

City of Saratoga Springs, New York

Financial Report

December 31, 2017

City of Saratoga Springs, New York

Financial Report

December 31, 2017

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Independent Auditor's Report

Mayor and Members of the City Council
City of Saratoga Springs, New York
Saratoga Springs, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Saratoga Springs, New York (City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information listed in the accompanying table of contents 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements on pages 61 through 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
July 24, 2018



City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2017

As management of the City of Saratoga Springs, New York (City), we offer the readers of the City's financial statements this narrative overview and analysis as of December 31, 2017. We encourage readers to consider the information presented here in conjunction with our financial statements, which can be found on pages 14 through 54 and our required and other supplementary information which can be found on pages 55 through 62 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources on December 31, 2017, by \$2,797,135 representing net position. Of this amount, \$47,406,151 represents the City's investment in capital assets net of related debt, and \$22,181,886 is restricted for future capital improvements, debt service, and other purposes. The remaining amount, which represents negative unrestricted net position, is \$66,790,902. The primary driver of the City's negative unrestricted net position is unfunded other postemployment benefits, compensated absences, and net pension liability of \$65,680,008, \$4,058,310, and \$11,219,218, respectively.
- At December 31, 2017, the City's governmental funds reported a combined ending fund balance of \$24,825,620. Of this amount, \$18,825,543 of the fund balance was nonspendable, restricted, or assigned for specific purposes.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$9,148,932.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business.

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government support, public safety, health, highways and streets, economic development, and culture and recreation. The business-type activities of the City include the Water and Sewer Funds and the City Center Authority.

The government-wide financial statements can be found on pages 14 and 15 of this report.

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2017

Overview of the Financial Statements - Continued

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Debt Service Fund, and Community Development, all of which are considered to be major funds. Data from the other two governmental funds, the Downtown Special Assessment District (SAD) and the West Avenue Special Assessment District (WASAD) are combined into a single, aggregated presentation. The restricted and assigned fund balance as of December 31, 2017 for the SAD was \$333,977, and for the WASAD was \$4,975. SAD intends to use the accumulated fund balance to pay outstanding debt issued for the construction of a parking deck on Woodlawn Avenue that will benefit the District and an improved signage system in the downtown core. The WASAD intends to use the accumulated fund balance to pay debt on outstanding bonds issued to finance improvements in the District. The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund and Debt Service Fund to demonstrate compliance with this budget.

The governmental fund financial statements and the reconciliations to the government-wide financial statements can be found on pages 16 through 19 of this report.

Proprietary funds. The City maintains enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer operations and the City Center Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations and the City Center Authority, all of which are considered to be major funds of the City.

The proprietary fund financial statements can be found on pages 20 through 22 of this report.

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2017

Overview of the Financial Statements - Continued

Fund Financial Statements - Continued

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties other than the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City-owned programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 23 and 24 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 55 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,797,135 at December 31, 2017.

By far, the largest portion, \$47,406,151, of the City's net position reflects its investment in capital assets (i.e., land, buildings, improvements, infrastructure, work in progress, and machinery, equipment and vehicles) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statements of Net Position

	December 31,					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 32,173,495	\$ 28,012,174	\$ 15,030,028	\$ 12,635,767	\$ 47,203,523	\$ 40,647,941
Capital assets, net and deferred outflows of resources	83,243,338	88,998,234	24,526,033	25,910,262	107,769,371	114,908,496
Total	115,416,833	117,010,408	39,556,061	38,546,029	154,972,894	155,556,437
Current liabilities	7,423,778	8,473,672	1,435,952	1,281,170	8,859,730	9,754,842
Non-current liabilities and deferred inflows of resources	125,412,371	115,745,832	17,903,658	16,642,616	143,316,029	132,388,448
Total	132,836,149	124,219,504	19,339,610	17,923,786	152,175,759	142,143,290
Net position						
Net investment in capital assets	33,940,533	30,244,553	13,465,618	12,740,186	47,406,151	42,984,739
Restricted	12,224,249	10,320,457	9,957,637	7,989,143	22,181,886	18,309,600
Unrestricted	(63,584,098)	(47,774,106)	(3,206,804)	(107,086)	(66,790,902)	(47,881,192)
Total net position	\$ (17,419,316)	\$ (7,209,096)	\$ 20,216,451	\$ 20,622,243	\$ 2,797,135	\$ 13,413,147

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2017

Overview of the Financial Statements - Continued

Government-Wide Financial Analysis - Continued

The City experienced a decrease in net position during 2017 totaling \$10,616,012, as shown in the following statement:

	Years Ended December 31,					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues						
Charges for services	\$ 4,567,727	\$ 5,710,483	\$ 8,705,374	\$ 9,223,833	\$ 13,273,101	\$ 14,934,316
Operating grants and contributions	623,593	3,890,255	-	-	623,593	3,890,255
Capital grants and contributions	808,242	366,080	-	-	808,242	366,080
General revenues						
Property taxes	19,257,592	20,033,405	-	-	19,257,592	20,033,405
Other taxes	14,408,999	14,522,969	1,348,748	1,244,164	15,757,747	15,767,133
State aid and mortgage taxes	3,342,879	3,224,171	-	-	3,342,879	3,224,171
Other	4,254,307	408,899	28,974	229,908	4,283,281	638,807
Total revenues	<u>47,263,339</u>	<u>48,156,262</u>	<u>10,083,096</u>	<u>10,697,905</u>	<u>57,346,435</u>	<u>58,854,167</u>
EXPENSES						
General governmental support	11,767,006	13,420,725	-	-	11,767,006	13,420,725
Public safety	31,558,914	31,337,619	-	-	31,558,914	31,337,619
Health	577,392	22,053	-	-	577,392	22,053
Transportation	5,521,929	4,326,945	-	-	5,521,929	4,326,945
Economic opportunity and development	209,281	177,613	-	-	209,281	177,613
Culture and recreation	3,956,030	2,503,709	-	-	3,956,030	2,503,709
Home and community service	2,199,119	2,168,001	-	-	2,199,119	2,168,001
Interest on long-term debt	1,543,484	1,439,004	-	-	1,543,484	1,439,004
Water	-	-	3,811,505	3,897,211	3,811,505	3,897,211
Sewer	-	-	4,413,918	3,795,357	4,413,918	3,795,357
City Center Authority	-	-	2,403,869	2,929,546	2,403,869	2,929,546
Total expenses	<u>57,333,155</u>	<u>55,395,669</u>	<u>10,629,292</u>	<u>10,622,114</u>	<u>67,955,269</u>	<u>66,017,783</u>
Transfers	(140,404)	582,656	140,404	(582,656)	-	-
CHANGE IN NET POSITION	(10,210,220)	(6,656,751)	(405,792)	(506,865)	(10,616,012)	(7,163,616)
NET POSITION, beginning of year	(7,209,096)	(552,345)	20,622,243	21,129,108	13,413,147	20,576,763
NET POSITION, end of year	\$ (17,419,316)	\$ (7,209,096)	\$ 20,216,451	\$ 20,622,243	\$ 2,797,135	\$ 13,413,147

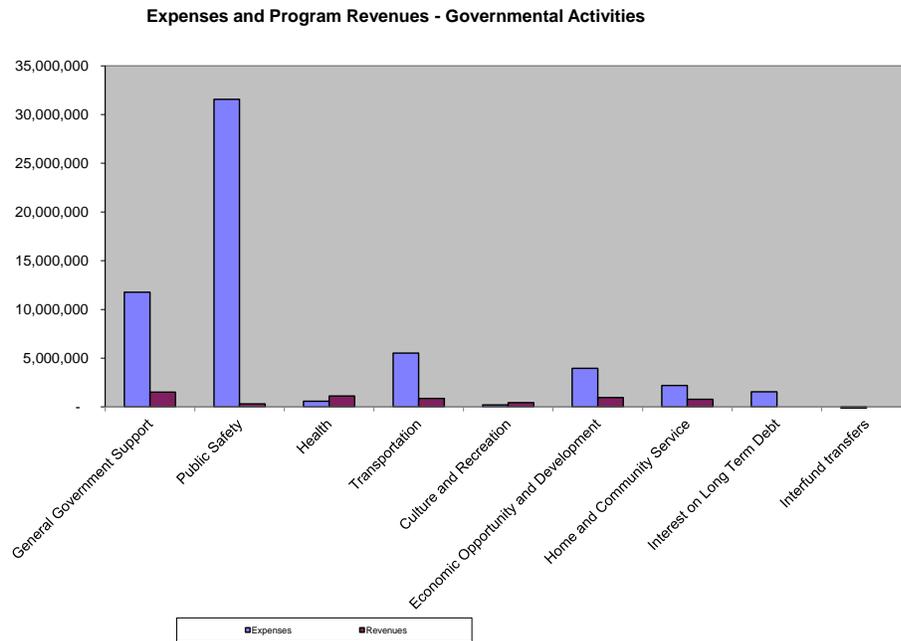
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Overview of the Financial Statements - Continued

