



City of Rensselaer, New York

Basic Financial Statements

July 31, 2018

City of Rensselaer, New York

Basic Financial Statements

July 31, 2018

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Independent Auditor's Report

Mayor and City Common Council Members
City of Rensselaer, New York
Rensselaer, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rensselaer, New York (City) as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Rensselaer Industrial Development Agency (Rensselaer IDA), which comprises the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Rensselaer IDA, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 1n to the financial statements, the City's Other Postemployment Benefit (OPEB) liability and deferred outflows of resources were not measured as of July 31, 2018, using the rollforward techniques described in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) in the Governmental Activities. The amounts by which this departure would impact deferred outflows of resources, deferred inflows of resources, liabilities, net position, expenses and related footnote disclosures of the Governmental Activities has not been determined.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion on Governmental Activities paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the City as of July 31, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Opinions on the Discretely Presented Component Unit, Each Major Fund, and the Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of July 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1r to the financial statements, the net position of the governmental activities and the fund balance of the General Fund as of July 31, 2017, have been restated to correct misstatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of other postemployment benefits liability, schedule of proportionate share of the net pension liability, and schedule of pension contributions on pages 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BST + Co. CPAs, LLP

Albany, New York
October 8, 2021



City of Rensselaer, New York

Government-Wide Financial Statements Statement of Net Position

	July 31, 2018	December 31, 2017
	Governmental Activities	Component Unit
ASSETS		
Cash and equivalents	\$ 5,396,790	\$ 200,307
Cash and equivalents, restricted	196,397	-
Receivables		
Taxes, net	339,682	-
Accounts	1,318,665	-
Loans receivable, less allowance for uncollectible	731,908	-
Due from other governments	975,885	-
Property held for sale or redevelopment	409,074	-
Capital assets		
Not being depreciated	9,714,572	-
Being depreciated, net	46,217,310	-
Total assets	65,300,283	200,307
DEFERRED OUTFLOWS OF RESOURCES	5,713,088	-
LIABILITIES		
Accounts payable	1,329,893	5,150
Accrued expenses	210,251	-
Due to other governments	391,659	-
Due to retirement system	408,470	-
Due to fiduciary fund	50,740	-
Accrued interest payable	165,206	-
Bond anticipation notes payable	405,000	-
Non-current liabilities		
Due within one year	1,339,653	-
Due in more than one year		
Other postemployment benefits	54,513,346	-
Compensated absences	1,505,763	-
Pension contribution payable	557,602	-
Net pension liability	1,404,944	-
Note payable	704,955	-
Bonds payable	4,375,000	-
Statutory installment bonds	1,716,215	-
EFC BAN payable	6,378,590	-
EFC loan payable	5,825,000	-
Total liabilities	81,282,287	5,150
DEFERRED INFLOWS OF RESOURCES	2,265,371	-
NET POSITION		
Net investment in capital assets	35,871,716	-
Restricted	196,397	-
Unrestricted	(48,602,400)	195,157
Total net position	\$ (12,534,287)	\$ 195,157

See accompanying Notes to Financial Statements.

City of Rensselaer, New York

Government-Wide Financial Statements
Statement of Activities

Year Ended July 31, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Unit
Primary Government						
Governmental Activities						
General government	\$ 4,509,401	\$ 82,064	\$ 94,012	\$ 2,192,537	\$ (2,140,788)	\$ -
Public safety	9,325,144	51,999	17,022	-	(9,256,123)	-
Transportation	2,380,497	-	-	1,814,198	(566,299)	-
Economic opportunity and development	630,324	-	469,483	-	(160,841)	-
Culture and recreation	546,101	-	15,134	5,625	(525,342)	-
Home and community services	6,042,282	3,321,159	-	2,999,542	278,419	-
Interest expense	434,831	-	-	-	(434,831)	-
Total primary government	<u>\$ 23,868,580</u>	<u>\$ 3,455,222</u>	<u>\$ 595,651</u>	<u>\$ 7,011,902</u>	<u>(12,805,805)</u>	<u>-</u>
Component Unit	<u>\$ 27,892</u>	<u>\$ 22,932</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(4,960)</u>
GENERAL REVENUES						
Real property tax and related tax items					8,604,223	-
Non-property taxes					2,759,654	-
State aid					1,519,104	-
Other revenues					181,015	2
Total general revenues					<u>13,063,996</u>	<u>2</u>
Change in net position					258,191	(4,958)
NET POSITION, <i>beginning of year</i> , as restated					<u>(12,792,478)</u>	<u>200,115</u>
NET POSITION, <i>end of year</i>					<u>\$ (12,634,287)</u>	<u>\$ 195,167</u>

See accompanying Notes to Financial Statements.

City of Rensselaer, New York

**Fund Financial Statements
Balance Sheet – Governmental Funds**

July 31, 2018

	Major Funds						Total Governmental Funds	
	Genl	Water	Sewer	Community Development	Capital Projects	Other Governmental		Elimination
ASSETS								
Cash and equivalents	\$ 1,976,257	\$ 467,254	\$ 392,994	\$ 624,196	\$ 1,903,788	\$ 32,301	\$ -	\$ 5,396,790
Cash and equivalents, restricted	-	-	-	-	196,397	-	-	196,397
Receivables								
Taxes receivable, net	339,682	-	-	-	-	-	-	339,682
Accounts receivable	5,908	659,744	297,955	-	-	355,058	-	1,318,665
Loans receivable, less allowance for uncollectible	-	-	-	731,908	-	-	-	731,908
Due from other funds	731,234	-	413,175	-	-	-	(1,144,409)	-
Due from other governments	543,418	110,489	-	-	321,978	-	-	975,885
Total assets	<u>\$ 3,596,499</u>	<u>\$ 1,237,487</u>	<u>\$ 1,104,124</u>	<u>\$ 1,356,104</u>	<u>\$ 2,422,163</u>	<u>\$ 387,359</u>	<u>\$ (1,144,409)</u>	<u>\$ 8,959,327</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 184,210	\$ 29,312	\$ 40,775	\$ -	\$ 1,050,623	\$ 24,973	\$ -	\$ 1,329,893
Accrued expenses	153,914	5,676	1,154	5,895	34,958	8,654	-	210,251
Due to other governments	127,127	284,532	-	-	-	-	-	391,659
Due to retirement system	383,003	12,833	2,967	-	-	9,667	-	408,470
Due to fiduciary fund	50,740	-	-	-	-	-	-	50,740
Due to other funds	-	183,844	83,016	-	877,549	-	(1,144,409)	-
Bond anticipation notes payable	-	-	-	-	405,000	-	-	405,000
Total liabilities	<u>898,994</u>	<u>496,197</u>	<u>127,912</u>	<u>5,895</u>	<u>2,368,130</u>	<u>43,294</u>	<u>(1,144,409)</u>	<u>2,796,013</u>
Deferred inflows of resources	<u>321,842</u>	<u>345,895</u>	<u>148,311</u>	<u>731,908</u>	<u>-</u>	<u>117,184</u>	<u>-</u>	<u>1,665,140</u>
Fund balances								
Assigned	-	514,418	-	621,805	-	228,881	-	1,365,104
Unassigned	2,375,663	-	-	-	54,033	-	-	2,429,696
Total fund balances	<u>2,375,663</u>	<u>395,395</u>	<u>827,901</u>	<u>618,301</u>	<u>54,033</u>	<u>228,881</u>	<u>-</u>	<u>4,498,174</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,596,499</u>	<u>\$ 1,237,487</u>	<u>\$ 1,104,124</u>	<u>\$ 1,356,104</u>	<u>\$ 2,422,163</u>	<u>\$ 387,359</u>	<u>\$ (1,144,409)</u>	<u>\$ 8,959,327</u>

