

CITY OF SCHENECTADY, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CITY OF SCHENECTADY, NEW YORK

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INTRODUCTION

This discussion and analysis of financial performance provides an overview of the City of Schenectady, New York's (the "City") financial activities for the fiscal year ended December 31, 2019. Readers are asked to consider this information in conjunction with the City's financial statements.

The financial statements of the City of Schenectady, New York have been prepared in accordance with accounting principles generally accepted in the United States of America with the exception of the following:

Acquisitions of equipment and capital facilities should be recorded at cost in the balance sheet in a non-current governmental asset account group to account for all land, buildings, improvements and equipment utilized by the City. The City maintains a general fixed assets account group, however it is at insurance appraised values and, as a result, is not in accordance with generally accepted accounting principles.

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

FINANCIAL HIGHLIGHTS

In April 2019, Standard & Poor's affirmed the City's general obligation bond A rating with a stable outlook. In February 2018, Moody's Investor Services affirmed the City's general obligation bond A3 rating, but removed the positive outlook.

General Fund

- Expenditures of \$85,787,808 exceeded revenues of \$84,871,058 thousand resulting in a deficit of \$916,750. Those results included the following:
 - Transfer of reserves for capital use of \$90 thousand
 - Unplanned expenditures and budget shortfalls of:
 - Settlement of the PBA contract for 2018 and 2019 for approximately \$1 million
 - Health insurance over budget due to unanticipated high cost claimants, resulting in Employee Benefits as a whole to be over budget by approximately \$116 thousand
 - The City had 9 emergency demolitions costing approximately \$354 thousand
 - The City received \$13 million in Sales Tax Revenue (budgeted 12.9 million)
 - The City received \$2.9 million from Casino Revenue Sharing (Part of state aid revenue) (budgeted \$2.635 million)
 - Revenue for sale of city owned property fell short of the 2019 budget; \$926 thousand vs \$1.6 million
- Ending Fund Balance is \$14.4 million and is comprised of approximately \$3 million of restricted funds, \$3.6 million of assigned funds and \$7.8 million of unassigned funds.
 - Total Fund Balance decreased approximately 6% when compared to last fiscal year.
 - Unassigned Fund Balance is 8.73% of the 2020 Adopted Budget.

FINANCIAL HIGHLIGHTS (Continued)

Water Fund

- Actual total revenues were sufficient to support operations.
- Operations produced a surplus of \$90,300.
- Ending fund balance was \$8.8 million and was comprised of \$7.1 million of restricted funds and \$1.7 million of assigned funds.
 - Total fund balance increased approximately 1% when compared to last fiscal year.

Sewer Fund

- Actual total revenues were sufficient to support operations.
- Operations produced a surplus of \$536,837.
- Ending Fund Balance was \$12.9 million and was comprised of \$10.2 million of restricted funds and \$2.7 million of assigned funds.
 - Total Fund Balance increased approximately 4% when compared to last fiscal year.

Recreation Fund

- Operations, including a \$91,864 reserve transfer used for capital needs, resulted in a deficit of \$37,270.
- Ending fund balance of \$891 thousand is comprised of \$645 thousand of restricted funds, \$236 thousand of assigned funds and \$9 thousand that is unspendable (inventory).
 - Total fund balance decreased approximately 4%, when compared to last fiscal year.

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FINANCIAL HIGHLIGHTS (Continued)

The City's Funds

The table, in millions, that follows illustrates the recent changes in the City's General, Water, Sewer and Recreation funds' balance sheets. The General Fund and Business Type Funds, when combined, represent a decrease in fund balance. When these funds are combined, fund balance has decreased by 0.88%.

	<u>General Fund</u>		<u>Other Governmental Activities (Water, Sewer, Recreation)</u>		<u>Grand Total *</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	Cash	19.3	20.9	1.7	2.3	21.0
Restricted Cash	3.0	3.1	18.0	17.6	21.0	20.7
Receivables (Net)	<u>12.5</u>	<u>12.3</u>	<u>3.6</u>	<u>3.1</u>	<u>16.1</u>	<u>15.4</u>
Total Assets	<u>34.8</u>	<u>36.3</u>	<u>23.3</u>	<u>23.0</u>	<u>58.1</u>	<u>59.3</u>
Total Short Term Liabilities	20.0	19.7	0.6	0.7	20.6	20.4
Deferred Inflows of Resources	<u>0.4</u>	<u>1.3</u>	<u>0.1</u>	<u>0.3</u>	<u>0.5</u>	<u>1.6</u>
Total Liabilities and Deferred Inflows	<u>20.4</u>	<u>21.0</u>	<u>0.7</u>	<u>1.0</u>	<u>21.1</u>	<u>22.0</u>
Net Assets:						
Restricted	3.0	3.1	18.0	17.6	21.0	20.7
Assigned	3.6	4.0	4.6	4.4	8.2	8.4
Unrestricted	<u>7.8</u>	<u>8.2</u>	<u>0.0</u>	<u>0.0</u>	<u>7.8</u>	<u>8.2</u>
Total Fund Balance	<u>14.4</u>	<u>15.3</u>	<u>22.6</u>	<u>22.0</u>	<u>37.0</u>	<u>37.3</u>

* Excludes Capital Projects Fund.

CITY OF SCHENECTADY, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)(CONTINUED)
DECEMBER 31, 2019

The City's Funds (Continued)

	General Fund		Other Governmental Activities (Water, Sewer, Recreation)		Grand Total *	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	Revenues					
Real Property Taxes	28.5	29.6	-	-	28.5	29.6
Real Property Tax Items	4.0	4.3	-	-	4.0	4.3
Non Property Tax Items	15.1	14.7	-	-	15.1	14.7
Departmental Income	9.4	8.5	21.5	22.3	30.9	30.8
Intergovernmental						
Charges	0.1	0.1	-	-	0.1	0.1
Use of Money and Property	0.6	0.3	0.4	0.2	1.0	0.5
Licenses and Permits	2.0	2.1	-	-	2.0	2.1
Fines and Forfeitures	0.9	0.9	-	-	0.9	0.9
Sale of Property and						
Compensation for Loss	2.4	3.1	-	-	2.4	3.1
Misc Local Sources	0.4	0.6	0.1	0.1	0.5	0.7
Interfund Revenue	5.7	5.5	-	-	5.7	5.5
State Aid	15.2	14.7	-	-	15.2	14.7
Federal Aid	<u>0.1</u>	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>0.2</u>
Total Revenues	<u>84.4</u>	<u>84.6</u>	<u>22.0</u>	<u>22.6</u>	<u>106.4</u>	<u>107.2</u>
Program Expenses						
General Government						
Support	7.0	8.0	1.3	1.3	8.3	9.3
Public Safety	32.6	31.0	-	-	32.6	31.0
Transportation	5.7	5.0	-	-	5.7	5.0
Culture and Recreation	0.8	0.7	0.9	0.8	1.7	1.5
Home and Community						
Service	4.6	5.3	11.9	11.5	16.5	16.8
Employee Benefits	28.7	27.8	2.4	2.4	31.1	30.2
Debt Service	<u>6.2</u>	<u>5.1</u>	<u>4.1</u>	<u>3.7</u>	<u>10.3</u>	<u>8.8</u>
Total Expenses Before						
Transfers	<u>85.6</u>	<u>82.9</u>	<u>20.6</u>	<u>19.7</u>	<u>106.2</u>	<u>102.6</u>
Excess (Deficiency)						
Before Transfers	<u>(1.2)</u>	<u>1.7</u>	<u>1.4</u>	<u>2.9</u>	<u>0.2</u>	<u>4.6</u>
Transfers In	0.4	0.2	0.1	-	0.5	0.2
Transfers Out	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.9)</u>	<u>(0.5)</u>	<u>(1.0)</u>	<u>(0.6)</u>
Increase (Decrease) in						
Net Assets	<u>(0.9)</u>	<u>1.8</u>	<u>0.6</u>	<u>2.4</u>	<u>(0.3)</u>	<u>4.2</u>

* Excludes Capital Projects Fund.

The City's Funds (Continued)

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

Governmental

General Fund

This is the chief operating fund of the City. The 2019 operations, including transfer of reserves for capital use, produced a \$0.9 million deficit. The Actual Total Revenues, excluding Appropriated Fund Balance and Interfund Transfers, exceeded the Total Revised Revenue budget by approximately \$2.05 million and Actual Total Expenditures were under the Revised Total Expenditure budget by approximately \$2.4 million. In the 2019 Adopted Budget, \$4.2 million of Fund Balance was appropriated to support expenditures. Some of these funds were needed to support overall expenditures (\$916,750). Regarding expenditures, most departments were within budget due to efficient operations (the exception is Transportation, which was over budget by \$377 thousand and employee benefits; which was \$116 thousand over budget).

During 2019 the City, as planned, used \$90 thousand of its capital project reserve that was funded with previous years' surplus, to fund certain of its capital needs instead of bonding. The City anticipates continuance of this practice and with the close of fiscal year 2019 has a capital project reserve of \$1.17 million. The current fiscal year end's Unassigned Fund Balance is \$7.8 million and the Total Fund Balance is \$14.38 million. As a measure of the General Fund's liquidity, the Unassigned Fund Balance is 9.1% of the 2019 Total Expenditures and Other Financing Uses and the Total Fund Balance is 16.76%.

Special Revenue Funds

Water

Operations of the City's water district are reported here. The 2019 operations produced a \$90 thousand surplus.

The current fiscal year end's Total Fund Balance is \$8.77 million, compared to \$8.68 million in the previous year.

The City's Water Fund is experiencing a temporary cash flow issue (that is being covered by the General Fund) due to an on-going dispute with the Town of Niskayuna over billing rates. (See Notes to the Financial Statements for further information).

The City's Funds (Continued)

Governmental (Continued)

Special Revenue Funds (Continued)

Sewer

Operations of the City's sewer district are reported here. The 2019 operations produced a \$536 thousand surplus.

The 2019 Year End Restricted Fund Balance includes a capital project reserve that has been increased by \$360 thousand and the reserve for bonded debt has been increased by \$0.5 million for future debt costs. The current year end's Total Fund Balance is \$12.9 million, compared to \$12.36 million the previous year.

Recreation

Operations of the City's golf course are reported here. The 2019 operations produced a \$37.2 thousand deficit.

The 2019 Year End Restricted Fund Balance includes a capital project reserve that has been increased by \$43 thousand. The current year end's Total Fund Balance is \$890.9 thousand, compared to \$928.1 thousand in the previous year.

