

City of Rensselaer, New York

Basic Financial Statements

July 31, 2016

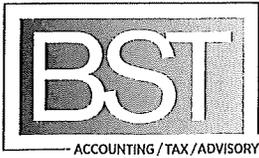
City of Rensselaer, New York

Basic Financial Statements

July 31, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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.

Opinions

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 governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of July 31, 2016, 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 Matters

Adoption of Accounting Standard

As discussed in Note 1r to the basic financial statements, as of July 31, 2017, the City adopted Governmental Accounting Standard Board Statement No. 77, *Tax Abatement Disclosures*. Our opinions are not modified with respect to this matter.

Restatement

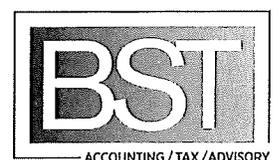
As discussed in Note 1s to the basic financial statements, opening fund balance within the general fund has been restated to correct a prior period error. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of funding progress - other postemployment benefits, schedule of proportionate share of the net pension liability, and schedule of pension contributions on pages 39-44, 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 response 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 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 Matters - Continued

Other Information

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

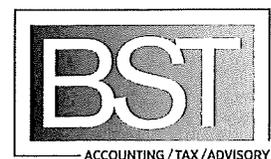
The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 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 January 14, 2019, 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
January 14, 2019



City of Rensselaer, New York

Government-Wide Financial Statements Statement of Net Position

	<u>July 31, 2016</u>	<u>December 31, 2015</u>
	<u>Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and cash equivalents	\$ 5,763,673	\$ 129,078
Cash and cash equivalents, restricted	2,118,389	-
Receivables		
Taxes	953,765	-
Accounts	1,325,890	-
Loans, due within one year, less allowance for uncollectible	25,922	-
Due from other governments	807,434	-
Property held for sale	199,074	-
Loans receivable, due in more than one year, less allowance for uncollectible	623,059	-
Capital assets		
Not being depreciated	1,847,786	-
Being depreciated, net	46,873,932	-
Total assets	<u>60,538,924</u>	<u>129,078</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	<u>4,497,928</u>	-
LIABILITIES		
Accounts payable	1,111,969	14,550
Accrued expenses	201,155	-
Due to other governments	797,296	-
Due to retirement system	394,475	-
Accrued interest payable	144,256	-
Unearned revenues	10,252	-
Bond anticipation notes payable	4,323,779	-
Non-current liabilities		
Due within one year	754,162	-
Due in more than one year		
Other postemployment benefits	7,796,875	-
Compensated absences	1,364,376	-
Pension contribution payable	790,990	-
Net pension liability	4,657,567	-
Bonds payable	5,000,000	-
EFC BAN payable	7,000,000	-
EFC loan payable	5,686,157	-
Total liabilities	<u>40,033,309</u>	<u>14,550</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	<u>1,140,702</u>	-
NET POSITION		
Net investment in capital assets	26,231,782	-
Restricted	1,388,507	-
Unrestricted	<u>(3,757,448)</u>	<u>114,528</u>
Total net position	<u>\$ 23,862,841</u>	<u>\$ 114,528</u>

See accompanying Notes to Financial Statements.

City of Rensselaer, New York

Government-Wide Financial Statements Statement of Activities

Year Ended July 31, 2016

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Primary Government						
Governmental Activities						
General government support	\$ 3,640,066	\$ 100,404	\$ 1,493,898	-	\$ (2,045,764)	\$ -
Public safety	7,314,939	292,631	82,705	-	(6,939,603)	-
Transportation	3,778,647	-	230,990	206,551	(3,341,106)	-
Economic opportunity and development	627,958	-	287,788	-	(340,170)	-
Culture and recreation	535,922	-	-	-	(535,922)	-
Home and community services	4,889,070	3,478,086	-	1,354,957	(56,027)	-
Interest expense	348,786	-	-	-	(348,786)	-
Total primary government	\$ 21,135,388	\$ 3,871,121	\$ 2,095,381	\$ 1,561,508	(13,607,378)	-
Component Unit						
	\$ 21,525	\$ 13,500	\$ -	\$ -		(8,025)
GENERAL REVENUES						
Real property tax and related tax items					8,089,932	-
Non-property taxes					2,462,775	-
Use of money and property					15,530	12
Other revenues					51,066	-
Total general revenues					10,619,303	12
Change in net position					(2,988,075)	(8,013)
NET POSITION, beginning of year					26,850,916	122,541
NET POSITION, end of year					\$ 23,862,841	\$ 114,528

See accompanying Notes to Financial Statements.