City of Rensselaer, New York

Reconciliation of the Total Fund Balances Shown in the Governmental Funds to the Statement of Net Position

	<u>July 31,</u> <u>2018</u>
Fund Balances - Total Governmental Funds	\$ 4,498,174
Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	55,931,882
Property held for sale or redevelopment in governmental activities is not a financial resource and therefore is not reported in the funds	409,074
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	321,842
Loans receivable	731,908
Water, sewer and sanitation receivables	611,390
	1,665,140
Deferred outflows and inflows of resources associated with the net pension and OPEB liabilities are not required to be reported in the fund financial statements:	
Deferred outflows - OPEB resources	4,052,956
Deferred outflows - pension resources	1,660,132
Deferred inflows - pension resources	(2,265,371)
	3,447,717
Long-term liabilities that are not due and payable in the current period are not reported in the funds:	
Note payable	(775,724)
Bonds payable	(4,695,000)
Statutory installment bonds	(2,067,852)
EFC BANs payable	(6,516,590)
EFC loans payable	(6,005,000)
Accrued interest payable	(165,206)
Compensated absences	(1,673,070)
Pension contribution payable	(669,542)
Net pension liability	(1,404,944)
Other postemployment benefit obligations payable	(54,513,346)
	(78,486,274)
Net position of governmental activities	\$ (12,534,287)

City of Rensselaer, New York
Fund Financial Statements
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds

Year Ended July 31, 2018

	Major Funds						Total Governmental Funds
	General	Water	Sewer	Community Development	Capital Projects	Other Governmental	
REVENUES							
Real property taxes and related items	\$ 9,074,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,074,950
Non-property taxes	2,759,654	-	-	-	-	-	2,759,654
Departmental income	19,071	1,840,278	552,127	53,193	-	627,635	3,092,299
Licenses and permits	205,527	-	-	-	-	-	205,527
Fines and forfeitures	62,893	-	-	-	-	-	62,893
Sale of property and compensation for loss	13,781	-	-	-	-	-	13,781
Miscellaneous local sources	220,532	28,377	682	-	202,989	26,242	476,822
State aid	1,941,078	-	-	-	3,187,678	5,726	5,144,482
Federal aid	-	-	-	270,832	1,504,941	-	1,775,873
	<u>14,297,586</u>	<u>1,886,650</u>	<u>552,809</u>	<u>324,125</u>	<u>4,805,608</u>	<u>659,603</u>	<u>22,606,381</u>
EXPENDITURES							
General government support	2,304,468	-	-	-	-	-	2,304,468
Public safety	4,006,971	-	-	-	-	-	4,006,971
Transportation	1,183,983	-	-	-	-	-	1,183,983
Economic opportunity and development	-	-	-	327,860	-	-	327,860
Culture and recreation	89,780	-	-	-	-	121,526	211,306
Home and community services	225,062	1,600,036	228,633	-	-	475,088	2,528,819
Employee benefits	4,221,889	286,573	30,633	-	-	188,989	4,738,184
Capital Outlays	636,493	9,407	-	-	3,021,726	-	3,667,626
Debt service							
Principal	745,827	277,058	228,957	-	-	-	(377,000)
Interest	240,566	54,306	109,368	-	23,025	-	427,265
Total expenditures	<u>13,655,139</u>	<u>2,227,380</u>	<u>595,591</u>	<u>327,860</u>	<u>3,044,751</u>	<u>795,603</u>	<u>(377,000)</u>
Excess (deficiency) of revenues over expenditures	<u>642,447</u>	<u>(360,730)</u>	<u>(42,782)</u>	<u>(3,735)</u>	<u>1,860,857</u>	<u>(136,000)</u>	<u>377,000</u>
OTHER FINANCING SOURCES (USES)							
BANs redeemed from appropriations	-	-	-	-	377,000	-	(377,000)
Transfers in	18,245	281,647	48,490	-	-	198,341	(546,723)
Transfers out	(482,089)	-	-	-	(64,634)	-	546,723
Total other financing sources (uses)	<u>(463,844)</u>	<u>281,647</u>	<u>48,490</u>	<u>-</u>	<u>312,366</u>	<u>198,341</u>	<u>(377,000)</u>
Net change in fund balances	<u>178,603</u>	<u>(79,083)</u>	<u>6,708</u>	<u>(3,735)</u>	<u>2,173,223</u>	<u>62,341</u>	<u>2,337,057</u>
FUND BALANCES, beginning of year, as restated	<u>2,197,060</u>	<u>474,476</u>	<u>822,193</u>	<u>622,036</u>	<u>(2,119,180)</u>	<u>164,540</u>	<u>2,161,117</u>
FUND BALANCES, end of year	<u>\$ 2,375,663</u>	<u>\$ 395,395</u>	<u>\$ 827,901</u>	<u>\$ 618,301</u>	<u>\$ 64,033</u>	<u>\$ 226,881</u>	<u>\$ 4,498,174</u>

City of Rensselaer, New York

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Change in Net Position Show in the Statement of Activities

	Year Ended July 31, 2018
Net change in fund balances - total governmental funds	\$ 2,337,057
Capital assets used in governmental activities are not financial resources therefore are not reported within the funds.	542,425
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(275,020)
A portion of the long-term debt was forgiven by EFC and recorded as grant revenue in the Statement of Activities.	1,795,410
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payment on note payable	51,258
Principal paid on EFC loans	314,157
Principal paid on bonds	507,427
	872,842
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued interest	(7,566)
Compensated absences	(133,162)
Pension contribution payable	121,448
Net pension liability, net of deferrals	(126,977)
Other postemployment benefit obligations payable, net of deferrals	(4,868,266)
	(5,014,523)
Change in net position of governmental activities	\$ 258,191

City of Rensselaer, New York

Statement of Fiduciary Net Position - Fiduciary Funds

	July 31, 2018	
	Private Purpose Trust	Trust and Agency
ASSETS		
Cash and cash equivalents	\$ 12,314	\$ 124,016
Due from other funds	-	50,740
	<u>12,314</u>	<u>\$ 174,756</u>
LIABILITIES		
Accounts payable	-	\$ 2,173
Agency liabilities	-	172,583
	-	<u>\$ 174,756</u>
NET POSITION		
Restricted	<u>\$ 12,314</u>	

City of Rensselaer, New York

Statement of Changes in Net Position - Fiduciary Fund

	<u>Year Ended July 31, 2018</u>
	<u>Private Purpose Trust</u>
ADDITIONS	
Use of money and property	\$ 1
CHANGE IN NET POSITION	1
NET POSITION, <i>beginning of year</i>	<u>12,313</u>
NET POSITION, <i>end of year</i>	<u>\$ 12,314</u>

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies

The City of Rensselaer, New York (City) was incorporated in 1897 and is governed by a charter, General Laws of the State of New York, and various local laws and ordinances. The City Common Council is the legislative body responsible for the overall operation of the City. The City provides general government support, police and fire protection, garbage collections, water and sewer services, a public library, and recreation services.