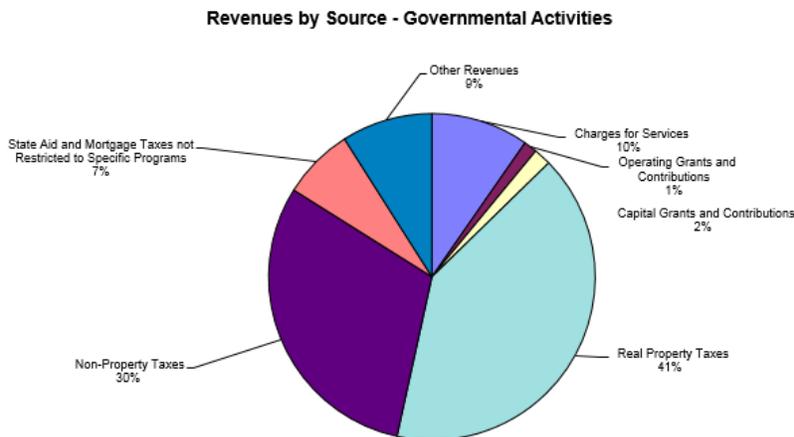
Government-Wide Financial Analysis - Continued

Governmental activities. Governmental activities decreased the City's net position by \$10,210,220. The following chart shows the expenses and program revenues of the various governmental activities:



For the most part, increases in expenses were the result of an increase of the cost of services provided. The City's major governmental activities are financed almost entirely by real property taxes, non-property taxes, and charges for services. Sales tax receipts decreased by less than 1%.

The following chart shows revenues by source for all governmental activities, with general revenues totaling 68% and program revenues totaling 32%:



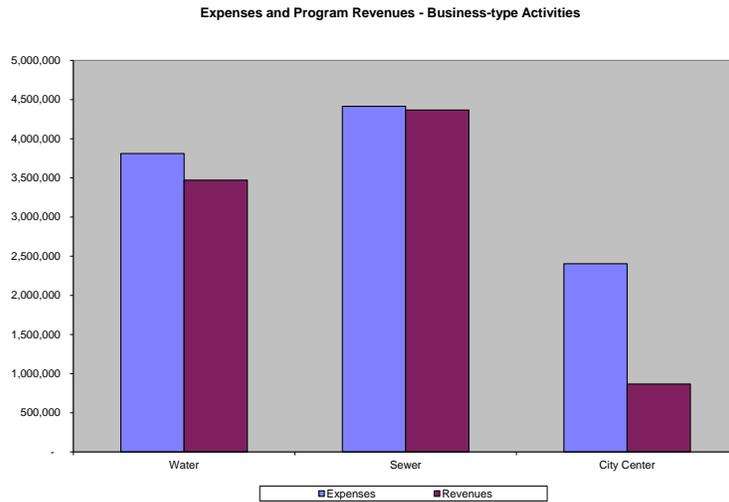
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Management's Discussion and Analysis
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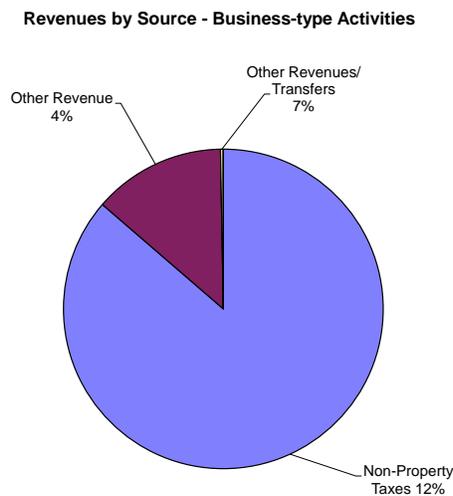
Overview of the Financial Statements - Continued

Government-Wide Financial Analysis - Continued

Business-type activities. Business-type activities decreased the City's net position by \$405,792.



Program revenues are generally sufficient to cover water and sewer expenses but not City Center activity expenses, which are reliant upon the hotel occupancy tax and other general revenues to fund operations.



City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2017

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned/assigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$24,825,620, an increase of \$2,927,351 from the prior year. \$18,825,543 is nonspendable, restricted, and assigned to indicate that it is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period of \$1,448,708, 2) be held for future capital improvements of \$10,450,608, 3) restriction for tax stabilization of \$732,885, 4) various other restrictions set by the City Council; or is 5) not in spendable form.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$9,148,932, while total fund balance was \$16,398,819. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21% of total General Fund expenditures, while total fund balance represents 38% of that same amount.

The overall fund balance of the City's General Fund increased by \$915,600 during the current fiscal year. Key factors in this decrease are as follows:

General Fund Revenues

1. Sales Tax decreased from 2016 by 1% and did not meet the budget due to a prior period adjustment in July as a result of audits conducted by New York State Tax and Finance. 2017 sales tax collections were \$11,877,000, a \$106,000 decrease from 2016 actual collections, and \$398,000 less than the 2017 adopted budget. Sales tax collections were strong throughout the year and would have increased if not for the adjustment.
2. Hotel Room Occupancy Tax decreased by 1%. 2017 actual collections were \$615,000, a decrease of \$7,000 from 2016. Actual amounts were \$10,000 less than the 2017 adopted budget.
3. Utilities Gross Receipts Tax increased from 2016. Amounts received were \$411,000 in 2017 and \$397,000 in 2016. Receipts did not meet the 2017 adopted budget by \$19,000.
4. Franchise Fees were flat in 2017. Actual receipts of \$567,000 exceeded the adopted budget by \$17,000.
5. Ambulance Fees increased in 2017 by \$37,000. \$1,052,000 was collected, a 3.5% increase from last year. Actual amounts exceeded the 2017 budget by \$227,000. This is the third consecutive year with an increase in actual receipts.
6. Admission Tax decreased \$14,000, or 2% from 2016. Actual amounts received for 2017 were \$576,000. The budget was \$591,000 for 2017. Receipts also declined in 2016.
7. VLT Aid was \$2,326,000 in 2017, the same as the past three years.
8. Mortgage Tax receipts increased in 2017. Actual receipts for 2017 were \$1,693,000, 15% higher than 2016. The budget for 2017 was \$1,530,000.
9. Overall, total general fund revenues in 2017 were greater than 2016. Total revenues for the General Fund were \$44.2 million, \$1.8 million more than in 2016 but \$2.1 million less than budgeted. However, the City Council approved, either at budget adoption or throughout the fiscal year, the use of \$2.1 million in restricted, assigned and unassigned fund balance. Therefore, expectations were to have an operating deficit and budget shortfall of over \$2 million. However, the City finished with a \$1 million operating surplus.

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2017

Financial Analysis of the City's Funds - Continued

Governmental funds - Continued

General Fund Expenses

1. Health insurance costs were \$7,345,000 in 2017. This was an increase of 15% from 2016. However 2017 actual expenses were \$169,000 less than the revised budget. This expense represents 17% of the entire general fund expense budget.
2. Retirement costs decreased 11% for police and fire but increased for other employees by .2%. 2017 total actual retirement expenses were \$3,985,000 and were \$257,000 less than budgeted. In accordance with the labor agreements between the City and its police officers signed October 27, 2006, the City was required to provide certain benefits to police personnel for past services under Section 384E and 384EB of the PFRS plan. The total past service credit cost was \$2,700,004 for 384E, \$351,235 for 384EB, and \$360,791 to reopen 384D. The City paid for this program over a ten-year period with interest starting the second year at 8% per annum. The first installment was paid February 1, 2008, for the City's 2007 fiscal year and the final installment was paid December 15, 2016. Therefore, this is the reason for the decrease in the police and fire annual payment.
3. Social Security expenses in 2017 were \$1,604,000, \$182,000 less than budgeted but \$31,000 more than last year.
4. Utility costs were budgeted for \$521,000 and actual expenses were \$479,000. Actual expenses in 2017 were \$37,000 more than fiscal year 2016.
5. Overtime costs totaled \$1,032,000 in 2017 which was a 17% increase from 2016. Overtime was budgeted as \$1,125,000 for 2017. Increases in costs are primarily due to the settlement of the CSEA City Hall and DPW agreements in 2017 as well as increases in salaries for all unions.
6. Sick leave payments to employees who separate from the City were \$143,000, almost doubled from 2016. This is due to the retirement of a number of long-term employees in 2016.
7. Payments for compensatory time amounted to \$563,000, a 5% decrease from 2016. Compensatory time pay outs were budgeted for \$566,000.
8. Total personal services costs (excluding social security) were \$485,000 higher in 2017. This was primarily the result of negotiated salary increases for union personnel. These costs represent 50% of the entire general fund expense budget.
9. Discount on Taxes which is recorded as an expense in the Finance budget was \$45,000 higher than last year. More people are taking advantage of the discount as interest rates continue to remain low and as more people pay taxes online.
10. Total General Fund expenses were \$235,000 less than 2016 and \$4 million less than budgeted. It is important to note that of this \$4 million, \$1.2 million was encumbered at year end. Encumbrances are goods or services which are ordered or committed to in 2017 but will be received and paid for in 2018. Therefore, the actual unspent/uncommitted variance was \$2.8 million. The primary reasons for this budget versus actual variance are noted above.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$47,406,151 (net of accumulated depreciation and less outstanding debt). This investment in capital assets includes land, buildings, improvements other than buildings, machinery, equipment, vehicles, work-in-progress, and infrastructure assets, such as roads, streets, and water systems.