Miscellaneous Revenue Fund

This fund is for all other activities that do not fall into the definition of the other funds; the largest of which are as follows:

- Activities related to the Revitalization of the Upper Union Street area. The City implementation of billing and collection of a component of the Upper Union Street Business District annual revenue is represented within this fund.
- Activities related to the City working with the Downtown Schenectady Improvement Corporation (DSIC) on the revitalization of Downtown Schenectady. The City implementation of billing and collection of a component of DISC's annual revenue is presented within this fund.
- Great Flats Aquifer fund - agreement with the Town of Niskayuna as per Note 5B.
- Handicap ADA improvement activities funded from Handicap parking violation tickets.

The City's Funds (Continued)

Governmental (Continued)

Special Revenue Funds (Continued)

Special Grant Fund

Reflects accounting of special federal, state or local grants wherein expenditures are restricted for a specific purpose. The City managed approximately 35 grants through this fund. The fund's receivables and deferred revenues are largely comprised of loan activities through the Community Development Agency, Schenectady Local Development Corporation and the Schenectady Housing Development Fund Corporation.

Capital Projects Fund

Reflects accounting of financial resources used or available for capital facilities or equipment. The fund has a surplus totaling \$10.94 million, which reflects the permanent financing of project costs through the issuance of serial bonds.

SERIAL BONDS AND BOND ANTICIPATION NOTES

Serial Bonds mature over time, 2024-2043, and have interest rates ranging from 3.0% to 4.0%. The BANs mature May 08, 2020 with a 2.5% interest rate.

The table that follows shows that Total Debt Outstanding has increased by approximately 11.2% when compared to 2018. The City continues to use capital reserves created from surpluses to assist in the funding of its capital projects.

	<u>2019</u>	<u>2018</u>
Serial Bonds	\$ 106,591,055	\$ 83,305,000
Bond Anticipation Notes	<u>30,798,934</u>	<u>40,249,425</u>
Total Debt Outstanding	<u>\$ 137,389,989</u>	<u>\$ 123,554,425</u>

ECONOMIC FACTORS

Economic factors that influence the City's operations include:

- Creation of Mohawk Harbor
 - \$480 million project on a 60-acre waterfront site, hosting:
 - Casino
 - Hotels
 - Apartments and Condominiums
 - Retail and Office Space
- A re-energized Downtown
 - Home to Proctors Theatre and
 - Containing new restaurants and diverse corporations added during the last several years.
- Reliance on state aid
- Rising healthcare and retirement costs
- Distressed housing stock in many neighborhoods
- In March of 2020, the Governor of New York and the President of the United States declared a State of Emergency due to the Coronavirus (COVID-19). On March 13, 2020 the Mayor of Schenectady issued a state of emergency for the City for an unspecified time period. It is currently unknown how much this will cost the City in direct and indirect costs (lost revenues and economic loss) for fiscal year 2020.

CONTACTING THE CITY'S MANAGEMENT

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

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

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MEMBERS OF:
NEW YORK STATE SOCIETY OF
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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the general fund, water fund, sewer fund, recreation fund, special grant/revenue funds, capital project fund and the schedule of non-current governmental liabilities account group of the City of Schenectady, New York (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, water fund, sewer fund, recreation fund, special grant/revenue funds, capital projects fund and the schedule of non-current governmental liabilities account group of the City of Schenectady, New York, as of December 31, 2019, 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 Matters

As discussed in Note 1, the financial statements present only the general fund, water fund, sewer fund, recreation fund, special grant/revenue funds, capital projects fund and the schedule of non-current governmental liabilities account group and do not purport to, and do not present fairly the government-wide financial position of the City as of December 31, 2019, or the changes in its government-wide financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 management's discussion and analysis and required supplementary information on pages 1-8 and 58-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 70-71 is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020, 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.

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

CUSACK & COMPANY, CPA'S LLC

Latham, New York
June 15, 2020

CITY OF SCHENECTADY, NEW YORK

BALANCE SHEETS

ALL FUND TYPES

DECEMBER 31, 2019

	Governmental Fund Types						Total Memorandum Only
	General Fund	Water Fund	Sewer Fund	Recreation Fund	Special Grant/ Revenue Funds	Capital Projects	
Assets							
Cash	\$ 19,315,385	\$ -	\$ 1,385,847	\$ 284,134	\$ 771,713	\$ 25,112,474	\$ 46,869,553
Taxes receivable, net	2,595,750	-	-	-	-	-	2,595,750
Other receivables, net	2,120,358	1,829,461	1,757,132	976	229,963	138,495	6,076,385
State and federal receivables	921,495	-	-	-	2,654,825	2,053,147	5,629,467
Due from other funds	2,632,471	-	-	-	-	-	2,632,471
Due from other governments	4,205,457	-	-	-	-	-	4,205,457
Inventory	-	-	-	9,108	-	-	9,108
Cash - special reserves	2,963,168	7,102,050	10,247,931	645,108	-	-	20,958,257
Total Assets	<u>34,754,084</u>	<u>8,931,511</u>	<u>13,390,910</u>	<u>939,326</u>	<u>3,656,501</u>	<u>27,304,116</u>	<u>88,976,448</u>
Liabilities							
Accounts payable	1,703,317	80,546	278,349	39,538	1,397,736	4,241,469	7,740,955
Accrued liabilities	2,042,450	24,829	122,185	-	1,199	1,476,634	3,667,297
Other liabilities	3,203,114	-	17,590	8,916	-	-	3,229,620
Due to other funds	-	14,540	-	-	1,308,876	1,309,055	2,632,471
Due to other governments	6,935,852	-	-	-	106,836	-	7,042,688
Due to retirement systems	6,118,433	-	-	-	-	-	6,118,433
Unearned Revenues	-	-	-	-	285,184	-	285,184
Bond anticipation and other notes	-	-	-	-	-	30,798,934	30,798,934
Total Liabilities	<u>20,003,166</u>	<u>119,915</u>	<u>418,124</u>	<u>48,454</u>	<u>3,099,831</u>	<u>37,826,092</u>	<u>61,515,582</u>
Deferred Inflows of Resources	<u>371,317</u>	<u>40,502</u>	<u>79,182</u>	<u>-</u>	<u>335,095</u>	<u>-</u>	<u>826,096</u>
Fund Balance (Deficit)							
Not in spendable form	-	-	-	9,108	-	-	9,108
Restricted	2,963,168	7,102,050	10,247,931	645,108	-	-	20,958,257
Assigned	3,609,074	1,669,044	2,645,673	236,656	221,575	-	8,382,022
Unassigned (deficit)	7,807,359	-	-	-	-	(10,521,976)	(2,714,617)
Total Fund Balance (Deficit)	<u>14,379,601</u>	<u>8,771,094</u>	<u>12,893,604</u>	<u>890,872</u>	<u>221,575</u>	<u>(10,521,976)</u>	<u>26,634,770</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 34,754,084</u>	<u>\$ 8,931,511</u>	<u>\$ 13,390,910</u>	<u>\$ 939,326</u>	<u>\$ 3,656,501</u>	<u>\$ 27,304,116</u>	<u>\$ 88,976,448</u>

CITY OF SCHENECTADY, NEW YORK

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Governmental Fund Types						Total Memorandum Only
	General Fund	Water Fund	Sewer Fund	Recreation Fund	Special Grant/ Revenue Funds	Capital Projects	
Revenues							
Real property taxes	\$ 28,518,936	\$ -	\$ 9,412	\$ -	\$ 326,147	\$ -	\$ 28,854,495
Real property tax items	3,997,464	-	-	-	-	-	3,997,464
Non-property tax items	15,066,811	-	-	-	-	-	15,066,811
Departmental income	9,382,943	7,872,761	12,494,871	1,156,140	131,970	-	31,038,685
Intergovernmental charges	133,583	-	-	-	-	-	133,583
Use of money and property	606,952	150,849	273,049	17,503	273	529	1,049,155
Licenses and permits	2,032,594	-	-	-	-	-	2,032,594
Fines and forfeitures	882,072	-	-	-	-	-	882,072
Sales of property and compensation for loss	2,409,524	-	-	-	19,963	-	2,429,487
Miscellaneous local sources	327,731	-	-	-	746,579	153,512	1,227,822
Interfund revenues	5,705,176	52,624	7,506	-	-	-	5,765,306
State aid	15,229,977	-	-	-	934,941	1,745,643	17,910,561
Federal aid	127,388	-	-	-	5,687,929	1,964,849	7,780,166
Total revenues	<u>84,421,151</u>	<u>8,076,234</u>	<u>12,784,838</u>	<u>1,173,643</u>	<u>7,847,802</u>	<u>3,864,533</u>	<u>118,168,201</u>
Other Financing Sources							
Interfund transfers in	449,907	125,300	-	-	-	995,773	1,570,980
Serial Bonds	-	-	-	-	-	27,036,055	27,036,055
Notes redeemed from appropriations	-	-	-	-	-	1,260,000	1,260,000
Total revenues and other financing sources	<u>84,871,058</u>	<u>8,201,534</u>	<u>12,784,838</u>	<u>1,173,643</u>	<u>7,847,802</u>	<u>33,156,361</u>	<u>148,035,236</u>
Expenditures							
General government support	7,051,572	1,041,808	244,758	13,125	370,920	3,595,960	12,318,143
Public safety	32,639,786	-	-	-	-	1,471,934	34,111,720
Transportation	5,689,992	-	-	-	-	5,667,864	11,357,856
Economic assistance and opportunity	4,500	-	-	-	-	-	4,500
Culture and recreation	774,961	-	-	856,522	-	425,697	2,057,180
Home and community services	4,622,057	5,206,655	6,738,628	-	7,656,543	10,462,458	34,686,341
Employee benefits	28,735,617	717,546	1,646,298	77,628	-	-	31,177,089
Debt service (principal and interest)	6,179,323	1,020,955	2,944,152	171,774	-	-	10,316,204
Total expenditures	<u>85,697,808</u>	<u>7,986,964</u>	<u>11,573,836</u>	<u>1,119,049</u>	<u>8,027,463</u>	<u>21,623,913</u>	<u>136,029,033</u>