All governmental activities and functions performed for the City are the direct responsibility of the City Common Council.

a. Financial Reporting Entity

The financial reporting entity consists of the primary government, which is the City.

In evaluating how to define the City for financial reporting purposes, management has considered various separate legal entities as potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following component unit is included in the City's reporting entity:

The City of Rensselaer Industrial Development Agency was created under the provisions of the laws of New York State for the purpose of encouraging economic growth in the City. The Agency is exempt from federal, state and local income taxes. The members of the Agency's Board of Directors are appointed by the City's Common Council. Complete financial statements of the Agency can be obtained from its administrative office at the address indicated below:

City of Rensselaer Industrial Development Agency
Department of Planning and Development
City Hall
62 Washington Street
Rensselaer, New York 12144

Excluded from the reporting entity:

The City of Rensselaer Housing Authority

The Rensselaer Housing Authority's (Housing Authority) governing board is appointed by the Chief Executive Officer of the City. The City provides no subsidy to the Housing Authority nor is it responsible for debt or operating deficits of the Housing Authority. The Housing Authority's debt is essentially supported by operating revenues of the Housing Authority and is not guaranteed by the City. The City does not appoint management of the Housing Authority, nor does it approve the Authority's budget, contracts, or hiring staff. The City has no oversight responsibility for funds of the Housing Authority.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

b. Financial Statement Presentation

The accompanying basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing accounting and financial reporting principles in the United States of America.

The basic financial statements have been prepared primarily from accounts maintained by the City Treasurer.

c. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component unit. The effect of interfund activity within the governmental activities has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City does not have any business-type activities.

The statement of net position presents the financial position of the City at the end of its fiscal year. The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions and programs. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not included as program revenues are reported as general revenues, as required.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year in which they are earned. Grants, entitlements and donations are recognized as revenues as soon as all eligibility requirements have been met.

d. Fund Financial Statements

Separate statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as described above for the government-wide financial statements.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Fund Financial Statements - Continued

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction that can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days of year end. A 120-day availability period is used for revenue recognition for all other governmental fund type revenues. Receivables not expected to be collected within the availability periods are recorded as deferred inflows of resources.

Expenditures and related liabilities are generally recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next 12 months, with the exception of items covered by GASB Interpretation 6 (GASBI 6), Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. GASBI 6 modified the recognition criteria for certain expenditures and liabilities. GASBI 6 requires that expenditures and liabilities such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund financial statement only when they mature or become due for payment within the period. Expenditure driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met and amounts are considered available.

A fund is a separate accounting entity with a self-balancing set of accounts. The City reports the following funds:

- Governmental Funds – Governmental funds are those through which most general government functions are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds.

The following are the City's major governmental funds:

- General Fund – The City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Water Fund – Used to account for the revenues and expenditures associated with providing water treatment and transportation.
- Sewer Fund – Used to account for the revenues and expenditures associated with providing sewage treatment services in the City.
- Community Development Fund – Used to account for federal funds received in the form of community development grants and rental rehabilitation programs.
- Capital Projects Fund – Used to account for financial resources to be used for the acquisition or construction of major capital facilities. Financing is generally provided from proceeds of bonds, notes, federal and state grants, and transfers from other governmental funds.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

d. Fund Financial Statements - Continued

The following are the City's non-major governmental funds:

- Library Fund – Used to account for the operations of a public library established and supported by taxes pursuant to Education Law, Section 259.
- Solid Waste Fund – Used to account for revenues and expenditures for the purpose of providing refuse and trash collection to the City.
- Fiduciary Funds – Used to account for assets held by the City in a trustee or custodial capacity. Following are the City's fiduciary funds:
 - Trust and Agency Fund – Used to account for assets held on behalf of outside parties, including other governments.
 - Private Purpose Trust – Used to account for assets given to the City for the benefit of the Rensselaer Public Library.

e. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses/expenditures, and other financing sources (uses) during the reporting year. Actual results could differ from those estimates.

f. Budgets

The City employs the following budgetary procedures:

- No later than June 1, the budget officer submits a tentative budget to the City Common Council for the fiscal year commencing the following August 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- After a public hearing is conducted to obtain taxpayer comments, but no later than June 30, the City Common Council adopts the preliminary budget.
- All revisions that alter appropriations of any department or fund must be approved by the City Common Council.

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

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

f. Budgets - Continued

Budgets are adopted on the modified accrual basis of accounting for the General Fund and each Special Revenue Fund. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and any appropriated reserve funds. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end. Supplementary appropriations may occur subject to legal restrictions if the City Common Council approves them because of a need that exists which was not determined at the time the budget was adopted. Expenditures may not legally exceed budgeted appropriations at the activity level. Project-length financial plans are adopted for all Capital Projects Funds.

g. Cash and Cash Equivalents

The City's cash and cash equivalents are defined as restricted and unrestricted short-term, highly liquid investments that are readily convertible to known amounts of cash at maturity (with maturity being no greater than 90 days when purchased).

Restricted cash and cash equivalents consist of funds restricted by external parties and purposes established by the City Common Council.

The City's investment policies are governed by State statutes. City monies are deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies authorized to do business in New York State. The City is authorized to use demand accounts and invest in special time deposits and certificates of deposit. Permissible investments also include obligations of the U.S. Treasury and U.S. agencies where principal and interest are guaranteed by the United States of America and obligations of New York State or, permission of the State Comptroller, in revenue and tax anticipation notes of New York State municipalities, school districts, public authorities, and district corporations.

New York State statutes require that collateral be maintained for cash and cash equivalents at 100% of all deposits not covered by FDIC. As of July 31, 2018, the City has adequate coverage for all available bank balances either through FDIC or securities held by an agent of the City in the City's name.

h. Interfund Transactions

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

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

i. Real Property Taxes and Related Items, Taxes Receivable, Accounts Receivable, and Due From Other Governments

The City's Receiver of Taxes is responsible for collection of City and Rensselaer City School District (School District) taxes. The City Common Council adopts the budget for the ensuing fiscal year no later than June 30 of each year. Real property taxes for the City's purposes are levied and become a lien on August 1. All taxes levied on property within the City are collected by the City Treasurer for 30 days after August 1, without penalty or interest. After such 30-day period, interest and penalty are added as appropriate and collection continues until July 15. The City enforces its own taxes via a tax sale performed in mid-July. In addition to the City tax levy, the City is responsible for collecting the School District taxes levied on property within the City. The City remits school tax collections to the School District throughout the year and has until the end of the following fiscal year to reimburse the School District for taxes uncollected at July 31 of the current fiscal year.

The City has established a reserve of \$118,419 for tax receivables determined to be uncollectible.

Accounts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of receivables. Management determined that no allowance for doubtful accounts was necessary for these receivables at July 31, 2018.