Major capital asset events that occurred during the current fiscal year included the following:

- Improvements to the City's water system.
- Improvements to the historic Casino in Congress Park.
- Many recreational and park improvements.
- Various equipment for department of public works.

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2017

Financial Analysis of the City's Funds - Continued

Capital Asset and Debt Administration - Continued

Capital Assets - Continued

	December 31,					
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 5,653,781	\$ 5,516,625	\$ 325,841	\$ 325,841	\$ 5,979,622	\$ 5,842,466
Buildings	27,096,406	26,518,219	15,455,423	15,455,423	42,551,829	41,973,642
Improvements other than building	14,888,239	10,436,304	4,488,272	4,010,412	19,376,511	14,446,716
Machinery, equipment and vehicles	17,801,614	16,477,840	1,786,502	1,786,502	19,588,116	18,264,342
Infrastructure	57,950,223	57,829,520	18,281,689	18,281,689	76,231,912	76,111,209
Work in progress	2,936,089	5,336,836	1,594,926	1,461,527	4,531,015	6,798,363
Totals	126,326,352	122,115,344	41,932,653	41,321,394	168,259,005	163,436,738
Accumulated depreciation	55,333,311	53,141,283	18,172,121	17,015,755	73,505,432	70,157,038
Capital assets net of accumulated depreciation	\$ 70,993,041	\$ 68,974,061	\$ 23,760,532	\$ 24,305,639	\$ 94,753,573	\$ 93,279,700

Additional information on the City's capital assets can be found in Note 1k on pages 30 and 31 and Note 3c on pages 36 and 37 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$56,861,574. Of this amount, \$56,426,114 comprises debt backed by the full faith and credit of the City, and \$435,640 is a special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment.

The City maintains an "AA+" rating from Standard & Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of its five-year average of the total assessed valuation. The current debt limitation for the City is \$281,830,865, which is significantly in excess of the City's outstanding general obligation debt. In addition, the City has a self-imposed limit of 2% of the five-year average total assessed value. The City's debt limitation is \$80,253,104, which is also significantly in excess of the City's outstanding general obligation debt.

Other long-term debt includes the City's obligations for other postemployment benefits, which is primarily health insurance for eligible retirees and the City's obligations associated with its participation in the New York State and Local Retirement Systems for police and firefighters (PFRS) and all other employees (ERS).

Additional information on the City's long-term debt can be found in notes to the financial statements.

Economic Factors

The City is growing and thriving. The City is home to the Saratoga Race Course, one of the oldest and most prestigious thoroughbred horse racing tracks in the United States. Each summer, the racetrack operates a six-week schedule of races that attracts world-class horses to participate in the various graded events. Operation of the racetrack is a key factor in the area's successful tourism industry, which allows the City to generate additional revenues from sales tax, hotel occupancy tax, and other similar non-property taxes and fees. The City's residential and commercial tax base remained the same in 2017. The City has added office buildings, condominiums, and many residences in the past year; however, certain assessment claims resulted in a reduction of the overall value.

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2017

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Commissioner of Finance, 474 Broadway, Saratoga Springs, New York 12866-2296.

City of Saratoga Springs, New York

Government-Wide Financial Statements Statement of Net Position

	December 31, 2017		
	Governmental Activities	Business-type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 12,417,942	\$ 1,338,575	\$ 13,756,517
Cash and cash equivalents, restricted	12,224,249	9,957,637	22,181,886
Receivables, net	8,036,670	3,173,486	11,210,156
Inventory	-	35,294	35,294
Prepaid expenses	-	8,850	8,850
Internal balances	(516,151)	516,151	-
Due from fiduciary fund	-	35	-
Accrued interest receivable	10,785	-	10,785
Total current assets	32,173,495	15,030,028	47,203,488
NONCURRENT ASSETS			
Nondepreciable capital assets	8,589,870	1,920,767	10,510,637
Depreciable capital assets	62,403,171	21,839,765	84,242,936
Total assets	103,166,536	38,790,560	141,957,061
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	11,653,148	765,501	12,418,649
Deferred refunding charges	597,149	-	597,149
Total assets and deferred outflows of resources	115,416,833	39,556,061	154,972,859
LIABILITIES			
Accounts payable and other current liabilities	2,258,021	517,638	2,775,659
Accrued interest payable	1,588,487	466,287	2,054,774
Current maturities on long-term liabilities	3,577,270	452,027	4,029,297
Total current liabilities	7,423,778	1,435,952	8,859,730
NONCURRENT LIABILITIES			
Bonds payable	43,253,227	12,598,223	55,851,450
Capital lease obligations	337,268	-	337,268
Construction loan	-	50,000	50,000
Compensated absences	4,058,310	-	4,058,310
Other postemployment benefits	61,303,236	4,376,772	65,680,008
Net pension liability	10,480,449	738,769	11,219,218
Total liabilities	126,856,268	19,199,716	146,055,984
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,666,168	139,894	2,806,062
Real property taxes received in advance of lien date	3,313,713	-	3,313,713
Total liabilities and deferred inflows of resources	132,836,149	19,339,610	152,175,759
NET POSITION			
Net investment in capital assets	33,940,533	13,465,618	47,406,151
Restricted for			
Capital improvements	1,399,244	8,945,380	10,344,624
Capital projects	7,610,374	-	7,610,374
Debt service	1,925,439	-	1,925,439
Tax stabilization reserve	732,885	-	732,885
Retirement reserve	300,290	-	300,290
Insurance reserve	175,076	-	175,076
Special district	1,973	-	1,973
Waterline extensions	-	1,012,257	1,012,257
Community development	78,968	-	78,968
Unrestricted	(63,584,098)	(3,206,804)	(66,790,902)
Total net position	\$ (17,419,316)	\$ 20,216,451	\$ 2,797,135

See accompanying Notes to Financial Statements.

City of Saratoga Springs, New York

Government-Wide Financial Statements Statement of Activities

Functions/Programs	Year Ended December 31, 2017						
	Expenses	Program Revenue			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General governmental support	\$ 11,767,006	\$ 1,487,043	\$ 34,254	\$ -	\$ (10,245,709)	\$ -	\$ (10,245,709)
Public safety	31,558,914	185,404	122,144	-	(31,251,366)	-	(31,251,366)
Health	577,392	1,122,856	-	-	545,464	-	545,464
Transportation	5,521,929	141,977	-	733,538	(4,646,414)	-	(4,646,414)
Economic opportunity and development	209,281	33,594	397,269	-	221,582	-	221,582
Culture and recreation	3,956,030	953,608	6,911	-	(2,995,511)	-	(2,995,511)
Home and community service	2,199,119	643,245	63,015	74,704	(1,418,155)	-	(1,418,155)
Interest on long-term debt	1,543,484	-	-	-	(1,543,484)	-	(1,543,484)
Total governmental activities	<u>57,333,155</u>	<u>4,567,727</u>	<u>623,593</u>	<u>808,242</u>	<u>(51,333,593)</u>	<u>-</u>	<u>(51,333,593)</u>
BUSINESS-TYPE ACTIVITIES							
Water	3,811,505	3,471,595	-	-	-	(339,910)	(339,910)
Sewer	4,413,918	4,367,326	-	-	-	(46,592)	(46,592)
City Center Authority	2,403,869	866,453	-	-	-	(1,537,416)	(1,537,416)
Total business-type activities	<u>10,629,292</u>	<u>8,705,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,923,918)</u>	<u>(1,923,918)</u>
Total government	<u>\$ 67,962,447</u>	<u>\$ 13,273,101</u>	<u>\$ 623,593</u>	<u>\$ 808,242</u>	<u>\$ (51,333,593)</u>	<u>\$ (1,923,918)</u>	<u>\$ (53,257,511)</u>
GENERAL REVENUES							
Real property tax and related tax items					19,257,592	-	19,257,592
Non-property taxes					14,408,999	1,348,748	15,757,747
Other general revenue items					4,218,512	20,466	4,238,978
Interest earnings					35,795	8,508	44,303
State aid and mortgage taxes not restricted to specific purposes					3,342,879	-	3,342,879
Total general revenues					<u>41,263,777</u>	<u>1,377,722</u>	<u>42,641,499</u>
TRANSFERS							
Transfer from governmental to business-type activities					(140,404)	140,404	-
Total general revenues and transfers					<u>41,123,373</u>	<u>1,518,126</u>	<u>42,641,499</u>
CHANGE IN NET POSITION					(10,210,220)	(405,792)	(10,616,012)
NET POSITION, beginning of year					(7,209,096)	20,622,243	13,413,147
NET POSITION, end of year					<u>\$ (17,419,316)</u>	<u>\$ 20,216,451</u>	<u>\$ 2,797,135</u>

See accompanying Notes to Financial Statements.