City of Rensselaer, New York

Fund Financial Statements Balance Sheet - Governmental Funds

July 31, 2016

	Major Funds				Non-Major Funds		Total Governmental Funds
	General	Water	Community Development	Capital Projects	Other Governmental		
ASSETS							
Cash and cash equivalents	\$ 1,586,277	\$ 1,018,196	\$ 771,861	\$ 2,157,131	\$ 230,208	\$	\$ 5,763,673
Cash and cash equivalents, restricted	9,267	-	-	2,109,122	-	-	2,118,389
Receivables							
Taxes	953,765	-	-	-	-	-	953,765
Accounts	-	793,227	376	-	532,287	-	1,325,890
Loans, less allowance for uncollectible	-	-	648,981	-	-	-	648,981
Due from other funds	455,089	-	-	-	403,268	-	858,357
Due from other governments	378,090	57,606	-	371,738	-	-	807,434
Total assets	\$ 3,382,488	\$ 1,869,029	\$ 1,421,218	\$ 4,637,991	\$ 1,165,763	\$	\$ 12,476,489
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 231,602	\$ 48,781	\$ 4,205	\$ 692,100	\$ 135,281	\$	\$ 1,111,969
Accrued expenses	158,788	552	5,895	27,530	8,390	-	201,155
Due to other governments	10,314	786,982	-	-	-	-	797,296
Due to retirement system	372,901	10,462	-	-	11,112	-	394,475
Due to other funds	-	-	-	858,357	-	-	858,357
Unearned revenues	-	-	-	10,252	-	-	10,252
Bond anticipation notes payable	-	181,000	-	4,142,779	-	-	4,323,779
Total liabilities	773,605	1,027,777	10,100	5,731,018	154,783	-	7,697,283
Deferred inflows of resources	910,059	356,838	648,981	-	393,501	-	2,309,379
Fund balances							
Restricted	9,267	-	-	1,379,240	-	-	1,388,507
Assigned	-	484,414	762,137	-	617,479	-	1,864,030
Unassigned	1,689,557	-	-	(2,472,267)	-	-	(782,710)
Total fund balances	1,698,824	484,414	762,137	(1,093,027)	617,479	-	2,469,827
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,382,488	\$ 1,869,029	\$ 1,421,218	\$ 4,637,991	\$ 1,165,763	\$	\$ 12,476,489

See accompanying Notes to Financial Statements.

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, 2016</u>
Fund Balances - Total Governmental Funds	<u>\$ 2,469,827</u>
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.	<u>48,721,718</u>
Property held for sale in governmental activities is not a financial resource and therefore is not reported in the funds.	199,074
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real property taxes	910,059
Loans receivable	648,981
Water, sewer and sanitation receivables	<u>750,339</u>
	<u>2,309,379</u>
Deferred outflows and inflows of resources associated with the net pension liability are not required to be reported in the fund financial statements:	
Deferred outflows - pension resources	4,497,928
Deferred inflows - pension resources	<u>(1,140,702)</u>
	<u>3,357,226</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds:	
Bonds payable	(5,290,000)
EFC BAN payable	(7,000,000)
EFC loans payable	(5,876,157)
Accrued interest payable	(144,256)
Compensated absences	(1,515,973)
Pension contribution payable	(913,555)
Net pension liability	(4,657,567)
Other postemployment benefit obligations payable	<u>(7,796,875)</u>
	<u>(33,194,383)</u>
 Net position of governmental activities	 <u>\$ 23,862,841</u>

City of Rensselaer, New York

Fund Financial Statements Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended July 31, 2016

	Major Funds			Non-Major Funds		Governmental Funds
	General	Water	Community Development	Capital Projects	Other Governmental	
REVENUES						
Real property taxes and related items	\$ 7,943,622	\$ -	\$ -	\$ -	\$ -	\$ 7,943,622
Non-property taxes	2,462,775	-	-	-	-	2,462,775
Departmental income	100,404	2,009,540	37,227	-	1,205,220	3,352,391
Use of money and property	15,259	7	5	-	259	15,530
Licenses and permits	57,182	-	-	-	-	57,182
Fines and forfeitures	64,562	-	-	-	-	64,562
Sale of property and compensation for loss	4,791	-	-	-	-	4,791
Miscellaneous local sources	292,631	-	287,788	48,878	9,464	350,973
Federal aid	-	-	-	442,649	-	730,437
State aid	1,795,152	-	-	1,131,468	12,441	2,939,061
	<u>12,736,378</u>	<u>2,009,547</u>	<u>325,020</u>	<u>1,622,995</u>	<u>1,227,384</u>	<u>17,921,324</u>
EXPENDITURES						
General government support	2,106,893	-	-	-	-	2,106,893
Public safety	3,912,047	-	-	-	-	3,912,047
Transportation	1,184,126	-	-	316,126	-	1,500,252
Economic opportunity and development	-	-	317,619	-	-	317,619
Culture and recreation	148,814	-	-	-	123,856	272,670
Home and community services	332,176	1,748,711	-	-	812,698	2,893,585
Employee benefits	3,993,120	171,401	-	-	260,538	4,425,059
Capital Outlays	562,069	14,996	-	9,150,124	-	9,727,189
Debt service						
Principal						
Bonds	280,000	-	-	-	-	280,000
BANs	480,566	-	-	-	-	480,566
Interest	290,875	-	-	-	-	290,875
Total expenditures	<u>13,290,686</u>	<u>1,935,108</u>	<u>317,619</u>	<u>9,466,250</u>	<u>1,197,092</u>	<u>26,206,755</u>
Excess (deficiency) of revenues over expenditures	<u>(554,308)</u>	<u>74,439</u>	<u>7,401</u>	<u>(7,843,255)</u>	<u>30,292</u>	<u>(8,285,431)</u>
OTHER FINANCING SOURCES (USES)						
BANs redeemed from appropriations	-	-	-	480,566	-	480,566
Proceeds from long-term debt issuances	-	-	-	12,876,157	-	12,876,157
Transfers in	-	-	-	176,972	101,527	278,499
Transfers out	(278,499)	-	-	-	-	(278,499)
Total other financing sources (uses)	<u>(278,499)</u>	<u>-</u>	<u>-</u>	<u>13,533,695</u>	<u>101,527</u>	<u>13,356,723</u>
Net change in fund balances	<u>(832,807)</u>	<u>74,439</u>	<u>7,401</u>	<u>5,690,440</u>	<u>131,819</u>	<u>5,071,292</u>
FUND BALANCES, beginning of year, as restated	<u>2,531,631</u>	<u>409,975</u>	<u>754,736</u>	<u>(6,783,467)</u>	<u>485,660</u>	<u>(2,601,465)</u>
FUND BALANCES, end of year	<u>\$ 1,698,824</u>	<u>\$ 484,414</u>	<u>\$ 762,137</u>	<u>\$ (1,093,027)</u>	<u>\$ 617,479</u>	<u>\$ 2,469,827</u>