As further described in Note 2, the City makes loans for home improvements, home acquisition and economic development under various Housing and Urban Development programs. The City's loans are generally interest free as part of its program mission. Certain loans do not require repayment in the event the homeowner meets an established residency requirement. Loans receivable are carried at their unpaid principal balance less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful loans receivable based on a review of payment histories and judgments that have been filed. Management has established an allowance for doubtful loans receivable in the Community Development Fund of \$385,166 for loans receivable determined to be uncollectible.

j. Property Held for Sale or Redevelopment

Property held for sale or redevelopment consists of property acquired through the City's enforcement of real property taxes for the purpose of resale or redevelopment and is carried at the lower of cost or net realizable value.

k. Capital Assets

Capital assets, which include land, construction-in-progress, buildings, site improvements, personal property, machinery, equipment, and infrastructure assets (e.g., roads, sidewalks, water lines, storm drains, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

k. Capital Assets - Continued

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

Land and construction-in-progress are not depreciated. Buildings, site improvements, personal property, machinery and equipment, and infrastructure assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30-50
Other capital assets	5-10
Machinery and equipment	5-15
Infrastructure	15-50

Management periodically reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified during the year ended July 31, 2018.

l. Deferred Outflows/Inflows of Resources and Unearned Revenues

When potential revenues do not meet the availability criterion for recognition in the current period, these amounts are recorded as deferred inflows of resources in the governmental funds. In subsequent periods, when availability criterion is met, deferred inflows of resources are recognized as revenues.

The City also reports deferred outflows and inflows of resources related to various pension and other post-employment benefit (OPEB) plan transactions.

Unearned revenue arises when resources are received by the City before it 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.

m. Compensated Absences

City employees are granted vacation and sick time in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limitation.

Payment of vacation and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and sick time.

Estimated vacation and sick time accumulated by governmental fund type employees have been recorded in the government-wide statement of net position.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

n. Other Postemployment Benefits

Other postemployment costs are measured and disclosed using the accrual basis of accounting in the government-wide financial statements (Note 10). In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the City and its employee groups. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits are provided through plans whose premiums are based on benefits paid during the year. The cost of providing postretirement benefits is shared between the City and the retired employee or their survivors.

The City has not measured its OPEB liability using the rollforward techniques described in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) as of and for the year ended July 31, 2018. In rolling forward the City's OPEB liability, consideration was not given to changes in the discount rate or other assumptions and inputs. The amounts by which the OPEB liability, deferred outflows of resources, deferred inflows of resources, net position, OPEB expense and related footnote disclosures would be impacted is unknown.

o. Pensions

The City is a participating employer in the New York State and Local Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (collectively, the "System"). Employees in ERS and PFRS permanent positions are required to enroll in the System, while employees in ERS part-time or seasonal positions have the option of enrolling in the System. The System is a cost sharing, multiple-employer, public employees defined benefit retirement system. The impact on the City's financial position and results of operations due to its participation in the System is more fully disclosed in Note 9.

p. Long-Term Debt Obligations

Principal and interest payments are recognized as expenditures of a governmental fund when paid. Long-term debt is recognized as a liability of a governmental fund when due. The remaining portion of such obligations is reported in the government-wide statement of net position.

Governmental funds recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

q. Net Position and Fund Balances

The following terms are used in reporting net position:

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position is reported when constraints placed on the use of resources are either:

- i. Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or
- ii. Imposed by law through constitutional provisions or enabling legislation.

Unrestricted is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that is not included in the determination of net investment in capital assets or restricted components of net position described above.

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

- **Nonspendable** - Amounts that cannot be spent because they are either: (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that have restraints that are either: (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.
- **Assigned** - Amounts that are constrained only by the government's intent to be used for a specified purpose but are not restricted or committed in any manner.
- **Unassigned** - The residual amount in the General Fund after all of the other classifications have been established. In a Special Revenue Fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

The City's fund balance policy is set by the City Common Council, the highest level of decision-making authority. The City Common Council considers "formal action" for a committed fund balance to be the passing of a resolution. The City Common Council has delegated the ability to assign fund balance to the Treasurer. The City Common Council considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

r. Restatement

The City has restated the opening fund balance of the General Fund and the opening net position of the Governmental Activities as noted below:

	As Originally Stated <u>7/31/2017</u>	Unrecorded Receivable (a)	Water Tank Replacement (b)	As Restated <u>7/31/2017</u>
<u>General Fund</u>				
Due from other governments	\$ 403,414	\$ 52,000	\$ -	\$ 455,414
Fund balances	2,145,060	52,000	-	2,197,060
<u>Governmental Activities</u>				
Capital assets - being depreciated, net	47,533,873	-	994,856	48,528,729
Loan payable	-	-	826,982	826,982
Net Position - Governmental Activities	(13,012,352)	52,000	167,874	(12,792,478)

- (a) The City determined that reimbursements from the Rensselaer City School District for a resource officer should have been recorded as due from other governments at July 31, 2017.
- (b) Under the amended franchise agreement between the City and S.A. Dunn & Company, LLC (S.A. Dunn), the parties agreed that S.A. Dunn would relocate and construct a replacement water tower on behalf of the City. Per the agreement, the City is to reimburse S.A. Dunn over a ten-year period through dollar-for-dollar offsets against the amounts due and payable to the City by S.A. Dunn under the amended franchise agreement. The completed water tower was accepted by the City in fiscal 2017. The cost of the water tower relocation and replacement was \$1,007,449 and is being amortized on a straight-line basis over 40 years. The City discounted the present value of these quarterly payments using a borrowing rate of 4% and recorded a corresponding note payable of \$826,982.

s. Subsequent Events

The City has evaluated subsequent events for potential recognition or disclosure through October 8, 2021, the date the financial statements were available to be issued.

Note 2 - Receivables

a. Loans Receivable, Less Allowance for Uncollectible

The City's loan receivables consist of:

- i. Interest-free Home Improvement – Unsecured, interest-free loans to homeowners within the Fort Crailo historic district that are repayable on a monthly basis over a period not to exceed 10 years.
- ii. Home Acquisition Assistance Loans (repayable) – Interest-free loans made to assist in home acquisition within the City. These loans must be repaid when the borrower moves out or sells their residence. These loans are secured by the underlying property.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 2 - Receivables - Continued

a. *Loans Receivable, Less Allowance for Uncollectible - Continued*

- iii. Home Acquisition Loans (amortizable) – Unsecured, interest-free loans that are amortized over a period of time. Disposition of the property prior to the residency requirement would result in a pro-rata repayment of the loan balance.
- iv. Economic Development – Unsecured loans made to various business enterprises. Economic development loans are generally interest free and must be repaid over a period not to exceed 10 years.

The following table summarizes the loans outstanding as of July 31, 2018:

	Historic District	Homeowner Acquisition Deferred	Homeowner Acquisition Amortizable	Economic Development	Total
Book value	\$ 58,936	\$ 695,378	\$ 47,881	\$ 314,879	\$ 1,117,074
Reserve for amortizable loans	-	-	(47,881)	-	(47,881)
Reserve for uncollectible	(23,977)	(208,613)	-	(104,695)	(337,285)
Net book value	<u>\$ 34,959</u>	<u>\$ 486,765</u>	<u>\$ -</u>	<u>\$ 210,184</u>	<u>\$ 731,908</u>

b. *Due from Other Governments*

- i. General Fund – Primarily consists of \$543,418 representing June and July 2018 sales tax distributions due from the County of Rensselaer.
- ii. Water Fund – The balance represents amounts due from other municipalities for water consumption.
- iii. Capital Projects – The balance consists of grant reimbursements from New York State and the Federal government.