City of Saratoga Springs, New York

Fund Financial Statements Balance Sheet - Governmental Funds

December 31, 2017

	Major Funds					Eliminations	Total Governmental Funds
	General	Capital Projects	Debt Service	Community Development	Other Governmental Funds		
ASSETS							
Cash and cash equivalents	\$ 11,798,381	\$ -	\$ -	\$ 261,782	\$ 357,779	\$ -	\$ 12,417,942
Cash and cash equivalents, restricted	2,686,463	7,610,374	1,925,439	-	1,973	-	12,224,249
Receivables, net	4,640,679	-	-	219,319	-	-	4,859,998
Receivables from other governments	2,794,650	312,575	-	69,447	-	-	3,176,672
Prepaid expenditures	1,017,341	-	-	-	-	-	1,017,341
Due from other funds	1,028,019	-	-	-	-	(1,028,019)	-
Total assets	\$ 23,965,533	\$ 7,922,949	\$ 1,925,439	\$ 550,548	\$ 359,752	\$ (1,028,019)	\$ 33,696,202
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ 904,346	\$ 699,880	\$ -	\$ 69,447	\$ 800	\$ -	\$ 1,674,473
Due to other funds	516,186	1,007,984	-	-	20,000	(1,028,019)	516,151
Due to other governments	581,667	-	-	1,881	-	-	583,548
	<u>2,002,199</u>	<u>1,707,864</u>	<u>-</u>	<u>71,328</u>	<u>20,800</u>	<u>(1,028,019)</u>	<u>2,774,172</u>
Deferred inflows of resources							
Unavailable tax resources	1,697,337	-	-	-	-	-	1,697,337
Real property taxes received in advance of lien date	3,313,713	-	-	-	-	-	3,313,713
Other unavailable resources	553,465	312,576	-	219,319	-	-	1,085,360
	<u>5,564,515</u>	<u>312,576</u>	<u>-</u>	<u>219,319</u>	<u>-</u>	<u>-</u>	<u>6,096,410</u>
Total liabilities and deferred inflows of resources	7,566,714	2,020,440	-	290,647	20,800	(1,028,019)	8,870,582
Fund balance							
Nonspendable	1,017,341	-	-	-	-	-	1,017,341
Restricted for							
Capital improvements	1,399,244	-	-	-	-	-	1,399,244
Capital projects	-	9,051,364	-	-	-	-	9,051,364
Tax stabilization reserve	732,885	-	-	-	-	-	732,885
Retirement reserve	439,383	-	-	-	-	-	439,383
Insurance reserve	175,076	-	-	-	-	-	175,076
Other restrictions	78,968	-	1,925,439	-	1,973	-	2,006,380
Assigned for							
Encumbrances	1,448,708	-	-	-	-	-	1,448,708
2017 budget	1,958,282	-	-	-	-	-	1,958,282
Other assignments	-	-	-	259,901	-	-	259,901
Special district purposes	-	-	-	-	336,979	-	336,979
Unassigned	9,148,932	(3,148,855)	-	-	-	-	6,000,077
Total fund balance	16,398,819	5,902,509	1,925,439	259,901	338,952	-	24,825,620
Total liabilities, deferred inflow of resources and fund balances	\$ 23,965,533	\$ 7,922,949	\$ 1,925,439	\$ 550,548	\$ 359,752	\$ (1,028,019)	\$ 33,696,202

See accompanying Notes to Financial Statements.

City of Saratoga Springs, New York

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

**December 31,
2017**

Total fund balances in the fund financial statements for the governmental funds.	\$ 24,825,620
This amount differs from amounts reported for governmental activities due to the following:	
Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation.	70,993,041
Accrued interest on property, school taxes, and community development loans on receivables for revenues earned, measurable, but not available are added.	10,785
Net receivables for revenues earned, measurable but not available to provide financial resources are reported as deferred inflows or resources in the governmental funds, and revenues in the government-wide statement of activities, net of the allowance for uncollectible balances.	2,782,697
Deferred outflows and inflows for pensions are included in the government-wide statements and are added.	
Prepaid expenditures - pension contributions	(1,017,341)
Deferred outflows - pension contributions subsequent to the measurement date	4,035,042
Deferred outflows - pension resources	7,618,106
Deferred inflows - pension resources	(2,666,168)
Long-term liabilities for bonded debt are included as liabilities in the government-wide statements and are deducted.	(45,314,577)
The difference between the bond reacquisition price and the net carrying amount of the bond are deferred and amortized to interest expense.	597,149
Long-term liabilities for the lease obligations by the City are included as liabilities in the government-wide statements and are deducted.	(402,188)
Long-term liabilities for other post-employment benefit obligations of the City are included as liabilities in the government-wide statements and are deducted.	(61,303,236)
Long-term liabilities for pension obligations by the City are included as liabilities in the government-wide statements and are deducted.	(10,480,449)
Liabilities for compensated absences are included in the government-wide statements and are deducted.	(4,509,310)
Other current liabilities are included in the government-wide statements and are deducted.	(1,000,000)
Current liabilities for interest payable on long-term debt are included in the government-wide statements as liabilities and are deducted.	<u>(1,588,487)</u>
Net position of governmental activities	<u><u>\$ (17,419,316)</u></u>

City of Saratoga Springs, New York

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

	Year Ended December 31, 2017					
	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Capital Projects	Debt Service	Community Development		
REVENUES						
Real property taxes and related tax items	\$ 16,901,104	\$ -	\$ 2,832,041	\$ -	\$ 166,175	\$ 19,899,320
Non-property taxes	14,408,999	-	-	-	-	14,408,999
Departmental income	2,786,511	-	-	33,594	-	2,820,105
Intergovernmental charges	415,514	100,000	-	-	-	515,514
Use of money and property	621,437	8,169	1,664	6,243	5,511	643,024
Licenses and permits	455,403	-	-	-	-	455,403
Fines and forfeitures	794,127	-	-	-	-	794,127
Sale of property and compensation for loss	860,256	-	-	-	-	860,256
Miscellaneous	2,680,527	-	57,000	-	-	2,737,527
State aid	4,251,877	74,704	-	-	-	4,326,581
Federal aid	46,223	4,641	-	397,269	-	448,133
Total revenues	44,221,978	187,514	2,890,705	437,106	171,686	47,908,989
EXPENDITURES						
<i>General governmental support</i>						
Mayor	954,126	-	-	-	-	954,126
Finance	2,218,814	-	-	-	-	2,218,814
Public Works	4,547,000	-	-	-	-	4,547,000
Accounts	1,385,358	-	-	-	-	1,385,358
Civil Service	264,652	-	-	-	-	264,652
Other general governmental support	650,717	-	35,266	-	845	686,828
<i>Public safety</i>						
Police	11,373,842	-	-	-	-	11,373,842
Fire	9,455,252	-	-	-	-	9,455,252
Other public safety	3,236,584	-	-	-	-	3,236,584
Health	164,683	-	-	-	-	164,683
Transportation	4,358,889	-	-	-	-	4,358,889
Economic opportunity and development	170,339	-	-	-	27,457	197,796
Culture and recreation	2,856,554	-	-	-	-	2,856,554
Home and community service	1,455,423	-	-	437,683	-	1,893,106

<i>Debt service</i>						
Principal	51,427	-	1,795,951	-	14,670	1,862,048
Interest	18,160	-	1,432,009	-	12,370	1,462,539
<i>Capital outlay</i>						
Public Works	-	877,688	-	-	-	877,688
Other general governmental support	-	620,810	-	-	-	620,810
Police	-	109,264	-	-	-	109,264
Fire	-	108,091	-	-	-	108,091
Other public safety	-	364,592	-	-	-	364,592
Transportation	-	14,354	-	-	-	14,354
Culture and recreation	-	1,612,709	-	-	-	1,612,709
Home and community service	-	97,229	-	-	-	97,229
Total expenditures	<u>43,161,820</u>	<u>3,804,737</u>	<u>3,263,226</u>	<u>437,683</u>	<u>55,342</u>	<u>50,722,808</u>
Excess (deficiency) of revenues over expenditures	<u>1,060,158</u>	<u>(3,617,223)</u>	<u>(372,521)</u>	<u>(577)</u>	<u>116,344</u>	<u>(2,813,819)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	5,881,574	-	-	-	5,881,574
Interfund transfers in	132,914	90,000	199,694	-	-	422,608
Interfund transfers out	<u>(277,472)</u>	<u>(6,690)</u>	<u>(144,545)</u>	<u>(84,802)</u>	<u>(49,503)</u>	<u>(563,012)</u>
Total other financing sources (uses)	<u>(144,558)</u>	<u>5,964,884</u>	<u>55,149</u>	<u>(84,802)</u>	<u>(49,503)</u>	<u>5,741,170</u>
NET CHANGE IN FUND BALANCE	915,600	2,347,661	(317,372)	(85,379)	66,841	2,927,351
FUND BALANCE, <i>beginning of year</i>	<u>15,483,219</u>	<u>3,554,848</u>	<u>2,242,811</u>	<u>345,280</u>	<u>272,111</u>	<u>21,898,269</u>
FUND BALANCE, <i>end of year</i>	<u>\$ 16,398,819</u>	<u>\$ 5,902,509</u>	<u>\$ 1,925,439</u>	<u>\$ 259,901</u>	<u>\$ 338,952</u>	<u>\$ 24,825,620</u>

See accompanying Notes to Financial Statements.