CITY OF SCHENECTADY, NEW YORK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Governmental Fund Types						Total Memorandum Only
	General Fund	Water Fund	Sewer Fund	Recreation Fund	Special Grant/ Revenue Funds	Capital Projects	
Other Financing Uses							
Interfund transfers out	\$ 90,000	\$ 124,270	\$ 674,165	\$ 91,864	\$ -	\$ 590,681	\$ 1,570,980
Total Expenditures and Other Uses	<u>85,787,808</u>	<u>8,111,234</u>	<u>12,248,001</u>	<u>1,210,913</u>	<u>8,027,463</u>	<u>22,214,594</u>	<u>137,600,013</u>
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	(916,750)	90,300	536,837	(37,270)	(179,661)	10,941,767	10,435,223
Fund Balance (Deficit), January 1, 2019	<u>15,296,351</u>	<u>8,680,794</u>	<u>12,356,767</u>	<u>928,142</u>	<u>401,236</u>	<u>(21,463,743)</u>	<u>16,199,547</u>
Fund Balance (Deficit), December 31, 2019	<u>\$ 14,379,601</u>	<u>\$ 8,771,094</u>	<u>\$ 12,893,604</u>	<u>\$ 890,872</u>	<u>\$ 221,575</u>	<u>\$ (10,521,976)</u>	<u>\$ 26,634,770</u>

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF NON-CURRENT GOVERNMENTAL LIABILITIES ACCOUNT GROUP
DECEMBER 31, 2019

Assets

Provisions to be made in future budgets \$ 437,212,644

Liabilities

Serial Bonds Payable	\$ 106,591,055
Due to Retirements Systems	2,244,579
Compensated Absences	2,328,311
Installment Purchase Debt	3,464,627
Judgements and Claims Payable	9,024,454
Disability Payable	2,177,959
Due to Other Governments	173,255
Other Debt	2,400,000
Net Pension Liability - Proportionate Share	17,963,339
Other Post-Employment Benefits	<u>290,845,065</u>
Total Liabilities	<u>\$ 437,212,644</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Schenectady, New York (the City) has prepared its general, water, sewer, recreation, special grant/revenues, capital projects funds and the non-current governmental liabilities account group financial statements in accordance with accounting principles generally accepted in the United States of America as applied to government units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing GAAP for state and local governments through its pronouncements (Standards and Interpretation).

The City does not comply with GASB Statement No. 34, which requires the City to present the government-wide financial statements on a full accrual government-wide basis as well as the fund basis. The financial statements present only the general, water, sewer, recreation, special revenue grant, capital projects funds and the non-current governmental liabilities and long-term assets account group, and do not purport to, and do not present fairly the financial position or changes in financial position of the City.

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

A. Financial Reporting Entity

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

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

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

- Primary Government

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

- Component Unit

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

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

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

- Blended Component Units

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

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

The SURA blended component unit's financial statements were audited as of and for the year ended December 31, 2019 by auditors whose report expressed an unmodified opinion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

• Blended Component Units (Continued)

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

The SHDFC blended component unit’s financial statements were audited as of and for the year ended December 31, 2019 by auditors whose report expressed an unmodified opinion.

B. Excluded from the Financial Reporting Entity

The following potential component units have been excluded from the financial statements based on the criteria established by GASB 61.

a. Municipal Housing Authority (“MHA”)

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Excluded from the Financial Reporting Entity (Continued)

b. City of Schenectady Industrial Development Agency

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

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

The following organizations are also excluded from the reporting entity.

c. Schenectady City School District

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

d. Land Reutilization Corporation of the Capital Region

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Excluded from the Financial Reporting Entity (Continued)

d. Land Reutilization Corporation of the Capital Region (Continued)

The Land Bank is currently operated under contract by Schenectady Metroplex Development Authority and the 2019 financial statements have been audited by an independent CPA firm engaged by the Land Bank. The Land Bank's financial statements can be obtained from Schenectady Metroplex Development Authority, 433 State Street, Schenectady, New York, 12305.

C. Basis of Presentation

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

1. Governmental Funds

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

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

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

Water Fund - used to account for water district operations.

Sewer Fund - used to account for sewer district operations.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

1. Governmental Funds (Continued)

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

2. Account Groups

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

The Non-Current Governmental Assets Account Group is used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes. The City does not report the non-current governmental assets account group as historical records of fixed assets at cost have not been maintained. As the City has not reported the non-current governmental asset account grouping, the financial statements, as presented, are not in accordance with accounting principles generally accepted in the United States of America.

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

D. Basis of Accounting/Measurement Focus

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus (Continued)

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

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

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

E. Property Taxes and Collections

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

F. Budgetary Data

1. Budget Policies - The budget policies are as follows:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Data (Continued)

2. Encumbrances

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

3. Budget Basis of Accounting

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

G. Departure from Accounting Principles Generally Accepted in the United States of America

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

H. Estimates

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The City maintains general liability insurance which carries a deductible of \$50,000 to \$100,000 per claim based on the type of claim.

The City pays health insurance on a cost-reimbursement basis. The plan allows for an up to 20% coinsurance by the employee/subscriber. Each fund is responsible for the claims incurred for their employees. In 2019, the City is self-insured up to \$150,000 per individual, and is commercially insured for claims exceeding \$150,000 up to \$1,000,000 per subscriber per year. Individual claims exceeding \$1,000,000 per subscriber per year are self-insured. The risk of future claims is retained by the City.

The City establishes workers compensation and health insurance claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculations because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to the liability in the periods in which they are made.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As discussed above, the City establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the City during the past year:

	<u>Workers'</u> <u>Compensation</u>	<u>Health</u> <u>Insurance</u>	<u>Risk</u> <u>Retention</u>
Unpaid Claims and Claims Adjustment Expenses at Beginning of Year	\$ 9,272,629	\$ 946,692	\$ 1,335,300
Provision for Incurred Claims Expense for Events of the Current and Prior Years	2,283,764	13,628,976	240,815
Payments Made During the Current Year	<u>1,842,153</u>	<u>13,628,976</u>	<u>209,868</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$ 9,714,240</u>	<u>\$ 946,692</u>	<u>\$ 1,366,247</u>
Reflected as Follows:			
General Fund	\$ 1,802,963	\$ 946,692	\$ 683,124
Non-Current Government Liability Account Group	<u>7,911,277</u>	<u>-</u>	<u>683,124</u>
	<u>\$ 9,714,240</u>	<u>\$ 946,692</u>	<u>\$ 1,366,248</u>

J. Future Accounting Pronouncements

GASB has issued the following Statements which will become effective in future years. Management is currently evaluating the effect of the implementation of these standards as deemed applicable.

GASB Statement No. 84

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. *Future Accounting Pronouncements (Continued)*

GASB Statement No. 84 (Continued)

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective (extended by GASB as of May 8, 2020) for reporting periods beginning after December 15, 2019. The City has not implemented, but is considering, the effects of this Statement for the year ended December 31, 2020.

GASB Statement No. 87

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It 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. This Statement will become effective for fiscal years beginning after June 15, 2021.

K. *Total Columns*

Total columns in the financial statements are captioned *Memorandum Only* to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregate of this data.

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. Capital Projects Fund

Capital Projects Fund had a deficit totaling \$10,521,976 at December 31, 2019. This deficit is caused by allowing contracts for projects funded with bond anticipation notes. The deficit will be eliminated when serial bonds are issued.

2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY (CONTINUED)

B. Overdrawn Appropriations

<u>General Fund:</u>	
Transportation	\$ 377,167
Employee Benefits	\$ 116,128
<u>Sewer Fund:</u>	
General Government Support	\$ 26,298

The over expended amounts were due to the City’s approval of expenditures without budgetary transfers or amendments to finance the payments.

3. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Assets

Cash and Investments

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

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

At December 31, 2019, the book amount of the primary government’s deposits (excluding \$6,900 in petty cash) was \$67,820,910 and the bank balances were \$69,286,042. The insured and collateral status of the year-end bank balances was as follows:

	<u>Amount</u>
Covered by federal deposit insurance	\$ 541,415
Collateralized with securities held by a third party custodian for the benefit of the City, pursuant to a three-party custody agreement (\$68,839,473 available).	<u>68,744,627</u>
Total	<u>\$ 69,286,042</u>

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

B. Cash Restricted

Cash restricted consists of the following at December 31, 2019:

<u>General Fund</u>	
Reserve for Debt	\$ 783,161
Capital Reserve	1,172,708
Snow and Ice Removal	207,821
Tax Stabilization	8,841
Tax Certiorari	107,513
Litigation and Claims	683,124
	<u>2,963,168</u>
 <u>Water Fund</u>	
Reserve for Debt	184,333
Reserve for Capital	6,917,717
	<u>7,102,050</u>
 <u>Sewer Fund</u>	
Reserve for Capital	9,039,299
Reserve for Repairs	220,203
Reserve for Debt	988,429
	<u>10,247,931</u>
 <u>Recreation Fund</u>	
Reserve for Debt	4,824
Reserve for Capital	640,284
	<u>645,108</u>
Total Cash - Restricted	<u>\$ 20,958,257</u>

C. Property Taxes

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

At December 31, 2019, the total real property tax receivable of \$9,545,841 is reduced by an allowance for uncollectible and unavailable taxes in the amount of \$6,950,091 resulting in net realizable taxes receivable of \$2,595,750.

The above-mentioned net realized taxes receivable at December 31, 2019 also include the amount of taxes the City must collect on behalf of the Schenectady City School District and Schenectady County. At December 31, 2019 the City is obligated to pay the Schenectady School District and Schenectady County \$5,534,996 and \$1,356,364, respectively, which is reflected in the Due to Other Governments on the general fund balance sheet.

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

D. Other Receivables and Liabilities

Other receivables are comprised of the following at December 31, 2019:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Recreation Fund</u>	<u>Special Grants/ Fund</u>	<u>Capital Fund</u>	<u>Total</u>
Franchise Fees	\$ 764,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 764,266
Medical							
Benefits	155,012	-	-	-	-	-	155,012
Miscellaneous							
(*)	55,559	-	29,304	976	-	-	85,839
Municipal							
Voucher							
Billings	1,726,024	1,607,493	859,672	-	-	-	4,193,189
Parking Fines	139,525	-	-	-	-	-	139,525
Water Rents	-	815,157	-	-	-	-	815,157
Sewer Rents	-	-	962,642	-	-	-	962,642
Special Grants	-	-	-	-	165,014	138,495	303,509
Loans, Net	-	-	-	-	64,949	-	64,949
Allowance for							
Uncollectible							
Accounts	(720,028)	(593,189)	(94,486)	-	-	-	(1,407,703)
Total	<u>\$ 2,120,358</u>	<u>\$ 1,829,461</u>	<u>\$ 1,757,132</u>	<u>\$ 976</u>	<u>\$ 229,963</u>	<u>\$ 138,495</u>	<u>\$ 6,076,385</u>

* Miscellaneous consists primarily of trash, code violation fees and other assessments.