Note 3 - Interfund Transactions

During the course of operations, the City has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. For the year ended July 31, 2018, interfund receivables, payables, revenues and expenses arising from these transactions were as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>			Total
	Water Fund	Sewer Fund	Capital Projects	
General Fund	\$ 183,844	\$ 83,016	\$ 464,374	\$ 731,234
Sewer Fund	-	-	413,175	413,175
Total	<u>\$ 183,844</u>	<u>\$ 83,016</u>	<u>\$ 877,549</u>	<u>\$ 1,144,409</u>

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 3 - Interfund Transactions - Continued

<u>Transfers from Other Funds</u>	<u>Transfers to Other Funds</u>		
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
General Fund	\$ -	\$ 18,245	\$ 18,245
Water Fund	281,647	-	281,647
Sewer Fund	2,101	46,389	48,490
Other Governmental	198,341	-	198,341
Total	<u>\$ 482,089</u>	<u>\$ 64,634</u>	<u>\$ 546,723</u>

Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

	Balance August 1, 2017 (Restated)	Additions	Retirements	Balance July 31, 2018
<i>Depreciable Assets</i>				
Buildings	\$ 11,937,437	\$ -	\$ -	\$ 11,937,437
Site improvements	140,150	-	-	140,150
Personal property	965,988	-	-	965,988
Machinery and equipment	4,682,090	129,373	(35,000)	4,776,463
Infrastructure	<u>90,482,922</u>	<u>268,012</u>	<u>-</u>	<u>90,750,934</u>
	108,208,587	397,385	(35,000)	108,570,972
<i>Accumulated Depreciation</i>				
Buildings	3,958,150	296,565	-	4,254,715
Site improvements	35,249	5,805	-	41,054
Personal property	512,831	61,146	-	573,977
Machinery and equipment	2,962,030	222,366	(35,000)	3,149,396
Infrastructure	<u>52,211,598</u>	<u>2,122,922</u>	<u>-</u>	<u>54,334,520</u>
	<u>59,679,858</u>	<u>2,708,804</u>	<u>(35,000)</u>	<u>62,353,662</u>
Total depreciable assets	<u>48,528,729</u>	<u>(2,311,419)</u>	<u>-</u>	<u>46,217,310</u>
<i>Non-depreciable Assets</i>				
Land	640,126	-	-	640,126
Construction in progress	<u>6,220,602</u>	<u>2,853,844</u>	<u>-</u>	<u>9,074,446</u>
Total non-depreciable assets	<u>6,860,728</u>	<u>2,853,844</u>	<u>-</u>	<u>9,714,572</u>
Total capital assets	<u>\$ 55,389,457</u>	<u>\$ 542,425</u>	<u>\$ -</u>	<u>\$ 55,931,882</u>

The City's major construction in progress projects at July 31, 2018 include the Waterfront Esplanade, and the Drinking Water Infrastructure improvements.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 5 - Long-Term Liabilities

The following table summarizes changes in long-term liabilities for governmental activities:

	Balance August 1, 2017 (Restated)	Additions	Reductions	Balance July 31, 2018	Due Within One Year
General obligation bonds	\$ 5,000,000	\$ -	\$ 305,000	\$ 4,695,000	\$ 320,000
Statutory installment bonds	2,270,279	-	202,427	2,067,852	351,637
EFC - BAN payable	8,450,000	-	1,933,410	6,516,590	138,000
EFC - Loan payable	6,181,157	-	178,157	6,005,000	180,000
Note payable	826,982	-	51,258	775,724	70,769
Compensated absences	1,539,908	133,162	-	1,673,070	167,307
Pension contribution payable	780,990	-	121,448	669,542	111,940
Net pension liability	3,037,915	1,247,159	2,880,130	1,404,944	-
Other post employment benefits	50,197,535	5,426,952	1,111,141	54,513,346	-
	<u>\$ 78,294,766</u>	<u>\$ 6,807,273</u>	<u>\$ 6,780,971</u>	<u>\$ 78,321,068</u>	<u>\$ 1,339,653</u>

Note 6 - Bonds and Notes Payable

A summary of the City's indebtedness under bonds payable is as follows:

General Obligation Bonds				
Issue Date	Original Amount	Final Maturity	Interest Rate	Outstanding at July 31, 2018
June 22, 2010	\$ 3,008,500	April 1, 2025	3.500% - 4.000%	\$ 1,595,000
April 5, 2011	3,435,000	April 1, 2040	4.750% - 5.125%	2,960,000
July 30, 2014	253,413	July 15, 2022	2.500%	140,000
				<u>\$ 4,695,000</u>

Statutory Installment Bonds				
Issue Date	Original Amount	Final Maturity	Interest Rate	Outstanding at July 31, 2018
January 12, 2017	\$ 500,000	January 12, 2022	2.27%	\$ 400,000
February 18, 2017	804,000	February 18, 2027	3.09%	723,600
June 9, 2017	746,000	June 9, 2027	3.30%	746,000
July 28, 2017	220,279	July 28, 2027	3.22%	198,252
				<u>\$ 2,067,852</u>

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 6 - Bonds and Notes Payable - Continued

Aggregate minimum maturities of bonds payable are as follows:

Fiscal Year Ending July 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	671,637	273,155	944,792
2020	607,027	253,111	860,138
2021	622,027	232,566	854,593
2022	627,027	211,347	838,374
2023	507,027	188,784	695,811
2024 through 2028	1,758,107	666,474	2,424,581
2029 through 2033	685,000	432,718	1,117,718
2034 through 2038	875,000	242,950	1,117,950
2039 through 2040	410,000	31,775	441,775
Total	<u>\$ 6,762,852</u>	<u>\$ 2,532,880</u>	<u>\$ 9,295,732</u>

A summary of the City's indebtedness under notes payable is as follow:

<u>Notes Payable</u>				
<u>Issue Date</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at July 31, 2018</u>
October 2017	\$ 826,982	10/1/2027	4.000%	\$ 775,724

Aggregate minimum maturities of notes payable are as follows:

Fiscal Year Ending July 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	70,769	29,976	100,745
2020	73,642	27,103	100,745
2021	76,632	24,113	100,745
2022	79,744	21,001	100,745
2023	82,982	17,763	100,745
2024 through 2028	391,955	36,211	428,166
Total	<u>\$ 775,724</u>	<u>\$ 156,167</u>	<u>\$ 931,891</u>

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 7 - Bond Anticipation Notes

Bond anticipation notes (BANs) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. BANs issued for capital purposes must be converted to long-term obligations within five years after the original issue date. However, BANs may be renewed for periods equivalent to the life of the permanent financing provided that annual reductions of principal are made. The City's obligations for BANs are as follows:

Description	Issue	Original Issue Amount	Interest Rate	July 31, 2018 Balance
<i>Capital Projects Fund</i> Highway widening project	April 2018	\$ 585,000	1.55%	\$ 405,000

Note 8 - Environmental Facilities Corporation Loan Agreements

Clean Water State Revolving Fund Loans

On September 29, 2016, the City entered into a long-term financing arrangement with EFC to repay the financing agreement in the amount of \$6,371,157. The long-term loan is unsecured and will be repaid over a 30-year period at a fixed interest rate net of subsidies of approximately 1.10%.