City of Saratoga Springs, New York

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

		Year Ended December 31, 2017
Net change in fund balances shown for total governmental funds		\$ 2,927,351
This amount differs from the change in net position shown in the statement of activities because of the following:		
Outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which expenditures for acquisition of capital assets exceeded depreciation expense for the period.		
Dispositions, net	(247,427)	
Capital expenditures	4,887,930	
Depreciation expense	<u>(2,621,523)</u>	2,018,980
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of proceeds and repayments:		
Repayment of principal	1,862,048	
Assumption of bonds by water fund	13,500	
Amortization of bond premiums	115,399	
Long-term debt proceeds	<u>(5,881,574)</u>	(3,890,627)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Pension related deferred outflows and inflows represent long-term activity and are not reported in the funds.		
Amortization of loss on refunding - interest expense	(45,841)	
Accrued interest payable	(150,503)	
Net pension liability, net of deferrals	(2,416,543)	
Compensated absences	(406,354)	
Other postemployment benefits	<u>(7,587,533)</u>	(10,606,774)
Deferred inflows of resources related to the City's revenues that will be collected after year-end, but are not available soon enough to pay for current period's expenditures are deferred in the funds:		
Accrued interest receivable	(17,422)	
Unavailable revenues	<u>(641,728)</u>	<u>(659,150)</u>
		<u>\$ (10,210,220)</u>

City of Saratoga Springs, New York

Fund Financial Statements Statement of Net Position - Proprietary Funds

	December 31, 2017			
	Water Activities	Sewer Activities	City Center Activities	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 379,339	\$ 707,993	\$ 251,243	\$ 1,338,575
Cash and cash equivalents, restricted	2,099,898	655,438	7,202,301	9,957,637
Due from fiduciary fund	35	-	-	35
Due from governmental funds	214,496	301,655	-	516,151
Receivables, net	1,346,407	1,527,052	300,027	3,173,486
Inventory	30,470	4,824	-	35,294
Prepaid expenses	-	-	8,850	8,850
Total current assets	4,070,645	3,196,962	7,762,421	15,030,028
Noncurrent assets				
Nondepreciable capital assets	353,057	1,567,710	-	1,920,767
Depreciable capital assets	8,717,651	1,406,153	11,715,961	21,839,765
Total assets	13,141,353	6,170,825	19,478,382	38,790,560
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	299,581	219,133	246,787	765,501
Total assets and deferred outflows of resources	13,440,934	6,389,958	19,725,169	39,556,061
LIABILITIES				
Current liabilities				
Accounts payable and other current liabilities	131,419	46,584	339,635	517,638
Current maturities on bonds payable	363,225	88,802	-	452,027
Accrued interest payable	352,457	113,830	-	466,287
Total current liabilities	847,101	249,216	339,635	1,435,952
Noncurrent liabilities				
Bonds payable	9,795,939	2,802,284	-	12,598,223
Construction loan	-	-	50,000	50,000
Other postemployment benefits	2,779,772	1,597,000	-	4,376,772
Net pension liability	289,119	211,481	238,169	738,769
Total liabilities	13,711,931	4,859,981	627,804	19,199,716
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	54,748	40,046	45,100	139,894
Total liabilities and deferred inflows of resources	13,766,679	4,900,027	672,904	19,339,610
NET POSITION				
Net investment in capital assets	1,011,442	738,215	11,715,961	13,465,618
Restricted for				
Capital improvements	1,087,641	655,438	7,202,301	8,945,380
Waterline extensions	1,012,257	-	-	1,012,257
Unrestricted	(3,437,085)	96,278	134,003	(3,206,804)
Total net position	\$ (325,745)	\$ 1,489,931	\$ 19,052,265	\$ 20,216,451

City of Saratoga Springs, New York

Fund Financial Statements Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds

	Year Ended December 31, 2017			Total
	Water Activities	Sewer Activities	City Center Activities	
OPERATING REVENUES				
Water charges	\$ 3,430,918	\$ -	\$ -	\$ 3,430,918
Sewer charges	-	4,353,900	-	4,353,900
Facility charges	-	-	866,453	866,453
Other operating revenues	40,677	13,426	-	54,103
Total operating revenues	<u>3,471,595</u>	<u>4,367,326</u>	<u>866,453</u>	<u>8,705,374</u>
OPERATING EXPENSES				
Costs of sales and services	2,142,427	3,403,364	669,403	6,215,194
Administration	788,880	842,520	1,144,347	2,775,747
Depreciation	533,136	34,981	588,249	1,156,366
Total operating expenses	<u>3,464,443</u>	<u>4,280,865</u>	<u>2,401,999</u>	<u>10,147,307</u>
Operating income (loss)	<u>7,152</u>	<u>86,461</u>	<u>(1,535,546)</u>	<u>(1,441,933)</u>
NONOPERATING REVENUES (EXPENSES)				
Hotel occupancy tax	-	-	1,348,748	1,348,748
Other revenue	-	-	20,466	20,466
Interest and earnings	937	98	7,473	8,508
Interest expense	(347,062)	(133,053)	(1,870)	(481,985)
Total nonoperating revenues (expenses)	<u>(346,125)</u>	<u>(132,955)</u>	<u>1,374,817</u>	<u>895,737</u>
Loss before transfers	<u>(338,973)</u>	<u>(46,494)</u>	<u>(160,729)</u>	<u>(546,196)</u>
Transfer from governmental funds	196,636	-	133,971	330,607
Transfer to governmental funds	(190,203)	-	-	(190,203)
CHANGE IN NET POSITION	<u>(332,540)</u>	<u>(46,494)</u>	<u>(26,758)</u>	<u>(405,792)</u>
NET POSITION, <i>beginning of year</i>	<u>6,795</u>	<u>1,536,425</u>	<u>19,079,023</u>	<u>20,622,243</u>
NET POSITION, <i>end of year</i>	<u><u>\$ (325,745)</u></u>	<u><u>\$ 1,489,931</u></u>	<u><u>\$ 19,052,265</u></u>	<u><u>\$ 20,216,451</u></u>

City of Saratoga Springs, New York

Fund Financial Statements Statement of Cash Flows - Proprietary Funds

	Year Ended December 31, 2017			
	Water	Sewer	City Center	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Charges for services	\$ 3,630,306	\$ 4,698,035	\$ 903,336	\$ 9,231,677
Payments to contractors and suppliers	(767,115)	(3,204,230)	(1,108,973)	(5,080,318)
Payments to employees, payroll taxes and benefits	(1,812,046)	(827,592)	(585,213)	(3,224,851)
	<u>1,051,145</u>	<u>666,213</u>	<u>(790,850)</u>	<u>926,508</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(497,064)	(114,195)	-	(611,259)
Bond proceeds	1,275,000	725,000	-	2,000,000
Construction loan advances	-	-	50,000	50,000
Payment on bonds	(444,304)	(70,899)	-	(515,203)
Interest paid	(310,387)	(89,015)	(1,870)	(401,272)
	<u>23,245</u>	<u>450,891</u>	<u>48,130</u>	<u>522,266</u>
CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Other general revenues	-	-	1,369,214	1,369,214
Transfers and other	(206,943)	(301,655)	133,971	(374,627)
	<u>(206,943)</u>	<u>(301,655)</u>	<u>1,503,185</u>	<u>994,587</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES				
Interest received	937	98	7,473	8,508
	<u>937</u>	<u>98</u>	<u>7,473</u>	<u>8,508</u>
Net increase in cash and cash equivalents	868,384	815,547	767,938	2,451,869
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	1,610,853	547,884	6,685,606	8,844,343
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 2,479,237</u>	<u>\$ 1,363,431</u>	<u>\$ 7,453,544</u>	<u>\$ 11,296,212</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 7,152	\$ 86,461	\$ (1,535,546)	\$ (1,441,933)
Depreciation expense	533,136	34,981	588,249	1,156,366
(Increase) decrease in				
Receivables, net	199,388	330,709	36,883	566,980
Inventory	2,788	2,788	-	5,576
Prepaid expenses	-	-	83	83
Deferred outflows of resources, pension deferrals	418,837	142,760	277,525	839,122
Increase (decrease) in				
Accounts payable and other current liabilities	33,681	14,472	84,107	132,260
Deferred inflows of resources, pension deferrals	(27,457)	(1,364)	(14,895)	(43,716)
Net pension liability	(348,862)	(110,027)	(227,256)	(686,145)
Other postemployment benefits	232,482	165,433	-	397,915
	<u>232,482</u>	<u>165,433</u>	<u>-</u>	<u>397,915</u>
Net cash provided (used) by operating activities	<u>\$ 1,051,145</u>	<u>\$ 666,213</u>	<u>\$ (790,850)</u>	<u>\$ 926,508</u>