A majority of the other receivables and deferred inflows of resources in the City's Special Grant Fund are comprised of the following loan activities at December 31, 2019.

Community Development Agency (a blended component unit)

The CDA is the recipient of Community Development Entitlement Grants to operate revolving loan funds. These funds are to be loaned to industry, not-for-profit organizations and individuals for the purpose of creating and retaining permanent jobs within the City or for rehabilitation of property. Loans outstanding at December 31, 2019 require periodic payments of principal and interest, or interest only for loans that have not been fully drawn down. The principal loan balances at December 31, 2019 are as follows:

Total Loans Outstanding	\$ 344,199
Less Allowance for Uncollectible Accounts	<u>(344,199)</u>
Net Loans Receivable	<u>\$ -</u>

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

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

D. Other Receivables and Liabilities (Continued)

Schenectady Housing Development Fund Corporation (a blended component unit)

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

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

Loans receivable consist of the following at December 31, 2019:

Loans receivable, January 1	\$ 52,048
Add new loans made	29,430
Less principal payments received	(17,441)
Write-offs and adjustments	912
Loans Receivable, December 31	<u>\$ 64,949</u>

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

Other liabilities are comprised of the following at December 31, 2019:

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Recreation Fund</u>	<u>Total</u>
Worker's Compensation	\$ 1,802,963	\$ -	\$ -	\$ 1,802,963
Health Insurance	946,692	-	-	946,692
Deposits	436,331	-	8,400	444,731
Overpayments and Clearing	17,128	17,590	-	34,718
Other	-	-	516	516
	<u>\$ 3,203,114</u>	<u>\$ 17,590</u>	<u>\$ 8,916</u>	<u>\$ 3,229,620</u>

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

E. Liabilities

1. Pension Plans

General Information

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

Plan Description and Benefits Provided

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

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

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

E. Liabilities (Continued)

1. Pension Plans (Continued)

Plan Description and Benefit Provided (Continued)

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

	ERS		PFRS	
	<u>Amount</u>	<u>Rate*</u>	<u>Amount</u>	<u>Police/Fire Rates*</u>
2019	\$ 1,869,257	15.8%	\$ 6,288,653	24.3/30.0%
2018	\$ 1,939,680	15.8%	\$ 6,788,031	24.0/29.6%
2017	\$ 1,949,704	16.0%	\$ 6,615,325	24.6/30.3%

* Reflects rates of most populated tier.

The City's contributions made to the Systems were equal to 100 percent of the contributions required for 2019. In 2013 the City, as anticipated in its adopted budget, elected to amortize (pay over time) \$3,250,427, the maximum allowed. In 2014 the City, as anticipated in its adopted budget, elected to amortize the amount of \$1,489,734, a portion of the amount allowed. All amortizations were done under the NYS Original Contribution Stabilization Program.

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

The outstanding balance as of December 31, 2019 for the amortized pension liabilities was \$2,244,579, of which \$1,442,073 is for the 2013 amortization and \$802,506 is for the 2014 amortization.

Covered Payroll

The City of Schenectady's covered payrolls (as defined in GASB 85) for 2019 are as follows:

ERS	\$ 15,139,389
PFRS	26,293,248
	\$ 41,432,637

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

E. Liabilities (Continued)

1. Pension Plans (Continued)

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

At December 31, 2019, the City reported a liability in the schedule of non-current governmental liabilities account group of \$3,350,401 for ERS and \$14,612,938 for PFRS for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined, and is reflected in the non-current government liability group at December 31, 2019.

At December 31, 2019, the City's proportion was 0.0472866% ERS and 0.8713410% PFRS.

At December 31, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,209,651	\$ (1,785,078)
Change in assumptions	6,151,424	-
Net difference projected and actual earnings on pension plan investments	-	(3,786,513)
Change in proportion and differences between employer contributions and proportionate share of contributions	394,192	(2,981,994)
Contributions made subsequent to measurement date	6,118,433	-
	<u>\$ 16,873,700</u>	<u>\$ (8,553,585)</u>

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

E. Liabilities (Continued)

1. Pension Plans (Continued)

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

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

December 31, 2020	\$ 8,808,700
December 31, 2021	(1,963,527)
December 31, 2022	(547,459)
December 31, 2023	1,803,907
December 31, 2024	<u>218,494</u>
	<u>\$ 8,320,115</u>

ERS and PFRS Actuarial Assumptions

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

	<u>ERS</u>	<u>PFRS</u>
Interest rate	7.0%	7.0%
Salary increase	4.2%	5.0%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

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

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period August 1, 2010 - March 31, 2015.

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

E. Liabilities (Continued)

1. Pension Plans (Continued)

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Target Allocation</u>
Domestic equity	4.55%	36%
International equity	6.35%	14%
Private equity	7.5%	10%
Real estate	5.55%	10%
Absolute return strategies	3.75%	2%
Opportunistic portfolio	5.68%	3%
Real assets	5.29%	3%
Bonds and mortgages	1.31%	17%
Cash	(0.25%)	1%
Inflation-indexed bonds	1.25%	4%
		<hr/> 100%

Discount Rate

The discount rate used to calculate the total pension liability was 7% for both ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

E. Liabilities (Continued)

1. Pension Plans (Continued)

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
<u>ERS</u>			
Employers' proportionate share of the net pension asset (liability)	\$ (14,648,488)	\$ (3,350,401)	\$ 6,140,794

<u>PFRS</u>			
Employers' proportionate share of the net pension asset (liability)	\$ (52,808,974)	\$ (14,612,938)	\$ 17,285,186

Pension Plan Fiduciary Net Position

The components of the net pension liability of the systems as of March 31, 2019 was as follows (in thousands):

	<u>ERS</u>	<u>PFRS</u>
Systems total pension liability	\$ 189,803,429	\$ 34,128,100
Systems net position	<u>182,718,124</u>	<u>32,451,037</u>
Systems net pension liability	<u>7,085,305</u>	<u>1,677,063</u>
Ratio of systems net position to the employers' total pension liability	<u>96.27%</u>	<u>95.09%</u>

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

E. Liabilities (Continued)

1. Pension Plans (Continued)

Deferred Compensation

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their current salary (up to \$19,000 for participants under age 50 and \$25,000 for those 50 years of age and older) until future years. During the past year, the employees contributed approximately \$1,391,784. The deferred compensation amounts are not available to the employees until termination, retirement, death, or unforeseeable emergency.

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

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

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

2. Compensated Absences

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

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

E. Liabilities (Continued)

2. Compensated Absences (Continued)

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

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

3. Short-Term Debt

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

At December 31, 2019, BANs outstanding of \$19,125,010 are reflected in the Capital Projects Fund. The BANs fund various improvements and have a maturity date of May 08, 2020 with an interest rate of 2.5%. In addition, at December 31, 2019 short-term borrowings on an interest-free loan with the NYS Environmental Facilities Corporation amounted to \$11,673,009.

The following is a summary of changes in short-term debt for the year ended December 31, 2019:

	<u>Payable at</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Payable at</u>
	<u>January 1, 2019</u>			<u>December 31, 2019</u>
NYS Environmental Facilities Corporation	\$ 3,906,377	\$ 7,767,548	\$ -	\$ 11,673,925
Bond Anticipation Notes	<u>40,249,425</u>	<u>7,171,639</u>	<u>28,296,055</u>	<u>19,125,009</u>
	<u>\$ 44,155,802</u>	<u>\$ 14,939,187</u>	<u>\$ 28,296,055</u>	<u>\$ 30,789,934</u>

4. Long -Term Debt

At December 31, 2019 the total outstanding serial bonds of the primary government were \$106,591,055.

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

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

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

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

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

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

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

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

Disability Payable - General Municipal Law, Sections 207A and 207C provide for firemen and police officers to receive continued salary payments to age seventy in the event of disability. The payments are funded partially by the City and partially by the retirement system. As of December 31, 2019, the present value of the payments the City was obligated to make to eight firemen and one police officer totaled \$2,177,959 which has been reflected in the non-current governmental liabilities account group. The related expense for the year ended December 31, 2019 approximated \$397,000.

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

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

E. Liabilities (Continued)

4. Long -Term Debt (Continued)

Other Debt - Other debt at December 31, 2019 includes the total outstanding of \$2,400,000 on a \$3,000,000 US Department of Housing and Urban Development contract for loan guarantee assistance provided under section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. 5308. \$2,500,000 is to be used for the acquisition of real property in fee or by long-term lease pursuant to 24 CFR 570.703 (a), including acquisition of properties from the Schenectady Urban Renewal Agency, which may include costs of surveys, appraisals, the preparation of legal documents, recording fees and other similar costs that are necessary to effect the acquisition; and the clearance, demolition, and removal of building and improvements on real property acquired with Guaranteed Loan Funds. The remaining \$500,000 was utilized in support of the development and redevelopment of a low-income residential facility.

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

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

The following is a summary of changes in long-term liabilities for the year ended December 31, 2019:

	<u>Payable at</u> <u>January 1, 2019</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Other</u> <u>Increase</u> <u>(Decrease)</u>	<u>Payable at</u> <u>December 31, 2019</u>
Serial Bonds Payable	\$ 83,305,000	\$ 27,036,055	\$ 3,750,000	\$ -	\$ 106,591,055
Due to Retirement Systems	2,719,867	-	475,288	-	2,244,579
Compensated Absences	2,310,273	-	-	18,038	2,328,311
Installment Purchase Debt	4,416,469	-	951,842	-	3,464,627
Judgments and Claims					
Payable (*)	8,882,389	-	-	142,065	9,024,454
Disability Payable	-	-	-	2,177,959	2,177,959
Due to Other Governments	481,520	-	308,265	-	173,255
Other Debt	2,555,000	-	155,000	-	2,400,000
Net Pension Liability					
Proportionate Share	9,827,424	-	-	8,135,915	17,963,339
Other Post-employment					
Benefits	<u>251,252,110</u>	<u>-</u>	<u>8,479,023</u>	<u>48,071,978</u>	<u>290,845,065</u>
Total	<u>\$ 365,750,052</u>	<u>\$ 27,036,055</u>	<u>\$ 14,119,418</u>	<u>\$ 58,545,955</u>	<u>\$ 437,212,644</u>

* Workers' Compensation (\$7,911,277), Risk Retention (\$683,124) and Tax Certiorari Proceedings (\$430,053) as of December 31, 2019.