See accompanying Notes to Financial Statements.

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 Shown in the Statement of Activities

	Year Ended July 31, 2016
	\$ 5,071,292
Net change in fund balances - total governmental funds	\$ 5,071,292
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. This amount is less than the total capital outlay since capital outlay includes amounts that are under the capitalization threshold or were repairs and maintenance and, therefore, were not capitalized:</p>	
Capital outlay expenditures capitalized	11,375,263
Depreciation expense	(2,366,162)
	9,009,101
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Grant revenues	(46,350)
Loans receivable	(37,337)
Charges for services	263,326
Property taxes	146,310
	325,949
<p>Governmental funds report the annual contribution to the System as retirement expense. GASB 68 requires the prior year contribution to be recognized as an expense, as well as the change in the net pension liability and the deferred inflows and deferred outflows created as a result of this change:</p>	
Change in net pension liability	(4,034,840)
Change in deferred outflows of resources	4,288,386
Change in deferred inflows of resources	(1,489,449)
	(1,235,903)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	
Proceeds from EFC BAN	(7,000,000)
Proceed from EFC loan refinancing	(5,876,157)
Principal paid on bonds	280,000
	(12,596,157)
<p>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:</p>	
Accrued interest	(57,911)
Compensated absences	286,147
Pension contribution payable	124,364
Other postemployment benefit obligations payable	(3,914,957)
	(3,562,357)
Change in net position of governmental activities	\$ (2,988,075)

See accompanying Notes to Financial Statements.

City of Rensselaer, New York

Statement of Fiduciary Net Position - Fiduciary Funds

	July 31, 2016	
	Private Purpose Trust	Trust and Agency
ASSETS		
Cash and cash equivalents	\$ 12,311	\$ 240,132
LIABILITIES		
Accounts payable	-	3,617
Agency liabilities	-	236,515
	-	240,132
NET POSITION		
Restricted	\$ 12,311	\$ -

City of Rensselaer, New York

Statement of Changes in Net Position - Fiduciary Fund

	<u>Year Ended July 31, 2016</u>
	<u>Private Purpose Trust</u>
ADDITIONS	
Use of money and property	\$ 2
CHANGE IN NET POSITION	2
NET POSITION, <i>beginning of year</i>	<u>12,309</u>
NET POSITION, <i>end of year</i>	<u>\$ 12,311</u>

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

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 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, 2016

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, as are the fiduciary funds financial statements. 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.

Separate statements are provided for governmental funds and the fiduciary fund, 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.

d. Fund Financial Statements

Separate statements are provided for governmental funds and the fiduciary fund, 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.

City of Rensselaer, New York

Notes to the Financial Statements
July 31, 2016

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 major 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 is 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 is used to account for the revenues and expenditures associated with providing water treatment and transportation.

Community Development Fund is used to account for federal funds received in the form of community development grants and rental rehabilitation programs.

Capital Projects Fund is 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.

The City reports the following non-major funds:

Sewer Fund is used to account for the revenues and expenditures associated with providing sewage treatment services in the City.

Library Fund is used to account for the operations of a public library established and supported by taxes pursuant to Education Law, Section 259.

Solid Waste Fund is used to account for revenues and expenditures for the purpose of providing refuse and trash collection to the City.

City of Rensselaer, New York

Notes to the Financial Statements
July 31, 2016

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

d. Fund Financial Statements - Continued

Fiduciary Funds are 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 is used to account for assets held on behalf of outside parties, including other governments.

Private Purpose Trust is 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:

- i. 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.
- ii. After a public hearing is conducted to obtain taxpayer comments, but no later than June 30, the City Common Council adopts the preliminary budget.
- iii. 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.

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.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

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

g. Cash and Cash Equivalents, and Investments

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, as permitted by 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 the FDIC. As of July 31, 2016, 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).

i. Real Property Taxes and Related Tax Items, Taxes Receivable, Accounts Receivable, Loans 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.

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.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

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

i. Real Property Taxes and Related Tax Items, Taxes Receivable, Accounts Receivable, Loans Receivable and Due From Other Governments - Continued

Accounts and receivables other than loans 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, 2016.