City of Saratoga Springs, New York

Fund Financial Statements Statement of Fiduciary Net Position - Fiduciary Funds

	<u>December 31, 2017</u>	
	<u>Agency Funds</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash and equivalents	<u>\$ 1,152,871</u>	<u>\$ 36,547</u>
LIABILITIES		
Due to other governments	1,152,836	-
Due to other funds	35	-
Total liabilities	<u>1,152,871</u>	<u>-</u>
NET POSITION	<u><u>\$ -</u></u>	<u><u>\$ 36,547</u></u>

City of Saratoga Springs, New York

Fund Financial Statements Statement of Changes in Fiduciary Net Position - Fiduciary Fund

	December 31, 2017
	Private Purpose Trust
ADDITIONS	
Private donations	\$ 450
Interest earnings	36
	<hr/> 486
DEDUCTIONS	
Culture and recreation	372
	<hr/>
CHANGE IN NET POSITION	114
NET POSITION, <i>beginning of year</i>	<hr/> 36,433
NET POSITION, <i>end of year</i>	<hr/><hr/>\$ 36,547

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 1 - Organization and Summary of Significant Accounting Policies

The financial statements of the City of Saratoga Springs, New York (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

a. Reporting Entity

The City of Saratoga Springs, New York was incorporated as a City in 1915 and is governed by its Charter, City Local Laws, General City Law, and other general laws of the State of New York. The City is a municipal corporation governed by a five-member elected Council, one Mayor, and four Commissioners. Each Commissioner serves as the head of a department: Finance, Public Works, Public Safety, and Accounts. The Mayor serves as Chief Executive Officer, and the Commissioner of Finance serves as the Chief Fiscal Officer. The City provides water, sewer, police and fire protection, highway and street, cultural and recreational, public improvement, planning and zoning, and general administrative services to the residents of the City.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in U.S. GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to influence operations significantly, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based on the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

Excluded from the reporting entity:

The City of Saratoga Springs School District

The City of Saratoga Springs School District (District) was created by State legislation that 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 operations.

The Saratoga Springs Housing Authority

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

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

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

The City's significant accounting policies are described below.

b. Government-wide and Fund Financial Statements

The governmental reporting model includes the following sections: Management's Discussion and Analysis, Government-wide Financial Statements, and Fund Financial Statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the primary government. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the financial condition of the City's activities at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The statement of activities identifies the net expense or revenue from each activity, and identifies the amount of general revenues needed to help finance the specific activities.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types."

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. A fund is a separate accounting entity with a self-balancing set of accounts.

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

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recorded in these statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financial uses) in net current assets.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

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

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

Under the modified accrual basis of accounting, governmental fund revenues are recognized when susceptible to accrual (i.e., as soon as they are both measurable and available). "Measurable" means the amount of the transaction can be reasonably determined, and "available" means the related cash resources are collectible within the current period or soon enough thereafter to be used to pay current liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, water and sewer rents, sales taxes, mortgage taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash, i.e., fines, permits, and parking meter revenues.

The City also reports deferred inflows of resources on its fund financial statements for certain revenues other than property taxes. Deferred inflows of resources arise when potential revenue does not meet both of the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for its deferred inflows of resources is removed from the balance sheet and revenue recognized.

Governmental fund expenditures are recorded when the fund liability is incurred except that:

- Payments for acquisition of inventory type items are recorded as expenditures when the related amounts are due and payable. This method is generally referred to as the "purchase" method, as opposed to the "consumption" method used in the government-wide financial statements.
- Principal and interest on indebtedness are recorded as expenditures when the related debt service amounts are due and payable, which normally approximates the date the debt is paid.
- Compensated absences, such as vacation leave and compensation time, which vest or accumulate with eligible employees, are recorded as expenditures in the payroll period that the credits are used by employees.
- Costs of acquiring capital assets are recorded as expenditures when the related acquisition amounts are due and payable.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

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

d. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The activities of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred inflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources (uses) which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations or limitations. The City's fund types are as follows:

Fund Types

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

- i. The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund operates within the financial limits of an annual budget adopted by the City Council.
- ii. The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- iii. The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Financing is generally provided from proceeds of bonds, notes, federal and state grants, and transfers from other governmental funds.
- iv. *Special Revenue Funds* are used to account for specific revenues (other than those generated for major capital projects) that are legally restricted to expenditures for particular purposes. The Special Grant Fund (Community Development) is used to account for federally-funded community development block grants, revolving loan funds, and other federally-funded programs. The City has two special districts: the Downtown Special Assessment District (SAD) and the West Avenue Special Assessment District (WASAD). Both were established to make improvements within the boundaries of the applicable districts and are funded by special assessments on the property owners within each district.

Proprietary Funds represent the City's business-type activities and include Enterprise Funds. Enterprise funds are used to report activities for which fees are charged to external customers for goods and services provided, and the City's fee pricing policies are established to recover costs of providing such service, including capital costs, such as depreciation or debt service. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City maintains the following enterprise funds:

- i. The *Water Fund* is used to report operations of the City's water treatment and supply facilities that provide drinking water to all City residents, as well as to certain local communities outside the City's corporate boundaries. Users of the water system, inside and outside the City limits, are charged a user fee to pay for the operation of the Water Fund. The fund also records revenues and expenses associated with extending the water line. A water service connection fee is collected when a new user taps into the system, and the revenue is reserved for future expansion of the system.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

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

d. *Fund Accounting* - Continued

Fund Types - Continued

Proprietary Funds - Continued

- ii. The *Sewer Fund* is used to report operations of the City's wastewater treatment facilities and sanitary sewer system that is provided to all City residents. The sewer system infrastructure is owned by the Saratoga County Sewer District. Users of the sewer system are charged a fee based on an annual bill from the Saratoga County Sewer District.
- iii. The *City Center Authority Fund* (Authority) accounts for the day-to-day business operations of the convention and tourism center. The Authority was created by State legislation for the purpose of operating and maintaining the Saratoga City Center (City Center). The execution of the daily operations of the City Center rests with the Authority. The City Council maintains fiscal control over the Authority through various aspects of State legislation and, therefore, has included the financial position as well as the operations of the City Center in the City's financial statements.

Fiduciary Funds are used to report resources that are held by the City in a trustee or agency capacity for others and cannot be used to support the City's own programs. The City maintains agency funds to account for assets that the City holds on behalf of others as their agent. The City maintains a private purpose trust fund to account for private donations to support a veterans' memorial in Congress Park.

e. *Estimates*

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

f. *Interfund Receivables/Payables*

During the year, transactions often occur between the various funds. Transactions considered loans or advances to be repaid are recorded as current assets and liabilities in the fund financial statements as either "due to or due from other funds." In the government-wide financial statements, amounts due to and from the same activities are eliminated. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

g. *Receivables*

All property and school tax receivables are shown net of an allowance for uncollectibles. The property and school tax receivables allowance is equal to 6% of outstanding property and school taxes at December 31, 2017. Water and sewer rents not collected by year end are relieved on the subsequent year's tax roll.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

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

g. Receivables - Continued

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on January 1 and are payable in four installments on the first of March, June, September, and December. The City bills and collects its own property taxes and also collects taxes for Saratoga County and the delinquent taxes for the School District. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Economic development and rehabilitation loans are shown net of an allowance for uncollectibles. Non-performing loans are evaluated for collectability on a periodic basis but not less than annually. The City pursues all legal options to help ensure the collection of outstanding balances. A reserve of approximately \$109,000 for non-performing loans has been established in the Special Grants Fund by the City, based on currently known facts regarding the probability of collection.

h. Inventory

Inventory in the proprietary funds is valued at the lower of cost (first-in, first-out method) or market (net realizable value). Inventory consists of expendable supplies held for consumption.

i. Capital Assets, Net

Capital assets include land, buildings, improvements, machinery, equipment, vehicles and infrastructure (e.g., roads, sidewalks, and similar items). Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of six or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements	20
Streets/roads	25
Sewer and water infrastructure	75
Other infrastructure	25-30
Machinery, equipment, and vehicles	5-20

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There were no impairments of long-lived assets as of December 31, 2017.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

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

j. Net Position

Net position is reported as restricted when constraints placed on net position use are either:

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

Enabling legislation authorizes the City to assess, levy, or otherwise mandate payment of resources and includes legally enforceable requirements that those resources be used for that specific purpose stipulated in legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

k. Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

Restricted - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action such as legislation, resolution or ordinance by the government's highest level of decision-making authority.

Assigned - Amounts that are constrained only by the government's *intent* to be used for a specified purpose, but are not restricted or committed in any manner.