Drinking Water State Revolving Fund Loans

On October 30, 2014, the City entered into a BAN agreement with EFC for \$7,000,000 to help finance the following projects:

- The acquisition by the City of a portion of the water storage tank and pump station facilities previously constructed and financed by the Rensselaer Water and Sewer Authority (Authority). These previously constructed facilities were for the benefit of the City and the Town of East Greenbush. The acquisition allows the Authority to partially redeem its 2008 revenue bonds to build the water facilities. This work included upgrades to the Cross Street Pump Station and two new 5-MG finished water storage tanks to replace a single 4-MG tank that was past its design life.
- Replacement of existing aged and undersized water mains within the City and a portion of the Town of North Greenbush that is also served by the City.

The BAN is unsecured and interest free through the maturity date, which has been extended to October 30, 2019 and subsequently refinanced on a long-term basis through October 2048. In November of 2017, the EFC forgave \$1,795,410 of principal through a WIIA grant, which is reported in the statement of activities as a capital grant.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 8 - Environmental Facilities Corporation Loan Agreements - Continued

Drinking Water State Revolving Fund Loans - Continued

Aggregate minimum maturities of EFC loans are as follows:

Fiscal Year Ending July 31,	Clean Water		Total	Drinking Water
	Principal	Interest		Principal
2019	\$ 180,000	\$ 91,422	\$ 271,422	\$ 138,000
2020	180,000	90,348	270,348	170,096
2021	185,000	89,112	274,112	173,029
2022	185,000	87,828	272,828	175,961
2023	185,000	86,390	271,390	178,894
2024 through 2028	950,000	405,774	1,355,774	938,451
2029 through 2033	1,015,000	341,331	1,356,331	1,011,778
2034 through 2038	1,105,000	251,551	1,356,551	1,085,095
2039 through 2043	1,225,000	138,986	1,363,986	1,158,412
2044 through 2048	795,000	24,144	819,144	1,231,731
2049 through 2050	-	-	-	255,143
Total	\$ 6,005,000	\$ 1,606,885	\$ 7,611,885	\$ 6,516,590

Subsequent to July 31, 2018, the City borrowed an additional \$2.35 million under the EFC BAN agreement for various capital improvements, all of which was rolled into the long-term refinancing arrangement in October 2019.

Note 9 - Retirement System

a. Plan Description and Benefits Provided

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as the New York State and Local Retirement System (System), which is a defined benefit cost-sharing, multiple-employer, public employee retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System.

The Comptroller of the State of New York adopts and may amend rules and regulations for the administration and transaction of the business of the System for the custody and control of its funds. The System issues publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

b. Plan Benefits

The System provides retirement benefits as well as death and disability benefits. Retirement benefits are established by the New York State Retirement and Social Security Law (RSSL) and are dependent upon the point in time at which the employees last joined the System. The RSSL has established distinct classes of membership. The System uses a tier concept within ERS and PFRS to distinguish these groups, as follows:

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 9 - Retirement System - Continued

b. Plan Benefits - Continued

ERS

- Tier 1 - Those persons who last became members before July 1, 1973.
- Tier 2 - Those persons who last became members on or after July 1, 1973, but before July 27, 1976.
- Tier 3 - Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 - Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
- Tier 5 - Those persons who last became members on or after January 1, 2010, but before April 1, 2012.
- Tier 6 - Those persons who first became members on or after April 1, 2012.

PFRS

- Tier 1 - Those persons who last became members before July 31, 1973.
- Tier 2 - Those persons who last became members on or after July 31, 1973, but before July 1, 2009.
- Tier 3 - Those persons who last became members on or after July 1, 2009, but before January 9, 2010.
- Tier 4 - Not applicable.
- Tier 5 - Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members who elected to become Tier 5.
- Tier 6 - Those persons who first became members on or after April 1, 2012.

Generally, members of the System may retire at age 55; however, members of Tiers 2, 3, and 4 will receive a reduced benefit if they retire before age 62 with less than 30 years of service. Tier 5 members must be 62 years of age with at least 10 years of service credit to retire with full benefits. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Tier 6 members with 10 years of service or more can retire as early as age 55 with reduced benefits. A member with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) generally need 10 years of service to be 100 percent vested.

Typically, the benefit for members in all Tiers is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a Tier 1 or 2-member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4, or 5 member retires with between 20 and 30 years of service, the benefit is 2 percent

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 9 - Retirement System - Continued

b. Plan Benefits - Continued

of final average salary for each year of service. If a Tier 3, 4, or 5 member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Final average salary for Tiers 1 through 5 is the average of the wages earned in the three highest consecutive years of employment. Each year used in the final average salary calculation is limited to no more than 20 percent of the previous year (Tier 1) or no more than 20 percent of the average of the previous two years (Tier 2). For Tier 3, 4, and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent of the average of the previous two years. The benefit for Tier 6 members who retire with 20 years of service is 1.75 percent of final average salary for each year of service. If a Tier 6 member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied to each year of service over 20 years. The final average salary for a Tier 6 member is computed as the average of the wages earned in the five highest consecutive years. Each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

An automatic post-employment benefit is provided annually to pensioners who have attained age 62 and have been retired for five years; to pensioners who have attained age 55 and have been retired for ten years; to all disability pensioners, regardless of age, who have been retired for five years; to recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or greater than 3 percent.

c. Funding Policy

Employee contribution requirements depend upon the point in time at which an employee last joined the System. Most Tier 1 and Tier 2 members of ERS, and most members of PFRS are not required to make employee contributions. Employees in ERS Tiers 3, 4, and 5 are required to contribute 3 percent of their salary, however, as a result of Article 19 of the RSSL, eligible ERS Tier 3 and 4 employees who have ten or more years of membership or credited service within the System are not required to contribute. The ERS Tier 6 contribution rate varies from 3 percent to 6 percent depending on salary. ERS Tiers 5 and 6 members are required to contribute for all years of service. Members cannot be required to begin contributing or to make increased contributions beyond what was required when their memberships began.

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2018 was approximately 15.3 percent of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2018 was approximately 24.4 percent of payroll. The required contribution for the current year was \$396,164 for ERS and \$854,298 for PFRS.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 9 - Retirement System - Continued

c. Funding Policy - Continued

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

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

The City has also elected to participate in the Employer Contribution Stabilization Program per Part II of Chapter 57, Laws of 2010, which was signed into law on August 11, 2010. This program gives localities the option to amortize a portion of their annual pension cost. The amortized amount will be paid in equal installments over a ten-year period and may be prepaid at any time. The portion of the retirement bill that the City has elected to amortize for 2013 is \$42,030 for the ERS and \$170,130 for the PFRS, with a current balance of \$21,014 and \$85,065 at July 31, 2018, respectively. For 2014, the City elected to amortize \$186,470 for the ERS and \$270,720 for the PFRS, with a current balance of \$111,883 and \$180,480 at July 31, 2018, respectively. For 2015, the City elected to amortize an additional \$4,360 for the ERS and \$172,140 for the PFRS, with a current balance of \$3,052 and \$129,104 at July 31, 2018, respectively. The City also elected to amortize \$347,360 of Past Service Cost under Section 384E(b) for the PFRS, with a current balance of \$138,944 at July 31, 2018. The balances of these amortized liabilities are included in pension contributions payable in the statement of net position. The following table presents the future minimum payments under the State's amortization programs.