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 \$311,057 for loans receivable determined to be uncollectible.

j. Property Held for Sale

Property held for sale consists of property acquired through the City's enforcement of real property taxes for the purpose of resale 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.

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 in 2016.

City of Rensselaer, New York

Notes to the Financial Statements
July 31, 2016

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

k. Capital Assets - Continued

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

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 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.

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 City pays 100% of the retiree's and spouse's medical benefit and reimburses the employee and dependent spouse for the full cost of Medicare Part B.

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.

City of Rensselaer, New York

Notes to the Financial Statements
July 31, 2016

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

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.

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:

- a) Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments, or
- b) 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.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

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

q. Net Position and Fund Balances - Continued

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.

r. Adoption of Accounting Standard

The City has elected to early implement the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*. As a result of the adoption of this accounting standard, the City has disclosed all tax abatement related agreements (see Note 11). This standard is disclosure only and did not impact amounts reported within the financial statements.

s. Restatement

The City has restated the opening fund balance of the general fund, capital projects fund and solid waste fund as noted below:

	General	Capital Projects	Solid Waste
Fund balance, August 1, 2015, <i>as originally stated</i>	\$ 1,729,968	\$ (9,415,460)	\$ 54,318
Remove property held for sale (a)	(199,074)	-	-
Understatement of deferred inflows of resources (b)	-	-	(119,529)
Understatement of liabilities (c)	-	(46,350)	-
Overstatement of liabilities (d)	1,000,737	2,678,343	-
Fund balance, August 1, 2015, <i>as restated</i>	\$ 2,531,631	\$ (6,783,467)	\$ (65,211)

- (a) Reporting of inventory balances is optional within the governmental funds. The City has decided to report property held for sale (inventory) in the government-wide statement of net position, as it does not provide for current financial resources in the governmental funds.
- (b) Revenues reported in prior years were not available, and therefore should have been reported as deferred inflows of resources.
- (c) Expenditures incurred and measurable at July 31, 2015 should have been reported in the financial statements.
- (d) The general fund included pension contribution liabilities that were not currently due and payable, and therefore should have not been reported in the fund financial statements. The capital projects fund included a BAN payable, whose maturity date extended beyond one year of the balance sheet date, and therefore should not have been reported as a fund liability.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

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

t. Subsequent Events

The City has evaluated subsequent events for potential recognition or disclosure through January 14, 2019, 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:

- 1) 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.
- 2) 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.
- 3) 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.
- 4) 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, 2016:

	Historic District	Homeowner Acquisition Repayable	Homeowner Acquisition Amortizable	Economic Development	Total
Book value	\$ 80,886	\$ 704,378	\$ 204,044	\$ 182,043	\$ 1,171,351
Reserve for amortizable loans	-	-	(204,044)		(204,044)
Reserve for uncollectible	(9,818)	-	-	(97,195)	(107,013)
Net book value	<u>\$ 71,068</u>	<u>\$ 704,378</u>	<u>\$ -</u>	<u>\$ 84,848</u>	<u>\$ 860,294</u>

The reserve for amortizable loans is based on the City's historical experience that homeowners will meet the residency requirements and, therefore, not repay their outstanding balance. Accordingly, the City has reserved 100% of these loan types. The City has filed a lien on repayable home acquisition loans, therefore, collection is probable. Loans for the Fort Crailo historic district and economic development loans are unsecured. A reserve for uncollectible loans was determined based on historical experience and delinquencies on outstanding balances. The City considers loan repayments that are fifteen days late to be past due.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 2 - Receivables - Continued

b. Due from Other Governments

General Fund - Primarily consists of \$378,090 representing June and July 2016 sales tax distributions due from the County of Rensselaer.

Water Fund - The balance represents amounts due from other municipalities for water consumption.

Capital Projects Fund - Primarily composed of reimbursements for grants from the State of New York for the Waterfront project and other projects.

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, 2016, interfund receivables, payables and transfers in and out, arising from these transactions were as follows:

	July 31, 2016	
	Interfund Receivables	Interfund Payables
General Fund	\$ 455,089	\$ -
Capital Projects Fund	-	858,357
Sewer Fund	403,268	-
Total	\$ 858,357	\$ 858,357
	Year Ended July 31, 2016	
	Transfers In	Transfers Out
General Fund	\$ -	\$ 278,499
Capital Projects Fund	176,972	-
Library Fund	101,527	-
Total	\$ 278,499	\$ 278,499

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

	Balance August 1, 2015	Additions	Retirements	Balance July 31, 2016
<i>Depreciable Assets</i>				
Buildings	\$ 11,787,437	\$ -	\$ -	\$ 11,787,437
Site improvements	120,184	19,966		140,150
Personal property	927,572	38,416		965,988
Machinery and equipment	4,549,047	251,708	(60,500)	4,740,255
Infrastructure	72,685,859	14,163,207	-	86,849,066
	<u>90,070,099</u>	<u>14,473,297</u>	<u>(60,500)</u>	<u>104,482,896</u>
Accumulated depreciation	<u>(55,303,302)</u>	<u>(2,366,162)</u>	<u>60,500</u>	<u>(57,608,964)</u>
Total depreciable assets	<u>34,766,797</u>	<u>12,107,135</u>	<u>-</u>	<u>46,873,932</u>
<i>Non-depreciable Assets</i>				
Land	640,126	-	-	640,126
Construction in progress	4,305,694	9,342,237	(12,440,271)	1,207,660
Total non-depreciable assets	<u>4,945,820</u>	<u>9,342,237</u>	<u>(12,440,271)</u>	<u>1,847,786</u>
Total capital assets	<u>\$ 39,712,617</u>	<u>\$ 21,449,372</u>	<u>\$ (12,440,271)</u>	<u>\$ 48,721,718</u>