Unassigned - The residual amount in the general fund after all of the other classifications have been established. In a special revenue fund, if expenditures and other financing uses exceed the amounts restricted, committed or assigned for those purposes, then a negative unassigned fund balance will occur.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

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

k. Fund Balance - Continued

The City's fund balance policy is set by the Council, the highest level of decision-making authority. The City considers formal action for a committed fund balance to be the passing of a resolution by the Council. The Council has delegated the ability to assign fund balance to the Commissioner of Finance. The City considers funds to be expended in the order of restricted, committed, assigned, and unassigned. In accordance with the City's fund balance policy, unrestricted fund balance in the General, Water, and Sewer Funds may not be less than 10% and not more than 25% of the total adopted budgeted expenditures of the Fund. In the event the unrestricted fund balance of the Fund exceeds the maximum requirement, the excess may be utilized for any lawful purpose approved by the Council.

l. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick pay benefits. All sick pay is accrued when incurred in the government-wide financial statements. Expenditures for these amounts are reported in governmental funds when paid to employees.

m. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bonds payable are reported net of applicable bond premium or discount, if any.

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

The City's special assessment districts, SAD and WASAD, have outstanding bonded debt. SAD currently makes the annual debt payment on the Putnam Street parking deck project when due and has an arrangement with the City for reimbursement in the event there is default by a taxpayer. WASAD is repaying its 50% share of the betterment on the West Avenue improvement project debt on an extended payment plan. The City makes the scheduled debt payment annually, and WASAD reimburses the City every year at a lower amount than the actual debt. When the bond is fully paid off, WASAD will continue to reimburse the City for its remaining portion of the bond.

n. Deferred Outflows and Inflows of Resources

The City reports certain financial transactions that do not meet the definition of an asset or liability as a deferred outflow or deferred inflow of resources. Deferred outflows and deferred inflows of resources are reported in separate sections following assets and liabilities, respectively. The City also reports deferred inflows of resources in the governmental funds for receivable balances that do not meet the "availability" criterion for revenue recognition.

The City has reported deferred outflows of resources for a deferred loss on refunding bonds in the government-wide statement of net position. These amounts result from the difference in the carrying value of the refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

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

n. Deferred Outflows and Inflows of Resources - Continued

The City has reported deferred inflows of resources for real property taxes and other unavailable resources in the governmental funds. Real property taxes received in advance of the lien date are reported as deferred inflows of resources within the general fund and government-wide financial statements. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

Pension related deferred outflows of resources and deferred inflows of resources are reported in the governmental and business-type activities, and the respective enterprise funds.

o. Adoption of New Accounting Standard

Governmental Accounting Standards Board Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). GASB No. 80 provides clarity on how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The adoption of this accounting standard did not impact the City's financial statements.

p. Subsequent Events

The City has evaluated subsequent events for potential recognition or disclosure through July 24, 2018, the date the financial statements were available to be issued.

Note 2 - Stewardship, Compliance, and Accountability

The City's budget adoption process is described in the City Charter. The Mayor and the Commissioners present their budget requirements for the following fiscal year to the Commissioner of Finance on or before October 1 each year for the General, Debt Service, Water, Sewer, Special Assessment Districts, and City Center funds. The Commissioner of Finance then prepares a proposed budget for the forthcoming year and submits it to the City Council on or before the third Monday in October. After receiving the proposed budget, the City Council establishes a date, time, and place for a public hearing with public notice duly advertised of such hearing. At a regular or special meeting held after the public hearing but not later than the 30th day of November, the City Council adopts, or amends and adopts, the budget for the ensuing fiscal year. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, several supplementary appropriations are usually necessary.

Budgets for the Special Grant Fund are adopted for each federal program as they occur, and generally on a federal program year. Budgets for major capital projects are adopted on an as needed basis and remain in effect for the life of the project. Generally, major capital projects are financed by bonds, capital grants, and/or other applicable financing sources. Current appropriations for capital expenditures are adopted according to the above-described timetable.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds

a. Cash, Cash Equivalents, and Investments

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

The City's investment policies are governed by New York State statutes. In addition, the City has its own investment policy. In accordance with New York State statutes and the City's investment policy, City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City is authorized to use demand deposits, time deposits, and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies, and obligations of New York State or its localities. When applicable, the City values investment securities at fair value.

Collateral

New York State statutes require the City to collateralize its cash deposits in excess of the FDIC limit of \$250,000. This collateral must be in the form of state and local government securities held in trust for and pledged to secure the City's deposits. The City's bank balances of \$37,646,484 were fully insured and collateralized with the exception of \$412,648 in deposits at one financial institution that was exposed to custodial credit risk.

Cash, Cash Equivalents, and Investments, Restricted

The City had restricted cash and cash equivalents for governmental activities, comprised of the following:

Capital improvements	\$ 1,399,244
Capital projects	7,610,374
Debt service	1,925,439
Tax stabilization	732,885
Retirement reserve	300,290
Insurance reserve	175,076
Special district	1,973
Community development	78,968
	<hr/>
Total restricted cash and cash equivalents	\$ 12,224,249

The City had restricted cash and cash equivalents for business-type activities, comprised of the following:

City Center capital improvements	\$ 7,202,301
Water capital projects	2,099,898
Sewer capital projects	655,438
	<hr/>
Total restricted	\$ 9,957,637

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

b. Receivables

Receivables at year-end for the City's governmental and business-type activities, categorized by individual fund and in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

Receivables	Governmental Funds				Enterprise Funds			Total
	General	Capital	Debt Service	Special Grant	Water	Sewer	Center Authority	
City and county taxes	\$ 621,727	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 621,727
School taxes	526,039	-	-	-	-	-	-	526,039
Tax sales	1,429,803	-	-	-	-	-	-	1,429,803
Water rents	-	-	-	-	1,397,138	-	-	1,397,138
Sewer rents	-	-	-	-	-	1,605,209	-	1,605,209
Accounts	2,097,276	-	-	-	3,385	165	29,895	2,130,721
Rehabilitation loans	-	-	-	328,713	-	-	-	328,713
State and federal	2,543,495	147,350	-	69,447	-	-	-	2,760,292
Other governments	251,155	165,225	-	-	-	-	270,132	686,512
Total net receivables	7,469,495	312,575	-	398,160	1,400,523	1,605,374	300,027	11,486,154
Allowance for uncollectible accounts	(34,166)	-	-	(109,394)	(54,116)	(78,322)	-	(275,998)
Total net receivables	<u>\$ 7,435,329</u>	<u>\$ 312,575</u>	<u>\$ -</u>	<u>\$ 288,766</u>	<u>\$ 1,346,407</u>	<u>\$ 1,527,052</u>	<u>\$ 300,027</u>	<u>\$ 11,210,156</u>

These receivables are shown in the statement of net position as follows:

Receivables, net of allowances	
Governmental activities	\$ 8,036,670
Business-type activities	<u>3,173,486</u>
 Total	 <u><u>\$ 11,210,156</u></u>

c. Capital Assets

Capital asset activity was as follows:

Governmental Activities	Year Ended December 31, 2017			Balance December 31, 2017
	Balance January 1, 2017	Additions/ Adjustment	Retirement Reclassifications	
Capital assets not being depreciated				
Land	\$ 5,516,625	\$ 137,156	\$ -	\$ 5,653,781
Work in progress	5,336,836	1,531,207	(3,931,954)	2,936,089
Total capital assets not being depreciated	<u>10,853,461</u>	<u>1,668,363</u>	<u>(3,931,954)</u>	<u>8,589,870</u>
Depreciable capital assets				
Buildings	26,518,219	578,187	-	27,096,406
Improvements	10,436,304	4,451,935	-	14,888,239
Machinery, equipment, and vehicles	16,477,840	1,857,632	(533,858)	17,801,614
Infrastructure	57,829,520	263,767	(143,064)	57,950,223
Total depreciable capital assets	<u>111,261,883</u>	<u>7,151,521</u>	<u>(676,922)</u>	<u>117,736,482</u>
Less accumulated depreciation				
Buildings	5,978,464	472,208	-	6,450,672
Improvements	4,804,000	631,911	-	5,435,911
Machinery, equipment, and vehicles	12,318,729	921,952	(289,592)	12,951,089
Infrastructure	30,040,090	595,452	(139,903)	30,495,639
Total accumulated depreciation	<u>53,141,283</u>	<u>2,621,523</u>	<u>(429,495)</u>	<u>55,333,311</u>
Net depreciable capital assets	<u>58,120,600</u>	<u>4,529,998</u>	<u>(247,427)</u>	<u>62,403,171</u>
Total net capital assets governmental activities	<u>\$ 68,974,061</u>	<u>\$ 6,198,361</u>	<u>\$ (4,179,381)</u>	<u>\$ 70,993,041</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