	ERS	PFRS	Total
Plan year ending March 31,			
2019	23,286	88,654	111,940
2020	23,286	88,654	111,940
2021	23,286	88,654	111,940
2022	23,286	88,654	111,940
2023	23,286	53,918	77,204
Thereafter	19,519	125,059	144,578
	\$ 135,949	\$ 533,593	\$ 669,542

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 9 - Retirement System - Continued

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

At July 31, 2018, the City reported a liability of \$1,404,944 for its proportionate share of the net pension liability of the System in the statement of net position. The net pension liability was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. The City's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the System's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2018 measurement date, the City's proportionate share was 0.0092856% for ERS and 0.1093496% for PFRS.

For the year ended July 31, 2018, the City recognized pension expenditures of \$1,259,632. At July 31, 2018, the City reported deferred outflows and inflows of resources as follows:

	ERS		PFRS	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 106,888	\$ 88,329	\$ 454,913	\$ 293,693
Changes of assumptions	198,717	-	837,433	-
Net differences between projected and actual investment earnings on pension plan investments	-	423,910	-	907,050
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,611	28,732	19,570	523,657
Total	<u>\$ 348,216</u>	<u>\$ 540,971</u>	<u>\$ 1,311,916</u>	<u>\$ 1,724,400</u>

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as follows:

	ERS	PFRS	Total
Year ending July 31,			
2019	\$ 52,791	\$ 79,197	\$ 131,988
2020	60,456	53,933	114,389
2021	(211,475)	(337,271)	(548,746)
2022	(94,527)	(223,577)	(318,104)
2023	-	15,234	15,234
Total	<u>\$ (192,755)</u>	<u>\$ (412,484)</u>	<u>\$ (605,239)</u>

e. Actuarial Assumptions

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

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 9 - Retirement System - Continued

e. Actuarial Assumptions - Continued

Significant actuarial assumptions used in the April 1, 2017 valuation were as follows:

	ERS	PFRS
Inflation rate	2.5%	2.5%
Salary scale	3.8%	4.5%
Investment rate of return, including inflation	7.0%	7.0%
Cost of living adjustment	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 to March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of actuarial experience study for the period April 1, 2010 to March 31, 2015.

f. Investment Asset Allocation

The long-term 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 each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-Indexed bonds	4.00%	1.25%
	100.00%	

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 9 - Retirement System - Continued

g. Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The discount rate projection of cash flows assumes that contributions from members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the 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.

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

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0% and the impact of using a discount rate that is 1% higher or lower than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability (asset)			
ERS	\$ 2,267,507	\$ 299,686	\$ (1,365,011)
PFRS	5,413,855	1,105,258	(2,508,643)
Total	\$ 7,681,362	\$ 1,404,944	\$ (3,873,654)

i. Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)		
	Employee's Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 183,400,590	\$ 32,914,423	\$ 216,315,013
Plan net position	(180,173,145)	(31,903,666)	(212,076,811)
Employers' net pension liability	\$ 3,227,445	\$ 1,010,757	\$ 4,238,202
Ratio of plan net position to the employers' total pension liability	98.2%	96.9%	98.0%

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 10 - Postemployment Benefits Other Than Pensions

In addition to providing pension benefits, the City provides certain health care benefits for retired employees through a single employer defined benefit plan (the "Retiree Health Plan"). The Retiree Health Plan provides for continuation of medical insurance benefits for retirees who have reach the age of 55 and have 15 to 20 years of service (non-Police) or have 15 to 20 years of service at any age (Police), and their eligible dependents. Retirees are not required to contribute toward the cost of benefits. Eligible dependents are covered by the Retiree Health Plan and may continue participation in the Retiree Health Plan subsequent to the death of the retiree at no cost. The City contributes sufficient amounts to the Retiree Health Plan to satisfy current obligations on a pay-as-you-go basis, which is equal to the balance not paid by Retiree Health Plan members.

The number of participants of the Plan as of the August 1, 2016 actuarial valuation date is as follows:

	Active	Retirees	Total
Male	101	49	150
Female	26	10	36
	127	59	186

At July 31, 2018, the City reported a liability of \$54,513,346 for its OPEB liability in the governmental activities. The OPEB liability was measured as of August 1, 2017 by an actuarial valuation using census data information as of August 1, 2016. For the year-ended July 31, 2018, the City recognized OPEB expense of \$4,660,961 in the governmental activities.

At July 31, 2018, the City reported an OPEB related deferred outflows of resources for differences between expected and actual experience in the amount of \$4,605,411.

The amount reported as a deferred outflow of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending July 31,	
2019	\$ 552,455
2020	552,455
2021	552,455
2022	552,455
2023	552,455
Thereafter	1,290,681
Total	\$ 4,052,956

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 10 - Postemployment Benefits Other Than Pensions - Continued

The OPEB liability at July 31, 2018 was determined following the following actuarial assumptions:

Assumption	Factor	
Discount rate	2.85%	
Valuation date	August 1, 2016	
Salary scale	2.00%	
Mortality	RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA	
Marital rate	80%	
Healthcare cost trend rate assumed increase	Medical	Medicare Part B
2019	9.00%	5.54%
2020	8.50%	5.72%
2021	8.00%	5.41%
2022	7.50%	5.56%
2023	7.00%	5.54%
2024	6.50%	5.00%
2025	6.00%	5.00%
2026	5.50%	5.00%
2027	5.00%	5.00%

Actuarial valuations involve estimates and assumptions about the probability of events far into the future and are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. These calculations are designed to reduce short-term volatility in actuarial accrued liabilities. Projected benefits are based on the types of benefits provided at the time of each valuation and on the cost, sharing provisions then in effect.

Changes in the OPEB liability are as follows:

Balance as of August 1, 2017	<u>\$ 50,197,535</u>
Changes for the year:	
Service cost	2,442,969
Interest	1,484,421
Assumption changes and differences between actual and expected experience	1,499,562
Benefit payments	(1,111,141)
Change in actuarial cost method	-
Net changes	<u>4,315,811</u>
Balance as of July 31, 2018	<u>\$ 54,513,346</u>

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 10 - Postemployment Benefits Other Than Pensions - Continued

The following table presents the OPEB liability of the Plan as of July 31, 2018 using the current health cost trend rates as well as what the OPEB liability would be if it were calculated using health care cost trend rates 1% lower or higher than the current rates:

	1% Decrease	Current Healthcare Trend Rates	1% Increase
OPEB liability	\$ 44,784,690	\$ 54,513,346	\$ 67,511,101

The following presents the OPEB liability of the Plan as of July 31, 2018 calculated using the current discount rate of 2.85%, as well as what the OPEB 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:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85)
OPEB liability	\$ 66,117,854	\$ 54,513,346	\$ 45,644,584

Note 11 - Tax Abatements

The following summarizes certain property tax abatement agreements entered into by the City as of July 31, 2018:

Agreement	Start Date	End Date	Taxable Assessed Value	Per '000 Tax Rate	Tax Value	PILOT Received	Taxes Abated
Empire Generating	2/1/2009	2/29/2029	\$ 18,500,000	\$ 51.29	\$ 948,865	\$ 617,863	\$ 331,002
Empire Generating - Host	12/1/2014	12/1/2024	-	-	-	318,687	(318,687)
Gorman Terminals	2/1/2008	2/1/2018	64,500	51.29	3,308	512	2,796
Bell Top	11/1/2013	10/1/2024	107,800	51.29	5,529	7,020	(1,491)
						\$ 13,620	

Note 12 - Fund Balance

The City's Capital Projects Fund has reported a deficit fund balance of \$193,320 as of July 31, 2018. This deficit is attributable to projects which have been financed utilizing a short-term bond anticipation note in the amount of \$405,000. The City is addressing the fund balance deficit by making debt service payments from the other governmental funds.