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

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Serial bonds are comprised of the following at December 31, 2019:

<u>Payable From/ Description</u>	<u>Issued</u>	<u>Original Amounts</u>	<u>Interest Rate (%)</u>	<u>Final Maturity</u>	<u>Balance Outstanding 2019</u>
General Fund					
General Purpose	2014	\$ 28,340,209	3.5%	2038	\$ 24,282,189
General Purpose	2016	\$ 5,677,245	4.0%	2030	4,307,898
General Purpose	2016	\$ 2,140,000	3.0%	2043	2,000,620
General Purpose	2017	\$ 3,700,190	4.0%	2038	3,585,185
General Purpose	2017	\$ 7,203,751	3.0%	2036	6,734,076
General Purpose	2019	\$ 13,865,722	3.0%	2042	13,865,722
Water Fund					
Water Fund	2014	\$ 1,469,558	3.5%	2038	1,259,133
Water Fund	2016	\$ 1,930,575	4.0%	2030	1,437,305
Water Fund	2016	\$ 1,595,000	3.0%	2043	1,491,135
Water Fund	2017	\$ 1,788,285	4.0%	2038	1,728,320
Water Fund	2017	\$ 3,180,797	3.0%	2036	2,973,412
Water Fund	2019	\$ 4,729,040	3.0%	2042	4,729,040
Sewer Fund					
Sewer Fund	2014	\$ 6,779,671	3.5%	2038	5,808,895
Sewer Fund	2016	\$ 5,849,721	4.0%	2030	4,693,500
Sewer Fund	2016	\$ 4,250,000	3.0%	2043	3,973,245
Sewer Fund	2017	\$ 4,821,525	4.0%	2038	4,666,495
Sewer Fund	2017	\$ 10,855,267	3.0%	2036	10,147,512
Sewer Fund	2019	\$ 7,709,360	3.0%	2042	7,709,360
Recreation Fund					
Golf Course	2014	\$ 495,771	3.5%	2038	424,783
Golf Course	2016	\$ 67,459	4.0%	2030	41,297
Golf Course	2019	\$ 731,933	3.0%	2042	<u>731,933</u>
Total Serial Bonds					<u>\$ 106,591,055</u>

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

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

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

	<u>Serial Bonds</u>	<u>Interest</u>
2020	\$ 4,036,055	\$ 3,896,955
2021	4,560,000	3,372,081
2022	4,725,000	3,208,744
2023	4,905,000	3,033,300
2024	5,100,000	2,849,488
2025-2029	26,600,000	11,446,116
2030-2034	27,070,000	7,085,738
2035-2039	23,190,000	2,627,390
2040-2042	<u>6,405,000</u>	<u>323,018</u>
Total	<u>\$ 106,591,055</u>	<u>\$ 37,842,830</u>

Other Long-Term Debt

Principal payments and interest due are as follows:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 155,000	\$ 74,271
2021	155,000	71,203
2022	155,000	67,560
2023	155,000	63,762
2024	155,000	59,423
2025-2029	800,000	225,985
2030-2034	<u>825,000</u>	<u>91,825</u>
Total	<u>\$ 2,400,000</u>	<u>\$ 654,029</u>

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

E. Liabilities (Continued)

4. Long-Term Debt (Continued)

Installment Purchase Debt

Minimum future lease payments for vehicles and energy improvements are:

2020	\$ 1,636,022
2021	683,748
2022	905,584
2023	<u>395,189</u>
Total Payments	3,620,543
Less: interest	<u>(155,916)</u>
Total	<u><u>\$ 3,464,627</u></u>

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

The due to retirement systems maturities are as follows:

The principal payment schedule from the New York State Retirement Systems for the amortization of its retirement payment as described in Note 3 E 1 is reflected below.

2020	\$ 491,971
2021	509,242
2022	527,123
2023	545,635
2024	<u>170,608</u>
	<u><u>\$ 2,244,579</u></u>

5. Postemployment Benefits Payable

A. General Information about the OPEB Plan

Plan Description - The City's defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the City. The plan is a single-employer defined benefit OPEB plan administered by the City. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided - The City provides healthcare and life insurance benefits for retirees and their dependants. The benefit terms are dependent on which employment contract each employee falls under. The specifics of each contract are on file at the City offices and are available upon request.

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

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

A. General Information about the OPEB Plan (Continued)

Employees Covered by Benefit Terms - At January 1, 2019, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefit payments	8
Active employees	<u>516</u>
Total	<u><u>524</u></u>

B. Total OPEB Liability

The City's total OPEB liability of \$290,845,065 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

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

Inflation	2.25 percent
Salary Increases	2.0 percent, average, including inflation
Discount Rate	2.75 percent

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

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

B. Total OPEB Liability (Continued)

Healthcare Cost Trend Rates

Assumed pre-65 medical trend rates at end of year

Healthcare cost trend rate assumed for next measurement period	6.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.784%
Measurement period that the rate reaches the ultimate trend rate	2075

Assumed post 65 Medicare Advantage medical trend rates at end of year

Healthcare cost trend rate assumed for next measurement period	4.5%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.784%
Measurement period that the rate reaches the ultimate trend rate	2075

Assumed prescription drug trend rates at end of year

Healthcare cost trend rate assumed for next measurement period	7%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.784%
Measurement period that the rate reaches the ultimate trend rate	2075

Assumed Medicare Part B trend rates at end of year

Healthcare cost trend rate assumed for next measurement period	6.2%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.784%
Measurement period that the rate reaches the ultimate trend rate	2075

Assumed trend rates for additional benefits at end of year

Trend for administrative fees per annum	3.25%
Trend for dental benefit costs per annum	3.5%

Sensitivity to Discount Rate and Healthcare trend rate

Discount Rate at Measurement Date	2.75%
Net OPEB Liability (NOL) at Current Discount Rate and Healthcare Trend Rates	\$ 290,845,065
Net OPEB Liability (NOL) at 1% Decrease in Discount Rate	\$ 346,154,388
Net OPEB Liability (NOL) at 1% Increase in Discount Rate	\$ 247,749,233
Net OPEB Liability (NOL) at 1% Decrease in Healthcare Trend Rates	\$ 243,275,451
Net OPEB Liability (NOL) at 1% Increase in Healthcare Trend Rates	\$ 353,632,011

As of the December 31, 2019 measurement date, the discount rate was updated from 3.71% to 2.75%. The change in discount rate resulted in an increase in liabilities.

As of the December 31, 2019 measurement date, the mortality assumption was updated to the sex-distinct and job category-specific headcount weighted Pub-2010 Public Retirement Plans Mortality Tables for employees and healthy retirees, and then adjusted for mortality improvements with a Scale MP-2019 mortality improvement scale on a generational basis. The revised assumption resulted in a net increase in liabilities.

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

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

B. Total OPEB Liability (Continued)

Healthcare Cost Trend Rates (Continued)

As of the December 31, 2019 measurement date, the annual rate of increase in healthcare costs was revised to better reflect future expectations, including updating long-term rates based on the SOA Long Term Healthcare Cost Trends Model v2020_b (the Getzen model). In addition, the annual rate of increase in dental costs was reduced from 4.00% to 3.50%. A review of published National trend survey data in relation to the retiree health plan offerings was the basis for this change. The revised assumption resulted in a decrease in liabilities.

As of the December 31, 2019 measurement date, the Total OPEB Liability no longer includes a projection of costs associated with the Cadillac Tax or Health Insurer Fee (HIF). The year-end spending package signed into law on December 20, 2019 repealed several Patient Protection and Affordable Care Act taxes, including the Cadillac Tax and HIF that were previously reflected as part of the City's GASB 75 liability. The result of these repeals is a decrease in liabilities.

Retirees' Share of Benefit-Related Costs

Firefighters hired after October 2006 will pay 5% for medical and dental. Police Officers hired after April 2010 will pay 5% for medical and dental. Management hired after January 2008 will pay 20% of medical and dental. Everyone else hired after 2006 will pay 20% for medical and 100% for dental.

The discount rate was based on the Bond Buyer General Obligation 20-Year AA Municipal Bond Index.

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

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

C. Changes in the Total OPEB Liability

Balance at December 31, 2018	\$ <u>251,252,110</u>
 <u>Change for the Year -</u>	
Service cost	8,420,038
Interest	9,476,551
Differences between expected and actual experience	(15,111,910)
Change in assumptions or other inputs	45,287,299
Actual benefit payments	<u>(8,479,023)</u>
Net Changes	<u>39,592,955</u>
 Balance at December 31, 2019	 \$ <u>290,845,065</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.71 percent in 2018 to 2.75 percent in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease</u>	Current Discount Rate (2.75%)	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 346,154,388</u>	<u>\$ 290,845,065</u>	<u>\$ 247,749,233</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare care trend rate:

	<u>1% Decrease</u>	Current Discount Rate (2.75%)	<u>1% Increase</u>
Total OPEB Liability	<u>\$ 243,275,451</u>	<u>\$ 290,845,065</u>	<u>\$ 353,632,011</u>

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

E. Liabilities (Continued)

5. Postemployment Benefits Payable (Continued)

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$18,772,241.