Note 5 - Long-Term Liabilities

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

	Balance August 1, 2015	Additions	Reductions	Balance July 31, 2016	Due Within One Year
Bonds payable	\$ 5,570,000	\$ -	\$ 280,000	\$ 5,290,000	\$ 290,000
EFC - BAN Payable	-	7,000,000	-	7,000,000	-
EFC - Clean Water Loan	-	5,987,157	111,000	5,876,157	190,000
Compensated absences	1,802,120	180,212	466,359	1,515,973	151,597
Pension contribution payable	1,037,919	-	124,364	913,555	122,565
Net pension liability	622,727	5,085,432	1,050,592	4,657,567	-
Other post employment benefits	3,881,918	4,831,003	916,046	7,796,875	-
	<u>\$ 12,914,684</u>	<u>\$ 23,083,804</u>	<u>\$ 2,948,361</u>	<u>\$ 33,050,127</u>	<u>\$ 754,162</u>

Note 6 - Bonds Payable

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

Issue Date	Original Amount	Final Maturity	Interest Rate	Outstanding at July 31, 2016
June 22, 2010	\$ 3,008,500	April 1, 2025	3.500% - 4.000%	\$ 1,975,000
April 5, 2011	3,435,000	April 1, 2040	4.750% - 5.125%	3,115,000
July 30, 2014	253,413	July 15, 2022	2.500%	200,000
				<u>\$ 5,290,000</u>

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 6 - Bonds 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>
2017	\$ 290,000	\$ 233,350	\$ 523,350
2018	305,000	222,563	527,563
2019	320,000	211,150	531,150
2020	330,000	199,256	529,256
2021	345,000	186,863	531,863
2022 through 2026	1,495,000	725,294	2,220,294
2027 through 2031	625,000	495,205	1,120,205
2032 through 2036	795,000	325,030	1,120,030
2037 through 2040	785,000	102,757	887,757
Total	<u>\$ 5,290,000</u>	<u>\$ 2,701,468</u>	<u>\$ 7,991,468</u>

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:

<u>Description</u>	<u>Issue</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>July 31, 2016 Balance</u>
<i>Capital Projects Fund</i>				
Various purposes	May 2016	\$ 281,500	1.59%	\$ 198,500
Fire fighting vehicle	May 2016	310,279	1.66%	250,279
Broadway NYSDOT project	January 2016	700,000	1.58%	600,000
Police vehicles	April 2016	150,000	1.55%	50,000
Truck apparatus	February 2016	74,000	1.57%	74,000
Drinking water project	May 2016	1,600,000	1.58%	1,600,000
Water system emergency reconstruction	July 2016	245,000	1.55%	245,000
Sewer system emergency reconstruction	April 2016	545,000	1.55%	545,000
Highway widening project	April 2016	585,000	1.55%	580,000
Total Capital Projects Fund				<u>4,142,779</u>
<i>Water Fund</i>				
Emergency reconstruction projects	September 2015	181,000	1.66%	181,000
Total bond anticipation notes payable				<u>\$ 4,323,779</u>

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 8 - Environmental Facilities Corporation Loan Agreements

Clean Water State Revolving Fund Loans

On September 29, 2011, the City entered into an unsecured financing agreement with the New York State Environmental Facilities Corporation (EFC) to help fund the cost of planning, design and construction of sewer separation improvements in the Washington Avenue and North Broadway areas of the City. The maximum principal sum of the loan was \$6,905,000, which consisted of two loans; an interest-free portion with a maximum principal sum of \$4,761,672 and an interest-bearing portion, .51%, per annum, with a maximum principal sum of \$2,113,238. The maximum principal forgiveness under the financing agreement is \$2,678,343. Under the financing agreement, the City was required to comply with various non-financial covenants. The balance of these loans at July 31, 2016 is as follows:

Zero interest loan	\$ 4,722,172
Less, forgivable portion	<u>(2,678,343)</u>
Zero interest loan, net	2,043,829
Interest bearing loan	<u>2,032,328</u>
Total	<u><u>\$ 4,076,157</u></u>

On May 12, 2016, the City issued a one-year BAN in the amount of \$1.8 million at an interest rate of 1.58%. The purpose of the BAN was to help finance the cost of clean water projects.