Note 13 - Contingencies

a. Pending Litigation

The City is involved in certain suits and claims arising from a variety of sources. It is the opinion of counsel and management that the liabilities that may arise from such actions would be covered by the City's insurance carrier or would not result in losses that would materially affect the financial position of the City or the results of its operations.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 13 - Contingencies - Continued

b. Environmental Risks

Certain facilities of the City are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the City expect such compliance to have, any material effect upon the capital expenditures or financial condition of the City. The City believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

c. Grants

Grants received by the City are subject to audit by certain agencies of New York State and the federal government. Such audits could possibly result in disallowances and request for return of funds. The City's administration believes disallowances, if any, would be immaterial.

Note 14 - Accounting Standards Not Yet Implemented

GASB Statement No. 83, Certain Asset Retirement Obligations (GASB 83). GASB 83 establishes criteria for determining the timing and pattern of recognition for a liability and corresponding deferred outflow of resources for asset retirement obligations. This statement required that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2019.

GASB Statement No. 84, Fiduciary Activities (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities of state and local governments and establishes four types of fiduciary funds that should be reported. The statement also provides guidance for the recognition of liabilities in a fiduciary fund and the related release of liability to a beneficiary. These requirements, as delayed by GASB 95, are effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 87, Leases (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines-of-credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2019.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 14 - Accounting Standards Not Yet Implemented - Continued

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 90, Majority Equity Interests. This statement will provide financial reporting users with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement requires the reporting of information about component units if the government acquires a 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 91, Conduit Debt Obligations. This statement provides a single method reporting conduit debt obligations by issuers and eliminates diversity in practice. This statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves note disclosures. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, Omnibus 2020. This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument terminology. Guidance related to leases, reinsurance recoveries, and derivative instrument terminology was effective upon the issuance of the standard in January 2020. The remaining components of this standard, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

GASB Statement No. 93, Replacement of Interbank Offered Rates. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of interbank offered rates (IBOR), such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The requirements relating to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2018

Note 14 - Accounting Standards Not Yet Implemented - Continued

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITA) including the definition of a SBITA, establishment of a right-to-use subscription asset and related liability, providing capitalization criteria, and requiring note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, and amendment of GASB Statements No 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement has three objectives: (1) to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform; (2) to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans (OPEB), and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) to enhance the relevance, consistency, and comparability of the accounting and financial reporting for the Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Certain requirements of this statement are effective immediately, and certain requirements are effective for reporting periods beginning after June 15, 2021.

Management has not estimated the extent of potential impact of these statements on the City's financial statements.

City of Rensselaer, New York

Required Supplementary Information Schedule of Other Postemployment Benefits Liability

	July 31,	
	2018	2017
Balance as of beginning of year	\$ 50,197,535	\$ 48,131,088
Changes for the year:		
Service cost	2,442,969	2,370,709
Interest	1,484,421	1,668,557
Assumption changes and differences between actual and expected experience	1,499,562	4,605,411
Benefit payments	(1,111,141)	(916,046)
Change in actuarial cost method	-	(5,662,184)
Net changes	4,315,811	2,066,447
Balance as of end of year	\$ 54,513,346	\$ 50,197,535
Covered payroll	\$ 5,083,951	\$ 4,984,266
OPEB liability as a percentage of covered payroll	1072.26%	1007.12%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Rensselaer, New York

Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability

ERS	2018	2017	2016
City's proportion of the net pension liability	0.009286%	0.008836%	0.0086716%
City's proportionate share of the net pension liability	\$ 299,686	\$ 830,249	\$ 1,391,810
City's covered-employee payroll	\$ 2,719,536	\$ 2,645,136	\$ 2,350,213
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.02%	31.39%	59.22%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%
PFRS	2018	2017	2016
City's proportion of the net pension liability	0.10935%	0.1065141%	0.1103003%
City's proportionate share of the net pension liability	\$ 1,105,258	\$ 2,207,666	\$ 3,265,757
City's covered-employee payroll	\$ 3,256,743	\$ 3,186,242	\$ 2,983,165
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.94%	69.29%	109.47%
Plan fiduciary net position as a percentage of the total pension liability	96.93%	93.36%	90.24%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Rensselaer, New York

Required Supplementary Information Schedule of Pension Contributions

ERS	2018	2017	2016
Contractually required contribution	\$ 396,164	\$ 343,313	\$ 389,151
Contributions in relation to the contractually required contribution	396,164	343,313	389,151
Contribution deficiency (excess)	-	-	-
City's covered-employee payroll	2,719,536	2,645,136	2,350,213
Contribution as a percentage of covered-employee payroll	14.57%	12.98%	16.56%
PFRS	2018	2017	2016
Contractually required contribution	\$ 854,295	\$ 704,609	\$ 803,889
Contributions in relation to the contractually required contribution	854,295	704,609	803,889
Contribution deficiency (excess)	-	-	-
City's covered-employee payroll	3,256,743	3,186,242	2,983,165
Contribution as a percentage of covered-employee payroll	26.23%	22.11%	26.95%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Rensselaer, New York

Supplementary Information - Combining Balance Sheet
Non-Major Governmental Funds

		July 31, 2018		
		Library	Solid Waste	Total Non-Major
ASSETS				
Cash and equivalents		\$ 1,400	\$ 30,901	\$ 32,301
Accounts receivable		-	355,058	355,058
Total assets		<u>\$ 1,400</u>	<u>\$ 385,959</u>	<u>\$ 387,359</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable		\$ 1,471	\$ 23,502	\$ 24,973
Due to NYS Retirement System		-	9,667	9,667
Accrued expenses		2,378	6,276	8,654
Total liabilities		3,849	39,445	43,294
Deferred inflows of resources				
Unavailable revenues		-	117,184	117,184
Fund balances				
Assigned		(2,449)	229,330	226,881
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 1,400</u>	<u>\$ 385,959</u>	<u>\$ 387,359</u>

See Independent Auditor's Report.

City of Rensselaer, New York

Supplementary Information - Combining Statement of
Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds

	July 31, 2018		
	Library	Solid Waste	Total Non-Major
REVENUES			
Departmental income	\$ -	\$ 627,635	\$ 627,635
Miscellaneous local sources	9,408	16,834	26,242
State aid	5,726	-	5,726
Total revenues	15,134	644,469	659,603
EXPENDITURES			
Culture and recreation	121,526	-	121,526
Home and community services	-	475,088	475,088
Employee benefits	4,537	194,452	198,989
Total expenditures	126,063	669,540	795,603
Deficiency of revenues over expenditures	(110,929)	(25,071)	(136,000)
OTHER FINANCING SOURCES			
Transfers in	132,563	65,778	198,341
Net change in fund balances	21,634	40,707	62,341
FUND BALANCES, beginning of year	(24,083)	188,623	164,540
FUND BALANCES, end of year	<u>\$ (2,449)</u>	<u>\$ 229,330</u>	<u>\$ 226,881</u>