At December 31, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 385,397	\$ (12,836,020)
Change of assumptions	<u>38,466,923</u>	<u>(17,445,478)</u>
	<u>\$ 38,852,230</u>	<u>\$ (30,281,498)</u>

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

Year Ending December 31, 2019

2020	\$ 4,544,486
2021	4,544,486
2022	4,544,486
2023	4,544,486
2024	4,544,486
Thereafter	<u>(14,151,698)</u>
	<u>\$ 8,570,732</u>

6. Deferred Inflows of Resources and Unearned Revenues

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

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

E. Liabilities (Continued)

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

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

Deferred inflows of resources and unearned revenues at December 31, 2019 consist of the following:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenues</u>
<u>General Fund</u>		
2020 real property taxes collected in 2019	\$ 371,317	\$ -
<u>Water Fund</u>		
Water rents	\$ 40,502	\$ -
<u>Sewer Fund</u>		
Sewer rents	\$ 79,182	\$ -
<u>Special Grant/Revenue Funds</u>		
Community Development Agency Federal and State Aid	\$ -	\$ 21,102
Community Development Agency Program Income	-	41,728
Schenectady Housing Development Fund Corporation (see Note 3 D)	-	64,949
Miscellaneous Grants	-	157,405
Special Revenue - Assessments Held for Future Use	335,095	-
Total	<u>\$ 335,095</u>	<u>\$ 285,184</u>

F. Interfund Balances

Interfund transfers and receivables and payables at December 31, 2019 and for the year then ended are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Receivables</u>	<u>Payables</u>
General	\$ 449,907	\$ 90,000	\$ 2,632,471	\$ -
Water	125,300	124,270	-	14,540
Sewer	-	674,165	-	-
Recreation	-	91,864	-	-
Special Grant	-	-	-	1,308,876
Capital Projects	995,773	590,681	-	1,309,055
Total	<u>\$ 1,570,980</u>	<u>\$ 1,570,980</u>	<u>\$ 2,632,471</u>	<u>\$ 2,632,471</u>

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

G. Fund Equity and Reserves

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

GASB 54 defines five categories of fund balances as follows:

- **Non-spendable** fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The City’s non-spendable fund balance includes \$9,108 of inventory recorded in the recreation fund at December 31, 2019.
- **Restricted** fund balance includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The City’s restricted fund balance consists of the following at December 31, 2019:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Recreation Fund</u>
Reserve for Debt	\$ 783,161	\$ 184,333	\$ 988,429	\$ 4,824
Capital Reserve	1,172,708	6,917,717	9,039,299	640,284
Snow and Ice Removal	207,821	-	-	-
Tax Stabilization	8,841	-	-	-
Tax Certiorari	107,513	-	-	-
Litigation and Claims	683,124	-	-	-
Repair Reserve	-	-	220,203	-
	<u>\$ 2,963,168</u>	<u>\$ 7,102,050</u>	<u>\$ 10,247,931</u>	<u>\$ 645,108</u>

- **Committed** fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City had no committed fund balances at December 31, 2019.
- **Assigned** fund balance includes amounts that are constrained by the City to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the City or designated by the City for the ensuing year’s budget. Assigned fund balance includes the following:

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

G. Fund Equity and Reserves (Continued)

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Recreation Fund</u>	<u>Special Grant</u>
Encumbrances	\$ 206,769	\$ 137,331	\$ 180	\$ 901	\$ -
Appropriated Fund Balance	3,402,305	-	-	-	-
Home and Community Services	-	1,531,713	2,645,493	-	221,575
Culture and Recreation	-	-	-	235,755	-
	<u>\$ 3,609,074</u>	<u>\$ 1,669,044</u>	<u>\$ 2,645,673</u>	<u>\$ 236,656</u>	<u>\$ 221,575</u>

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

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

4. COMMITMENTS AND CONTINGENCIES

- A. Grants** - The City has received several federal and state grants for special purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, would not be material.
- B. Parking Lots** - In 2004, the City of Schenectady entered into an agreement with Schenectady Metroplex Authority (Metroplex) for the sale of five parking lots and the Broadway Center Garage facility for \$1,000,000. As part of the sale agreement the City has agreed to pay the Downtown Schenectady Improvement Corporation the total sum of \$1,000,000 in annual installments of \$50,000 per year for a term of twenty years. The estimated net present value of the liability of \$173,255, calculated using an assumed rate of interest of 6%, has been recorded in the Non-Current Government Liability Account Group at December 31, 2019.
- C. Tax Review Cases** - Tax review cases are pending against the City for reductions in the assessed value of property. The petitions are for taxes collected in 2013 through 2019. Management believes that the likelihood of reductions is probable. Provision for losses for cases settled to date of \$537,567 are included in the Non-Current Government Liability Account Group in judgments and claims payable of \$430,054 and in a General Fund reserve of \$107,513 that comprise the balance.

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. *Litigation* - The City has been named defendant in various actions. A review of these actions with the City's Attorney indicates that the risk of loss to the City is probable for certain cases, reasonably possible for other cases or unable to assess the risk of loss. The remaining cases are either fully covered by insurance or without substantial merit. Provision for losses for these cases that have a probable risk of loss are included in the Non-Current Government Liability Account Group of \$683,123 and those that are reasonably possible for which a range of loss has been estimated are included in the miscellaneous reserves in the General Fund of \$683,124 at December 31, 2019.

E. *Downtown Schenectady Improvement Corporation* - The City has entered into an agreement with the Downtown Schenectady Improvement Corporation (the "Corporation") to provide certain services to the Downtown Special Assessment District (the "District"). If unanticipated expenses are incurred by the Corporation as a result of performing the contracted services, the District would be required to pay the Corporation the additional amount. For the year ended December 31, 2019, no additional amount was owed.

F. *Environmental Concerns* - The City is engaged in many activities (*e.g.*, water and sewer service, refuse collection, gasoline storage), in the normal course of operations, that are potentially hazardous to the environment. As of December 31, 2019, the City is not aware of any significant environmental conditions that should be disclosed in the financial statements.

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

4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
AFSCME - Local 1037A	December 31, 2020
Civil Service Employees Association - Local 1000	December 31, 2019
United Brotherhood of Carpenters & Joiners of America, Local 146	December 31, 2019
Brotherhood of Electrical Works - Local 236	December 31, 2019
Schenectady Police Benevolent Association	December 31, 2022
IAFF, Local 28 (City Fire Fighters Union)	December 31, 2018
National Union of Painters & Allied Tradesman, Local 62	December 31, 2019
IOUE, Local 106 (Operating Engineers)	December 31, 2020

The Schenectady Police Benevolent Association and IAFF, Local 28 (City Fire Firefighters Union) are currently under negotiation.

H. *Housing and Urban Development (HUD)*

During 2015, the City became aware of Housing and Urban Development (“HUD”) concerns regarding Community Development Block Grant (“CDBG”) revenue drawn by the City for neighborhood assistance and police activity. Specifically, 2013 and 2014 activity was reviewed by HUD and, as a result, the City revisited its plan for use of certain CDBG revenue. As of December 31, 2019, the City repaid the total amount of \$812,706 to HUD. The repayment was taken from City funds (non-federal funds) and placed into a CDBG line of credit in the City’s name to utilize for an eligible project.

I. *Constitutional Debt Limit* - As of December 31, 2019, the City had exhausted approximately 61% of its constitutional debt limit.

5. JOINT VENTURES

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

5. JOINT VENTURES (CONTINUED)

A. Intermunicipal Watershed Rules and Regulations Board

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

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

The following is an unaudited summary of financial information included in financial statements issued for the joint venture for the year ended December 31, 2019:

Total Assets	\$	5,578
Total Liabilities	\$	1,433
Joint Venture Equity	\$	4,145
Total Revenues	\$	5,000
Total Expenses	\$	3,443

B. Great Flats Aquifer

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

The following is an unaudited summary of financial information included in financial statements issued for the joint venture for the year ended December 31, 2019:

Total Assets	\$	193,891
Joint Venture Equity	\$	193,891
Total Revenues	\$	1,928
Total Expenses	\$	-

6. SALES TAX

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

7. TAX ABATEMENTS

GASB Statement No. 77 requires municipalities to disclose agreements with various taxpayers to reduce the amount of taxes they would otherwise have to pay. The agreements may call for Payment in Lieu of Taxes (PILOT) payments, Payment in Lieu of Services payments, reduced taxable assessed value or no tax payments at all. These agreements place certain limitations on a government's ability to raise revenues from property taxes (or other tax revenue sources).

The City of Schenectady has a number of Payments in Lieu of Taxes ("PILOTS") and other tax abatement agreements in place with local businesses. All agreements are for abatement of property taxes. Most of these agreements are entered into by agencies other than the City of Schenectady.

1. The City of Schenectady Industrial Development Agency (IDA) enters into such agreements under Article 18-A of the General Municipal Law of the State of New York. They are located at: Center City Plaza; Schenectady, NY 12305; Jayme Lahut, Executive Director.
2. There are a small number of agreements under the Moral & Mental Health Improvements Law (under the IDA, under Title 1 of Article 18-A of GML, Chapter 24 of consolidated Laws of NYS, Chapter 389 of 1978 Laws, Section 874 of the act and Section 412-a of the Real Property Tax Law).
3. The Schenectady Metroplex Development Authority enters into such agreements under Title 28-B of Article 8 of the Public Authorities Law of NYS. They are located at: Center City Plaza; Schenectady, NY 12305; Ray Gillen, Chairman.
4. There are a small number of agreements under Section 125 of the Private Housing Finance Law of the State of New York (City agreement).

Items one and three above are for commercial or industrial development for the purpose of attracting or retaining businesses within their jurisdictions. PILOT agreements normally provide for payment of amounts lesser than would have been collected for real estate taxes for a number of years.

For the year ended December 31, 2019, the City recognized \$2,342,346 in PILOT revenue for all programs listed above. Abated property taxes amounted to \$2,233,193 under these programs.

7. TAX ABATEMENTS (CONTINUED)

<u>Parcel Count</u>	<u>Agency</u>	<u>Full Tax Potential</u>	<u>Pilot Revenue Paid</u>	<u>Abatement</u>
47	IDA	\$ 3,472,327	\$ 2,147,227	\$ 1,325,100
2	IDA/Moral and Mental Health Improvements	160,518	26,289	134,229
44	Metroplex	923,916	168,830	755,086
1	City of Schenectady/PHF Law 125	<u>18,778</u>	<u>-</u>	<u>18,778</u>
94	Total	<u>\$ 4,575,539</u>	<u>\$ 2,342,346</u>	<u>\$ 2,233,193</u>

The City of Schenectady will identify all individual tax abatements over 9.5% of the total abatements of \$212,153 (\$2,233,193). They are as follows:

- The Schenectady Industrial Development Agency has an agreement with DMN Realty Associates, LLC for a property located at 526 Altamont Avenue, for which the amount of abated property taxes is \$220,200 (at 9.9% of the total abatements).
- The Schenectady Metroplex Development Authority has an agreement with BN Partners Associates LLC for a property at 461-467 Nott Street, for which the amount of abated property taxes is \$235,933 (at 10.6% of the total abatements).

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions as to potential material impact on operations or financial position occurring through June 15, 2020, the date the financial statements were available to be issued. The following were noted:

- A. The City has a \$19,125,010 BAN due May 08, 2020. After reflecting a principal paydown of \$510,000 it anticipates it will refinance \$18,615,010 of that amount with a new BAN.