On September 29, 2016, the City entered into an unsecured long-term financing arrangement with EFC to repay the short-term EFC financing agreement and clean water project BAN in the amount of \$6,371,157. The long-term loan will be repaid over a 30-year period at a fixed interest rate net of subsidies of approximately 1.10%. A summary of the refunding transaction is as follows:

Debt refinancing	
EFC Financing Arrangement, Net	\$ 4,076,157
Clean water project - BAN	<u>1,800,000</u>
Total debt refinancing	5,876,157
Debt issuance	
Additional project cost borrowings	<u>495,000</u>
2016B series debt	<u><u>\$ 6,371,157</u></u>

Total short-term debt of \$5,876,157 has been excluded from the Capital Projects Fund as it was refinanced on a long-term basis subsequent to year-end.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

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:

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.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 9 - Retirement System - Continued

b. Plan Benefits

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 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.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 9 - Retirement System - Continued

c. Funding Policy - Continued

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, 2015 was approximately 20.1 percent of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2016 was approximately 27.6 percent of payroll. The required contribution for the current year was \$389,151 for ERS and \$803,889 for PFRS.

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 amortized the allowable amounts of \$17,980 for ERS and \$201,330 for PFRS. The balance of the ERS amortization was fully paid during the current fiscal year. The balance of PFRS was \$20,133 and is reported as a component of pension contribution payable in the statement of net position.

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 Retirement System and \$170,130 for the Police and Fire Retirement System, with a current balance of \$29,420 and \$119,091 at July 31, 2016, respectively. For 2014, the City elected to amortize \$186,470 for the ERS Retirement System and \$270,720 for the Police and Fire Retirement System, with a current balance of \$149,177 and \$225,600 at July 31, 2016, respectively. For 2015, the City elected to amortize an additional \$4,360 for the ERS Retirement System and \$172,140 for the Police and Fire Retirement System, with a current balance of \$3,924 and \$157,794 at July 31, 2016, respectively. The City also elected to amortize \$347,360 of Past Service Cost under Section 384E(b) for the Police and Fire Retirement System, with a current balance of \$208,416 at July 31, 2016. The balances of these amortized liabilities are included in pension contributions payable in the statement of net position.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 9 - Retirement System - Continued

c. Funding Policy – Continued

The following table presents the future minimum payments under the State's amortization programs.

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Plan year ending March 31,			
2017	\$ 23,286	\$ 99,279	\$ 122,565
2018	23,286	98,162	121,448
2019	23,286	88,654	111,940
2020	23,286	88,654	111,940
2021	23,286	88,654	111,940
Thereafter	<u>66,091</u>	<u>267,631</u>	<u>333,722</u>
	<u>\$ 182,521</u>	<u>\$ 731,034</u>	<u>\$ 913,555</u>

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

At July 31, 2016, the City reported a liability of \$4,657,567 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, 2015, and the total pension liability was determined by an actuarial valuation as of April 1, 2014. 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, 2015 measurement date, the City's proportionate share was 0.0086716% for ERS and 0.1103003% for PFRS.

For the year ended July 31, 2016, the City recognized pension expenditures of \$1,581,001. At July 31, 2016, the City reported deferred outflows and inflows of resources as follows:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 36,324	\$ 658,719
Changes of assumptions	1,779,011	-
Net differences between projected and actual investment earnings on pension plan investments	2,655,891	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>26,702</u>	<u>481,983</u>
Total	<u>\$ 4,497,928</u>	<u>\$ 1,140,702</u>

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 9 - Retirement System - Continued

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

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

Year ending July 31,		
2017	\$	808,023
2018		808,023
2019		808,023
2020		791,273
2021		<u>141,884</u>
 Total		 <u><u>\$ 3,357,226</u></u>

e. Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with updated procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

Significant actuarial assumptions used in the April 1, 2015 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, 2005 to March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2015 valuation are based on the results of actuarial experience study for the period April 1, 2005 to March 31, 2010.

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, 2015 are summarized below:

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 9 - Retirement System - Continued

f. Investment Asset Allocation - Continued

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-Indexed bonds	2.00%	4.00%
	100.00%	

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 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)	\$ 10,432,843	\$ 4,657,567	\$ (195,139)

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 9 - Retirement System - Continued

i. Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2016, were as follows:

	(Dollars in Thousands)		
	Employee's Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727	\$ 202,651,271
Plan net position	(156,253,265)	(27,386,940)	(183,640,205)
Employers' net pension liability	<u>\$ 16,050,279</u>	<u>\$ 2,960,787</u>	<u>\$ 19,011,066</u>
Ratio of plan net position to the employers' total pension liability	<u>90.7%</u>	<u>90.2%</u>	<u>90.6%</u>

Note 10 - Postemployment Benefits Other Than Pensions

Retiree Health Plan Description. 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.

Funding Policy. 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.

Other Post-Employment Employee Benefit (OPEB) Cost and Net OPEB Obligation. The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Retiree Health Plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 10 - Postemployment Benefits Other Than Pensions - Continued

Annual required contribution	\$ 4,902,602
Interest on net OPEB obligation	135,867
Adjustment to annual required contribution	<u>(207,466)</u>
Annual OPEB cost	4,831,003
Contributions made	<u>(916,046)</u>
Increase in net OPEB obligation	3,914,957
Net OPEB obligation, <i>beginning of year</i>	<u>3,881,918</u>
Net OPEB obligation, <i>end of year</i>	<u><u>\$ 7,796,875</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Retiree Health Plan, and the net OPEB obligation for the current and preceding year is as follows:

Fiscal Year Ended July 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 4,831,003	18.96%	\$ 7,796,875
2015	4,755,607	18.37%	3,881,918

Funded Status and Funding Progress. As of July 31, 2016, the actuarial accrued liability for benefits was \$48,131,088, none of which was funded. The covered payroll (annual payroll of active employees covered by the Retiree Health Plan) was \$4,941,314, and the ratio of the unfunded actuarial liability to the covered payroll was 974.1%.

