Consent Order, the City has until December 2023 to complete the necessary infrastructure changes.

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

H. Union Contracts - Police, Fire Department and general city employees are each represented by collective bargaining agents. The agents that represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
AFSCME - Local 1037A	December 31, 2016
Civil Service Employees Association - Local 1000	December 31, 2016
United Brotherhood of Carpenters & Joiners of America, Local 146	December 31, 2015
Brotherhood of Electrical Works - Local 236	December 31, 2015
Schenectady Police Benevolent Association	December 31, 2013*
IAFF, Local 28 (City Fire Fighters Union)	December 31, 2014*
National Union of Painters & Allied Tradesman, Local 62	December 31, 2015
IOUE, Local 106 (Operating Engineers)	December 31, 2015

* Currently under negotiation.

I. Constitutional Debt Limit - As of December 31, 2015, the City had exhausted 42.22% of its constitutional debt limit.

5. JOINT VENTURES

The following activities are undertaken jointly with other municipalities. These activities are excluded from the financial statements of all participating municipalities. Separate financial statements are issued for such joint ventures.

A. Intermunicipal Watershed Rules and Regulations Board

The City of Schenectady and the Towns of Niskayuna, Glenville, Rotterdam and the Village of Scotia, New York, jointly comprise the Intermunicipal Watershed Rules and Regulations Board. The venture operates under the terms of an agreement dated July 11, 1991. The agreement is for the period of five years with an option for renewal increments of five year periods. The first option for renewal was executed in 1996. Although no written extension has been negotiated since, the venture has been operating as if renewal options have been exercised. Significant provisions of the agreement are as follows:

1. The board of each municipality jointly act as the governing body for the joint venture.

5. JOINT VENTURES (CONTINUED)

A. Intermunicipal Watershed Rules and Regulations Board (Continued)

2. The governing body has established a contribution formula to fund the costs of the Board. The initial formula for municipal contributions to the operating budget of the Board was based upon the total number of gallons pumped from the aquifer by each of the municipalities between 1980 and 1989. In subsequent years the allocation has been based on actual gallons used during that year. The fee based on the water used by the Town of Niskayuna was initially reported and paid for by the City of Schenectady and is included in the cost of the water purchased by the Town of Niskayuna from the City of Schenectady.

The following is an unaudited summary of financial information included in financial statements issued for the joint venture for the year ended November 1, 2015:

Total Assets	\$ 14,239
Total Liabilities	\$ 1,119
Joint Venture Equity	\$ 13,120
Total Revenues	\$ -
Total Expenses	\$ 3,119

B. Great Flats Aquifer

In 1987 the City of Schenectady and the Town of Niskayuna entered into an agreement on the use of \$300,000 received from a developer as a settlement of a legal proceeding. The two parties agreed to use the proceeds for matters related to the Great Flats Aquifer and to require all expenditures of these funds and the related interest earned to be approved by the Chief Executive Officer of each municipality.

The following is an unaudited summary of financial information included in financial statements issued for the joint venture for the year ended December 31, 2015:

Total Assets	\$ 188,209
Joint Venture Equity	\$ 188,209
Total Revenues	\$ 376
Total Expenses	\$ -

6. SALES TAX

The City renewed its sales tax agreement with the County of Schenectady effective December 1, 2012 providing the City with an annual sales tax of \$11,700,000 in fiscal year 2013 and then in each fiscal year through November 30, 2020, the same percentage of the 3% tax revenue collected as received in fiscal year 2013.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions as to potential material impact on operations or financial position occurring through May 27, 2016, the date the financial statements were available to be issued. The following were noted:

- A. The City has a \$40,688,310 BAN due May 13, 2016. After reflecting a principal paydown of \$1,424,500 it anticipates it will refinance \$31,278,810 of that amount with a BAN and issue Bonds for the balance of the maturing BAN of \$7,985,000. In addition, the City will include in the May 2016 BAN issuance funding for the capital projects listed in the 2016 adopted budget; the projects' cost, including cost of issuance, total approximately \$12.6 million.
- B. The City is responsible to extend, apportion, collect and enforce collection of the real property tax within the City. In February 2014, the City entered into an agreement with the County that addresses payment of county taxes (collected or uncollected) by the City beginning with the 2012 taxes. The agreement also contains terms regarding enforcement of unpaid taxes and reporting requirements. The February 2014 agreement also requires that the City pay the County an amount equal to the balance of County taxes uncollected for: a) 2012 during 2014; and b) 2013 over a multi-year period with payments due February 2015 and 2016. For taxes due in 2014 and thereafter the City will only pay to the County the amount of taxes collected. The City has paid \$581,564, the amount due a) above and \$207,169 per the February 2015 payment as noted in b) above. As of December 31, 2015 \$207,084 is the balance of County taxes uncollected for 2013.
- C. In February 2016, the City executed a refunding of certain outstanding bonds. The refunded bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. The balance of these defeased bonds, maturing on various dates with a final maturity on May 15, 2030, was \$14,610,000 at December 31, 2015.
- D. During 2015 the City became aware of Housing and Urban Development ("HUD") concerns regarding Community Development Block Grant ("CDBG") revenue drawn by the City for Neighborhood Assistance and Police activity. Specifically, 2013/14 activity was reviewed by HUD and as a result the City is revising its plan for use of certain CDBG revenue and will have to repay approximately \$813,000 to HUD. The repayment has to be taken from City funds (non federal funds) and placed into a CDBG line of credit in the City's name to utilize for an eligible project. It is anticipated that this repayment will occur over a period of 2-3 years and will not have a detrimental effect on the City's General Fund.