8. SUBSEQUENT EVENTS (CONTINUED)

- B. In January 2017, the City entered into an agreement with NYS Environmental Facilities Corporation to assist the City with complying with the NYS DEC consent order mentioned in Note 4. This agreement has a \$5,000,000 grant component, a \$15,000,000 zero interest loan and a \$3,480,500 low interest loan as of December 31, 2019, . The funds will be drawn upon to offset expenditures by the City. The debt repayment schedule will be established based on the draw down schedule. During 2017 the City received \$2.5 million of the grant component, has borrowed \$11,673,925 of the zero interest loan as of December 31, 2019 and all of the amounts are reflected in the capital project short term liabilities. In early 2020, the City borrowed an additional \$922,939 (related to 2019 expenses).
- C. The City has two pending tax certiorari claims pending for Rite Aid Corporation and Haraden Corporation. The City accrued the approximate value of these settlements in the 2019 financial statements (approximately \$81,240) (expense and liability in general fund). This is separate from the amounts disclosed in Note 4.
- D. In January 2020, the City settled the union contract with The Schenectady Police Benevolent Association for the years of 2018 through 2022 (City Council resolution 2020-13). The retro payments for 2018 and 2019 have been accrued with the 2019 expenses (Public Safety) in the amount of \$1,003,285. These funds were appropriated by City Council in Ordinance 2020-5. The 2020 portion of the contract was appropriated by City Council in Ordinance 2020-4 for approximately \$1,656,650 (includes FICA and pension costs).
- E. In March of 2020, the Governor of New York State and the President of the United States declared a State of Emergency due to the Coronavirus (COVID 19). On March 13, 2020, the Mayor of Schenectady issued a state of emergency for the City of Schenectady for an unspecified time period. It is unknown at this time the direct and indirect costs (lost revenues and economic loss) the City may incur as a result during fiscal year 2020.
- F. The City of Schenectady provides water services to the Town of Niskayuna for which the Town pays the City. The Town has failed to pay the City for their 2018 and 2019 bills. The Town has alleged that the City's bills were incorrect due to a mistake in the fully executed agreement (from 2007) to provide such services. The City has retained outside counsel to assist in resolving this matter for the City. In the 2019 financial statements, the amount of \$567,376 of prior year revenue was deferred. This is also creating a cash flow issue for the Water Fund, and as a result, the General Fund is covering these shortages. On March 26, 2020, \$486,389 of the disputed amount was paid to the City.
- G. The City of Schenectady has been named as a defendant in a lawsuit brought by BCI Construction, related to the City's Water Resource Recovery Facility Sanitary Sewer Overflow Mitigation and Improvements Project. BCI's allegations are, in essence, breach of contract claims that the City is disputing on grounds that BCI is in breach of its contractual obligations. Currently, this litigation is being handled by the City's outside counsel.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SCHENECTADY, NEW YORK
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPARED TO BUDGET
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 28,276,400	\$ 28,276,400	\$ 28,518,936	\$ 242,536
Real property tax items	4,148,313	4,148,313	3,997,464	(150,849)
Non-property tax items	14,425,000	14,425,000	15,066,811	641,811
Departmental income	9,421,339	9,200,339	9,382,943	182,604
Intergovernmental charges	122,389	122,389	133,583	11,194
Use of money and property	231,820	231,820	606,952	375,132
Licenses and permits	1,857,100	1,857,100	2,032,594	175,494
Fines and forfeitures	1,065,581	1,065,581	882,072	(183,509)
Sales of property and compensation for loss	2,408,732	2,408,732	2,409,524	792
Miscellaneous local sources	145,000	145,000	327,731	182,731
Interfund revenues	5,705,176	5,705,176	5,705,176	-
State aid	14,630,994	14,682,297	15,229,977	547,680
Federal aid	105,000	105,000	127,388	22,388
Total Revenues	<u>82,542,844</u>	<u>82,373,147</u>	<u>84,421,151</u>	<u>2,048,004</u>
Other Financing Sources				
Interfund Transfers	-	-	449,907	449,907
Appropriated Fund Balance	<u>4,192,305</u>	<u>5,285,590</u>	<u>-</u>	<u>(5,285,590)</u>
Total Revenue, Other Financing Sources and Appropriated Fund Balance	<u>86,735,149</u>	<u>87,658,737</u>	<u>84,871,058</u>	<u>(2,787,679)</u>
Expenditures				
General government support	7,646,194	7,658,904	7,051,572	607,332
Public Safety	32,166,907	33,322,872	32,639,786	683,086
Transportation	4,914,576	5,312,825	5,689,992	(377,167)
Economic assistance and opportunity	4,500	4,500	4,500	-
Culture and recreation	1,009,959	995,959	774,961	220,998
Home and community services	5,991,163	6,006,121	4,622,057	1,384,064
Employee benefits	28,820,426	28,619,489	28,735,617	(116,128)
Debt service (principal and interest)	6,181,424	6,181,424	6,179,323	2,101
Total Expenditures	<u>86,735,149</u>	<u>88,102,094</u>	<u>85,697,808</u>	<u>2,404,286</u>
Other Financing Uses/Transfers to Capital Project Fund	<u>-</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>86,735,149</u>	<u>88,192,094</u>	<u>85,787,808</u>	<u>2,404,286</u>
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (533,357)</u>	<u>(916,750)</u>	<u>\$ (383,393)</u>
Fund Balance, January 1, 2019			<u>15,296,351</u>	
Fund Balance, December 31, 2019			<u>\$ 14,379,601</u>	

CITY OF SCHENECTADY, NEW YORK
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPARED TO BUDGET
 WATER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Departmental Income	\$ 8,390,543	\$ 8,390,543	\$ 7,872,761	\$ (517,782)
Use of money and property	57,500	57,500	150,849	93,349
Interfund revenue	<u>60,000</u>	<u>60,000</u>	<u>52,624</u>	<u>(7,376)</u>
Total Revenues	8,508,043	8,508,043	8,076,234	(431,809)
Other Financing Sources				
Interfund Transfers	-	-	125,300	125,300
Appropriated Fund Balance	<u>-</u>	<u>124,270</u>	<u>-</u>	<u>(124,270)</u>
Total Revenues, Other Financing Sources and Appropriated Fund Balance	<u>8,508,043</u>	<u>8,632,313</u>	<u>8,201,534</u>	<u>(430,779)</u>
Expenditures				
General government support	1,043,014	1,045,229	1,041,808	3,421
Home and community services	5,609,307	5,813,737	5,206,655	607,082
Employee benefits	834,757	834,757	717,546	117,211
Debt service (principal and interest)	<u>1,020,965</u>	<u>1,020,965</u>	<u>1,020,955</u>	<u>10</u>
Total Expenditures	8,508,043	8,714,688	7,986,964	727,724
Other Financing Uses/Transfers to Other Funds	<u>-</u>	<u>124,270</u>	<u>124,270</u>	<u>-</u>
Total Expenditures and Other Uses	<u>8,508,043</u>	<u>8,838,958</u>	<u>8,111,234</u>	<u>727,724</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (206,645)</u>	90,300	<u>\$ 296,945</u>
Fund Balance, January 1, 2019			<u>8,680,794</u>	
Fund Balance, December 31, 2019			<u>\$ 8,771,094</u>	

CITY OF SCHENECTADY, NEW YORK
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPARED TO BUDGET
 SEWER FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 7,000	\$ 7,000	\$ 9,412	\$ 2,412
Departmental income	12,229,167	12,229,167	12,494,871	265,704
Use of money and property	80,000	80,000	273,049	193,049
Miscellaneous local sources	3,500	3,500	-	(3,500)
Interfund revenues	7,800	7,800	7,506	(294)
Total Revenues	<u>12,327,467</u>	<u>12,327,467</u>	<u>12,784,838</u>	<u>457,371</u>
Appropriated Fund Balance	42,278	716,443	-	(716,443)
Total Revenue and Appropriated Fund Balance	<u>12,369,745</u>	<u>13,043,910</u>	<u>12,784,838</u>	<u>(259,072)</u>
Expenditures				
General government support	213,000	218,460	244,758	(26,298)
Home and community services	7,138,524	7,149,437	6,738,628	410,809
Employee benefits	1,704,448	1,704,448	1,646,298	58,150
Debt service (principal and interest)	<u>3,313,773</u>	<u>3,313,773</u>	<u>2,944,152</u>	<u>369,621</u>
Total Expenditures	<u>12,369,745</u>	<u>12,386,118</u>	<u>11,573,836</u>	<u>812,282</u>
Other Financing Uses/Transfers to Other Funds	<u>-</u>	<u>674,165</u>	<u>674,165</u>	<u>-</u>
Grand Total Expenditures	<u>12,369,745</u>	<u>13,060,283</u>	<u>12,248,001</u>	<u>812,282</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (16,373)</u>	536,837	<u>\$ 553,210</u>
Fund Balance, January 1, 2019			<u>12,356,767</u>	
Fund Balance, December 31, 2019			<u>\$ 12,893,604</u>	

CITY OF SCHENECTADY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPARED TO BUDGET
RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Departmental income	\$ 1,166,057	\$ 1,166,057	\$ 1,156,140	\$ (9,917)
Use of money and property	<u>5,000</u>	<u>5,000</u>	<u>17,503</u>	<u>12,503</u>
Total Revenues	1,171,057	1,171,057	1,173,643	2,586
Appropriated Fund Balance				
	<u>499</u>	<u>92,363</u>	<u>-</u>	<u>(92,363)</u>
Total Revenue and Appropriated Fund Balance	<u>1,171,556</u>	<u>1,263,420</u>	<u>1,173,643</u>	<u>(89,777)</u>
Expenditures				
General government support	15,000	15,000	13,125	1,875
Culture and recreation	903,477	903,947	856,522	47,425
Employee benefits	81,297	81,297	77,628	3,669
Debt service (principal and interest)	<u>171,782</u>	<u>171,782</u>	<u>171,774</u>	<u>8</u>
Total Expenditures	1,171,556	1,172,026	1,119,049	52,977
Other Financing Uses/Interfund Transfers	<u>-</u>	<u>91,864</u>	<u>91,864</u>	<u>-</u>
Total Expenditures and Other Uses	<u>1,171,556</u>	<u>1,263,890</u>	<u>1,210,913</u>	<u>52,977</u>
Deficiency of Revenue Over Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (470)</u>	(37,270)	<u>\$ (36,800)</u>
Fund Balance, January 1, 2019			<u>928,142</u>	
Fund Balance, December 31, 2019			<u>\$ 890,872</u>	

CITY OF SCHENECTADY, NEW YORK
SCHEDULES OF CONTRIBUTIONS AND PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE AND FIRE RETIREMENT SYSTEM
FOR THE YEARS ENDED DECEMBER 31, 2015-2019