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

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

The following simplifying assumptions were made:

Retirement Age for Active Employees - Rates of decrement due to retirement based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, *Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation*.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 10 - Postemployment Benefits Other Than Pensions - Continued

Marital Status - It is assumed that 80% of retirees will be married at the time of their retirement, with the male spouse assumed to be approximately three years older than the female. For current retirees, actual census information is used.

Mortality - Life expectancies were based on the RP-2000 Combined Health Participant Table projected 10 years using Projection Scale AA.

Actuarial Cost Method - The OPEB cost and net OPEB obligation were developed using the Projected Unit Credit cost method.

Participation Rate - It is assumed that 100% of future retirees eligible for coverage will elect the benefit.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.50% was used. The period used to determine amortization costs for the initial unfunded actuarial accrued liability is a level period of 30 years, the remaining amortization period used for this valuation is 28 years.

Note 11 - Tax Abatements

The following summarizes certain property tax abatement agreements entered into by the City as of July 31, 2016:

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	\$ 51.78	\$ 957,957	\$ 601,172	\$ 356,785
Empire Generating - Host	12/1/2014	12/1/2024	-	-	-	294,664	(294,664)
Gorman Terminals	2/1/2008	12/31/2018	64,500	52	3,340	462	2,878
Bell Top	11/1/2013	10/1/2024	107,800	52	5,582	4,596	986
							<u>\$ 65,985</u>

Note 12 - Fund Balance

The City has reported a deficit fund balance of \$1,059,286 in the capital projects fund as of July 31, 2016. This deficit is attributable to projects which have been financed utilizing short-term bond anticipation notes and other short-term financing. The City plans on addressing the fund balance deficit in future years through the issuance of long-term debt securities.

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, 2016

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. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. This statement establishes requirement for defined benefit pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pension* (GASB Statement No. 68), as well as for the assets accumulated for purposes of providing those pensions. In addition, this statement establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. The requirements of this statement are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information. These requirements are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 78, *Accounting and Financial Reporting Through Certain Multiple-Employer Benefit Pension Plans*. This statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this statements are effective for reporting periods beginning after December 31, 2015.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

Note 14 - Accounting Standards Not Yet Implemented - Continued

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. This statement provides clarity on how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local governments. The requirements of GASB 80 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No 82, *Pension Issues* (GASB 82) addresses practice issues raised during implementation of the GASB's pension accounting and financial reporting standards for state and local governments. The requirements of GASB 82 are effective for fiscal years beginning after June 15, 2016.

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 requires that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

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 are effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017* (GASB 85). GASB 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishments* (GASB 86). GASB 86 addresses accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also addresses accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The required of this statement are effective for reporting periods beginning after June 15, 2017.

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 are effective for reporting periods beginning after December 15, 2019.

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 are effective for reporting periods beginning after June 15, 2018.

City of Rensselaer, New York

Notes to the Financial Statements July 31, 2016

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 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 are effective for reporting periods beginning after June 15, 2018.

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 Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

	Year Ended July 31, 2016			Variance with Final Budget Positive (Negative)
	2016 Adopted Budget	2016 Modified Budget	2016 Actual	
REVENUES				
Real property taxes and related items	\$ 7,416,884	7,416,884	\$ 7,943,622	\$ 526,738
Non-property taxes	2,633,000	2,633,000	2,462,775	(170,225)
Departmental income	401,400	401,400	100,404	(300,996)
Use of money and property	14,525	14,525	15,259	734
Licenses and permits	107,400	107,400	57,182	(50,218)
Fines and forfeitures	120,000	120,000	64,562	(55,438)
Sale of property and compensation for loss	-	-	4,791	4,791
Miscellaneous local sources	874,150	874,150	292,631	(581,519)
State aid	1,647,641	1,647,641	1,795,152	147,511
Total revenues	<u>13,215,000</u>	<u>13,215,000</u>	<u>12,736,378</u>	<u>(478,622)</u>
EXPENDITURES				
General government support	3,249,860	3,214,769	2,113,067	1,101,702
Public safety	4,031,645	4,057,009	4,073,500	(16,491)
Transportation	1,439,712	1,619,087	1,576,645	42,442
Culture and recreation	186,467	192,847	148,814	44,033
Home and community services	223,470	250,994	334,099	(83,105)
Employee benefits	3,768,331	3,900,006	3,993,120	(93,114)
Debt service	877,400	877,400	1,051,441	(174,041)
Total expenditures	<u>13,776,885</u>	<u>14,112,112</u>	<u>13,290,686</u>	<u>821,426</u>
Excess (deficiency) of revenues over expenditures	(561,885)	(897,112)	(554,308)	342,804
OTHER FINANCING USES				
Transfers out	(107,115)	(107,115)	(278,499)	(171,384)
Net change in fund balances	(669,000)	(1,004,227)	(832,807)	\$ 171,420
FUND BALANCES, beginning of year	<u>2,531,631</u>	<u>2,531,631</u>	<u>2,531,631</u>	
FUND BALANCES, end of year	<u><u>\$ 1,862,631</u></u>	<u><u>\$ 1,527,404</u></u>	<u><u>\$ 1,698,824</u></u>	

City of Rensselaer, New York

Required Supplementary Information Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Water Fund

	Year Ended July 31, 2016			
	2016 Adopted Budget	2016 Modified Budget	2016 Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Departmental income	\$ 2,528,300	\$ 2,528,300	\$ 2,009,540	\$ (518,760)
Use of money and property	-	-	7	7
Total revenues	2,528,300	2,528,300	2,009,547	(518,753)
EXPENDITURES				
Home and community services	1,986,018	2,296,988	1,763,707	533,281
Employee benefits	182,282	182,282	171,401	10,881
Debt service	360,000	360,000	-	360,000
Total expenditures	2,528,300	2,839,270	1,935,108	904,162
 Excess (deficiency) of revenues over expenditures	-	(310,970)	74,439	\$ 385,409
 FUND BALANCES, beginning of year	409,975	409,975	409,975	
 FUND BALANCES, end of year	\$ 409,975	\$ 99,005	\$ 484,414	

City of Rensselaer, New York

Required Supplementary Information Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Community Development Fund

	Year Ended July 31, 2016			Variance with Final Budget Positive (Negative)
	2016 Adopted Budget	2016 Modified Budget	2016 Actual	
REVENUES				
Departmental income	\$ 822,000	\$ 822,000	\$ 37,227	\$ (784,773)
Use of money and property	-	-	5	5
Federal aid	-	-	287,788	287,788
Total revenues	822,000	822,000	325,020	(496,980)
EXPENDITURES				
Economic assistance and opportunity	822,000	822,000	317,619	504,381
Excess of revenues over expenditures	-	-	7,401	\$ 7,401
FUND BALANCES, beginning of year	754,736	754,736	754,736	
FUND BALANCES, end of year	\$ 754,736	\$ 754,736	\$ 762,137	

City of Rensselaer, New York

Required Supplementary Information Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Covered Payroll ((b-a)/c)
July 31, 2016	\$ -	\$ 48,131,088	\$ 48,131,088	0.0%	\$ 4,941,314	974.1%

City of Rensselaer, New York

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

ERS	2016
City's proportion of the net pension liability	0.0086716%
City's proportionate share of the net pension liability	\$ 1,391,810
City's covered-employee payroll	\$ 2,350,213
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.22%
Plan fiduciary net position as a percentage of the total pension liability	90.68%
PFRS	2016
City's proportion of the net pension liability	0.1103003%
City's proportionate share of the net pension liability	\$ 3,265,757
City's covered-employee payroll	\$ 2,983,165
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	109.47%
Plan fiduciary net position as a percentage of the total pension liability	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	2016
Contractually required contribution	\$ 389,151
Contributions in relation to the contractually required contribution	389,151
Contribution deficiency (excess)	-
City's covered-employee payroll	2,350,213
Contribution as a percentage of covered-employee payroll	16.56%
PFRS	2016
Contractually required contribution	\$ 803,889
Contributions in relation to the contractually required contribution	803,889
Contribution deficiency (excess)	-
City's covered-employee payroll	2,983,165
Contribution as a percentage of covered-employee payroll	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, 2016

	Sewer	Library	Solid Waste	Total Non-Major
ASSETS				
Cash and cash equivalents	\$ 215,450	\$ 1,650	\$ 13,108	\$ 230,208
Accounts receivable	220,925	-	311,362	532,287
Due from other funds	403,268	-	-	403,268
Total assets	\$ 839,643	\$ 1,650	\$ 324,470	\$ 1,165,763
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 134,983	\$ 298	\$ -	\$ 135,281
Accrued expenses	731	2,054	5,605	8,390
Due to retirement system	2,601	-	8,511	11,112
Total liabilities	138,315	2,352	14,116	154,783
Deferred inflows of resources	123,899	-	269,602	393,501
Fund balance - assigned	577,429	(702)	40,752	617,479

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

	Year Ended July 31, 2016			
	Sewer	Library	Solid Waste	Total Non-Major
REVENUES				
Departmental income	\$ 537,347	\$ -	\$ 667,873	\$ 1,205,220
Use of money and property	4	2	253	259
Miscellaneous local sources	-	9,464	-	9,464
State aid	-	12,441	-	12,441
Total revenues	<u>537,351</u>	<u>21,907</u>	<u>668,126</u>	<u>1,227,384</u>
EXPENDITURES				
Culture and recreation	-	123,856	-	123,856
Home and community services	411,565	-	401,133	812,698
Employee benefits	98,360	1,148	161,030	260,538
Total expenditures	<u>509,925</u>	<u>125,004</u>	<u>562,163</u>	<u>1,197,092</u>
Excess (deficiency) of revenues over expenditures	27,426	(103,097)	105,963	30,292
OTHER FINANCING SOURCES				
Transfers in	-	101,527	-	101,527
Net change in fund balances	27,426	(1,570)	105,963	131,819
a	550,003	868	(65,211)	485,660
FUND BALANCES, end of year	\$ 577,429	\$ (702)	\$ 40,752	\$ 617,479

See Independent Auditor's Report.