Schedule of Contributions	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,841,849	\$ 6,341,227	\$ 6,168,521	\$ 5,931,063	\$ 5,430,763
Contribution in relation to contractually required contribution	\$ 5,841,849	\$ 6,341,227	\$ 6,168,521	\$ 5,931,063	\$ 5,430,763
Contribution deficit	-	-	-	-	
Covered payroll	\$ 26,293,248	\$ 25,997,961	\$ 25,531,570	\$ 24,802,158	\$ 23,175,679
Contributions as % of covered payroll	22.22%	24.39%	24.16%	23.91%	23.43%
 Schedule of Proportionate Share of the Net Pension Liability					
% proportionate share of net pension and liability	0.871%	0.823%	0.831%	0.845%	0.854%
\$ proportionate share of net pension liability	\$ 14,612,938	\$ 8,314,171	\$ 17,233,283	\$ 25,017,585	\$ 2,326,563
Covered payroll	\$ 26,293,248	\$ 25,997,961	\$ 25,531,570	\$ 24,802,158	\$ 23,175,679
% proportionate share of net pension liability as % of covered payroll	55.58%	31.98%	67.50%	100.87%	10.04%
Plan fiduciary net position as a % of total pension liability	95.09%	96.93%	93.50%	90.20%	99.00%

CITY OF SCHENECTADY, NEW YORK
SCHEDULES OF CONTRIBUTIONS AND PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES RETIREMENT SYSTEM
FOR THE YEARS ENDED DECEMBER 31, 2015-2019

Schedule of Contributions	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,745,886	\$ 1,816,309	\$ 1,826,333	\$ 1,994,989	\$ 2,021,771
Contribution in relation to contractually required contribution	\$ 1,745,886	\$ 1,816,309	\$ 1,826,333	\$ 1,994,989	\$ 2,021,771
Contribution deficit	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 15,139,389	\$ 14,659,565	\$ 14,035,676	\$ 14,298,820	\$ 14,834,343
Contributions as % of covered payroll	11.53%	12.39%	13.01%	13.95%	13.63%

Schedule of Proportionate Share of the Net Pension Liability

% proportionate share of net pension and liability	.047%	0.047%	0.049%	0.052%	0.056%
\$ proportionate share of net pension liability	\$ 3,350,401	\$ 1,513,253	\$ 4,568,212	\$ 8,285,607	\$ 1,860,740
Covered payroll	\$ 15,139,389	\$ 14,659,565	\$ 14,035,676	\$ 14,298,820	\$ 14,834,343
% proportionate share of net pension liability as % of covered payroll	22.13%	10.32%	32.55%	57.95%	12.54%
Plan fiduciary net position as a % of total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
 DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Other Postemployment Benefit Liability Beginning of Year	\$ 251,252,110	\$ 265,443,401
Service Costs	8,420,038	9,634,136
Interest	9,476,551	8,966,149
Differences Between Expected and Actual Experience	(15,111,910)	551,159
Change in Assumptions or Other Inputs	45,287,299	(24,948,908)
Benefit Payments	<u>(8,479,023)</u>	<u>(8,393,827)</u>
Other Postemployment Benefit Liability Ending of Year	<u>\$ 290,845,065</u>	<u>\$ 251,252,110</u>
Covered Payroll	<u>\$ 42,042,190</u>	<u>\$ 41,282,500</u>
Total Other Postemployment Benefit Liability as Percentage of Payroll	<u>691.79%</u>	<u>608.62%</u>

Note: 10 years of historical information was not be available upon implementation in 2018. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

**ADDITIONAL REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND THE UNIFORM GUIDANCE**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Schenectady, New York, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CUSACK & COMPANY, CPA'S LLC

Latham, New York
June 15, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Schenectady, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Schenectady, New York's major federal programs for the year ended December 31, 2019. The City of Schenectady, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Schenectady, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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

We have audited the financial statements of the City of Schenectady, New York as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Schenectady, New York's basic financial statements. We issued our report thereon dated June 15, 2020, which contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Purpose of this Report

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

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

CUSACK & COMPANY, CPA'S LLC

Latham, New York
June 15, 2020

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
Federal Financial Assistance of the Primary Government:			
<u>U.S. Department of Housing and Urban Development</u>			
Direct:			
Community Development Block Grants/Entitlement Grants	14.218	\$ 501,702	\$ 2,405,717
Emergency Shelter Grant:			
E-19-MC-36-0107	14.231		
E-18-MC-36-0107	14.231		31,470
E-17-MC-36-0107	14.231		129,613
Total Emergency Shelter Grant			<u>4,331</u>
		<u>156,544</u>	<u>165,414</u>
HOME Investment Partnership Program:			
M11-MC360510	14.239		12,390
M14-MC360510	14.239		72,946
M15-MC360510	14.239		11,464
M16-MC360510	14.239		240,192
M17-MC360510	14.239		482,944
M18-MC360510	14.239		425,889
M19-MC360510	14.239		<u>32,563</u>
Total HOME Investment Partnership Program		<u>1,234,542</u>	<u>1,278,388</u>
Shelter Plus Care	14.238	<u>177,680</u>	<u>178,967</u>
Lead Hazard Reduction Demonstration Grant Program	14.905	<u>161,062</u>	<u>1,065,824</u>
Total U.S. Department of Housing and Urban Development		<u>2,231,530</u>	<u>5,094,310</u>
<u>U.S. Department of Justice</u>			
Direct:			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738		4,957
Bullet Proof Vest Partnership Program (BVP)	16.607		21,540
Alcohol, Tobacco, and Firearms Training Assistance	16.012		3,896
Joint Law Enforcement Operations (JLEO)	16.111		29,987
Drug Enforcement Administration (DEA)			
Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis	16.001		93,505
Equitable Sharing Program	16.922	-	<u>11,910</u>
Total U.S. Department of Justice		<u>-</u>	<u>165,795</u>

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through to Subrecipients</u>	<u>Federal Expenditures</u>
Federal Financial Assistance of the Primary Government (Continued):			
<u>U.S. Department of Transportation</u>			
Passed Through NYS Department of Transportation Highway Planning and Construction	20.205	-	1,964,849
<u>U.S. Department of Homeland Security</u>			
Passed Through NYS Division of Homeland Security and Emergency Services			
Homeland Security Grant Program (C175382)	97.067		40,775
Homeland Security Grant Program (T175379)	97.067		9,500
Homeland Security Grant Program (T180115)	97.067		5,409
Homeland Security Grant Program (WM16175362)	97.067	-	90,714
Total Homeland Security Grant Program			146,398
Hazard Mitigation Grant (4031-DR-NY-4031-0034)	97.039	-	682,165
Total U.S. Department of Homeland Security		-	828,563
Total Expenditures of Federal Awards of the Primary Government		<u>\$ 2,231,530</u>	<u>\$ 8,053,517</u>

1. BASIS OF PRESENTATION

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

Relationship to Financial Statements

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

General Fund	\$ 127,388
Capital Projects Fund (Federal Aid)	1,964,849
Special Grant/Revenue Funds (Federal Aid)	<u>5,687,929</u>
Federal Awards Revenue	7,780,166
Special Grant Funds (Departmental Income)	<u>273,351</u>
Total Federal Financial Assistance	<u><u>\$ 8,053,517</u></u>

2. SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

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

3. SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Shelter Plus Care YMCA	14.238	\$ <u>177,680</u>
Emergency Shelter Grants		
SCAP	14.231	43,524
Cares, Inc.	14.231	16,454
Safe, Inc.	14.231	26,784
Bethesda House	14.231	<u>69,782</u>
Total		<u>156,544</u>

CITY OF SCHENECTADY, NEW YORK
 NOTES TO SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2019

3. SUBRECIPIENTS (CONTINUED)

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
CDBG Subrecipients:		
Hamilton Hill Arts Center	14.218	34,006
The Schenectady Foundation	14.218	34,125
SCAP	14.218	28,591
Cornell Cooperative	14.218	5,000
Habitat for Humanity	14.218	8,507
Capital District Community Loan Fund	14.218	60,000
Big Brothers Big Sisters of the Capital Region	14.218	5,000
Bethesda House	14.218	6,331
Ancient Order of Hibernians	14.218	25,445
Schenectady Inner City Mission	14.218	5,000
Community Fathers	14.218	5,000
YWCA	14.218	112,879
Vale Cemetery Preservation	14.218	1,788
Schenectady Youth Boxing & Fitness	14.218	7,000
Schenectady County Youth Bureau	14.218	70,634
Community Land Trust (CLT)	14.218	64,246
Better Neighborhoods, Inc. (BNI)	14.218	<u>28,150</u>
Total		<u>501,702</u>
HOME Subrecipients (Includes Program Income):		
City of Troy, New York	14.239	707,486
Town of Colonie, New York	14.239	65,287
Better Neighborhoods, Inc. (BNI)	14.239	141,298
Community Land Trust of Schenectady, Inc. (CLT)	14.239	142,133
Schenectady Housing Development Fund Corporation	14.239	106,500
Bethesda House	14.239	<u>71,838</u>
Total		<u>1,234,542</u>
Lead Hazard Reduction Demonstration Grant Program		
Schenectady County, New York	14.905	<u>161,062</u>
		<u>\$ 2,231,530</u>

4. HUD SECTION 108 LOAN PAYABLE

The City of Schenectady has an outstanding HUD Section 108 loan payable granted under the Housing and Community Development Act of 1974 for Loan Guarantee Assistance (CFDA 14.248) for the following projects and with the following outstanding loan balances as of December 31, 2019.

• Neighborhood Stabilization Project, Long-Term Commitment No. B-13-MC-36-0107	\$ 2,400,000
• Neighborhood Stabilization Project - due within one year	<u>(155,000)</u>
• Neighborhood Stabilization Project - Long-Term	<u><u>\$ 2,245,000</u></u>

5. INDIRECT COST RATE

The City has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. The City's indirect cost rates are set by the individual grantors.

CITY OF SCHENECTADY, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I — SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- “Going concern” explanatory paragraph included in audit report? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X none reported
- Significant deficiency(ies) identified reported as material weakness(es)? _____ Yes X No
- Noncompliance material to financial statements? _____ Yes X No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified? _____ Yes X No
- Significant deficiency(ies) reported for any major programs as a material weakness(es)? _____ Yes X No
- Any known questioned costs reported? _____ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.515(d)(2) of the Uniform Guidance? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218 14.239	Community Development Block Grant/Entitlement Grants HOME Investment Partnership Program

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

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II — FINANCIAL STATEMENT FINDINGS

None

SECTION III - SCHEDULE OF FINDINGS AND QUESTIONED COSTS

None