c. Capital Assets - Continued

Business-type Activities	Year Ended December 31, 2017			Balance December 31, 2017
	Balance January 1, 2017	Additions/ Adjustment	Retirement Reclassifications	
Water activity				
Capital assets not being depreciated				
Land	\$ 325,841	\$ -	\$ -	\$ 325,841
Work in progress	8,012	19,204	-	27,216
Total capital assets not being depreciated	<u>333,853</u>	<u>19,204</u>	<u>-</u>	<u>353,057</u>
Depreciable capital assets				
Buildings	749,195	-	-	749,195
Improvements	3,783,166	477,860	-	4,261,026
Machinery, equipment, and vehicles	1,634,280	-	-	1,634,280
Infrastructure	16,897,839	-	-	16,897,839
Total depreciable capital assets	<u>23,064,480</u>	<u>477,860</u>	<u>-</u>	<u>23,542,340</u>
Less accumulated depreciation				
Buildings	308,134	13,057	-	321,191
Improvements	567,797	148,406	-	716,203
Machinery, equipment, and vehicles	562,214	111,226	-	673,440
Infrastructure	12,853,408	260,447	-	13,113,855
Total accumulated depreciation	<u>14,291,553</u>	<u>533,136</u>	<u>-</u>	<u>14,824,689</u>
Net depreciable capital assets	<u>8,772,927</u>	<u>(55,276)</u>	<u>-</u>	<u>8,717,651</u>
Total net capital assets water activities	<u>\$ 9,106,780</u>	<u>\$ (36,072)</u>	<u>\$ -</u>	<u>\$ 9,070,708</u>
Business-type Activities				
Year Ended December 31, 2017				
Business-type Activities	Balance January 1, 2017	Additions/ Adjustment	Retirement Reclassifications	Balance December 31, 2017
Sewer activity				
Capital assets not being depreciated				
Work in progress	\$ 1,453,515	\$ 114,195	\$ -	\$ 1,567,710
Depreciable capital assets				
Improvements	227,246	-	-	227,246
Machinery, equipment, and vehicles	17,267	-	-	17,267
Infrastructure	1,383,850	-	-	1,383,850
Total depreciable capital assets	<u>1,628,363</u>	<u>-</u>	<u>-</u>	<u>1,628,363</u>
Less accumulated depreciation				
Improvements	34,409	7,187	-	41,596
Machinery, equipment, and vehicles	58,739	1,175	-	59,914
Infrastructure	94,081	26,619	-	120,700
Total accumulated depreciation	<u>187,229</u>	<u>34,981</u>	<u>-</u>	<u>222,210</u>
Net depreciable capital assets	<u>1,441,134</u>	<u>(34,981)</u>	<u>-</u>	<u>1,406,153</u>
Total net capital assets sewer activities	<u>\$ 2,894,649</u>	<u>\$ 79,214</u>	<u>\$ -</u>	<u>\$ 2,973,863</u>
City Center				
Depreciable capital assets				
Machinery, equipment, and vehicles	\$ 134,955	\$ -	\$ -	\$ 134,955
Buildings	14,706,228	-	-	14,706,228
	<u>14,841,183</u>	<u>-</u>	<u>-</u>	<u>14,841,183</u>
Less accumulated depreciation				
Machinery, equipment, and vehicles	134,956	-	-	134,956
Buildings	2,402,017	588,249	-	2,990,266
Total accumulated depreciation	<u>2,536,973</u>	<u>588,249</u>	<u>-</u>	<u>3,125,222</u>
Total net capital assets City Center	<u>\$ 12,304,210</u>	<u>\$ (588,249)</u>	<u>\$ -</u>	<u>\$ 11,715,961</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

c. Capital Assets - Continued

Depreciation expense was charged to functions/programs as follows:

Mayor	\$	16,349
Finance		27,374
DPW		900,072
DPS		103,559
Accounts		4,683
Other General government support		3,780
Police		185,471
Fire		356,626
Home and community service		26,051
Transportation		424,390
Culture and recreation		<u>573,168</u>
Total depreciation expense for governmental activities	\$	<u>2,621,523</u>
Water	\$	533,136
Sewer		34,981
City Center Authority		<u>588,249</u>
Total depreciation expense for business-type activities	\$	<u>1,156,366</u>

d. Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Amounts due to/from other funds in the fund financial statements:

	December 31, 2017	
	Due From	Due To
General	\$ 1,028,019	\$ 516,186
Water	214,496	-
Sewer	301,655	-
Capital Projects	-	1,007,984
Downtown Special Assessment District	-	20,000
	<u>\$ 1,544,170</u>	<u>\$ 1,544,170</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

d. Interfund Receivables, Payables, and Transfers - Continued

Amounts due to/from activities in the government-wide financial statements:

	December 31, 2017	
	Due To	Due From
General	\$ -	\$ 516,116
Water	214,496	-
Sewer	301,655	-
Trust and Agency	-	35
	\$ 516,151	\$ 516,151

Interfund transfers in the governmental fund financial statements between governmental funds were as follows:

Transfers Out	December 31, 2017					
	Transfers In					
	General	Capital Projects	Debit Service	Water	City Center	Totals
General Fund	\$ -	\$ -	\$ 143,501	\$ -	\$ 133,971	\$ 277,472
Capital Projects	-	-	6,690	-	-	6,690
Debt Service	-	-	-	144,545	-	144,545
West Avenue Special Assessment District	-	-	49,503	-	-	49,503
Community Development	84,802	-	-	-	-	84,802
Water	48,112	90,000	-	52,091	-	190,203
	\$ 132,914	\$ 90,000	\$ 199,694	\$ 196,636	\$ 133,971	\$ 753,215

In the government-wide statement of net position, interfund receivables and payables between governmental activities were eliminated, leaving \$516,151 due to the business-type activities. In the government-wide statement of activities, interfund transfers of \$563,012 between governmental activities were eliminated, leaving \$140,404 in transfers from the governmental activities to the business-type activities.

e. Long-Term Liabilities

The changes in the City's long-term liabilities were as follows:

	Year Ended December 31, 2017				
	Balance January 1, 2017	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2017	Due Within On Year
Governmental activities					
Bonds payable	\$ 39,740,371	\$ 5,881,574	\$ 1,810,621	\$ 43,811,324	\$ 1,949,547
Bond premiums	1,618,652	-	115,399	1,503,253	111,803
	41,359,023	5,881,574	1,926,020	45,314,577	2,061,350
Other non-current liabilities					
Capital lease obligations	453,615	-	51,427	402,188	64,920
Claims payable	1,000,000	-	-	1,000,000	1,000,000
Compensated absences	4,102,956	1,326,344	919,990	4,509,310	451,000
Net pension liability	15,674,146	-	5,193,697	10,480,449	-
Other postemployment benefits	53,715,703	10,275,188	2,687,655	61,303,236	-
	74,946,420	11,601,532	8,852,769	77,695,183	1,515,920
Governmental activities long-term liabilities	\$ 116,305,443	\$ 17,483,106	\$ 10,778,789	\$ 123,009,760	\$ 3,577,270

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

e. Long-Term Liabilities - Continued

Business-type activities					
Bonds payable	\$ 11,578,953	\$ 2,000,000	\$ 528,703	\$ 13,050,250	\$ 452,027
Other non-current liabilities					
Net pension liability	1,424,914	-	686,145	738,769	-
Construction loan	-	50,000	-	50,000	-
Other postemployment benefits	3,978,857	567,650	169,735	4,376,772	-
	<u>5,403,771</u>	<u>617,650</u>	<u>855,880</u>	<u>5,165,541</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 16,982,724</u>	<u>\$ 2,617,650</u>	<u>\$ 1,384,583</u>	<u>\$ 18,215,791</u>	<u>\$ 452,027</u>

f. Indebtedness

i. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. On June 22, 2017, the City issued a \$7,881,574, 24-year general obligation bond. \$1,275,000 and \$725,000 of the proceeds of the bond were used to fund capital improvements in the Water Fund and Sewer Fund, respectively. The remaining \$5,881,574 of the bond issuance was used to finance governmental activities.

A summary of the City's general obligation serial bond transactions for the year ended December 31, 2017, is as follows:

Bonds payable, <i>beginning of year</i>	\$ 51,319,324
Bonds issued	7,881,574
Bonds retired	<u>(2,339,324)</u>
Bonds payable, <i>end of year</i>	<u>\$ 56,861,574</u>

General obligation bonds are direct obligations of the City and are pledged by the full faith and credit of the City. Generally, the City's general obligation bonds are tax exempt for federal and New York State income tax purposes. These bonds generally are issued as 20-year to 30-year serial bonds with equal amounts of principal and interest maturing each year. General obligation bonds currently outstanding for governmental and water and sewer activities are as follows:

<u>Public Improvement Bonds</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>December 31, 2017</u>
Serial bond, general obligation	08/08	08/38	5.000%	\$ 4,175,000
Serial bond, general obligation	01/09	01/24	4.250%	405,000
Serial bond, general obligation	09/09	09/39	4.250%	1,180,000
Serial bond, general obligation	07/10	07/37	4.420%	1,290,000
Statutory installment bond	04/11	04/39	4.630%	1,885,000
Serial bond, general obligation	05/12	05/39	2.975%	5,790,000
Serial bond, general obligation	12/12	12/22	2.000%	290,000
Serial bond, general obligation	04/13	06/33	3.372%	3,685,000
Serial bond, general obligation	06/14	06/34	2.810%	4,555,000
Refunding bond	12/14	02/35	2.878%	17,205,000
Serial bond, general obligation	06/15	06/40	3.310%	5,640,000
Serial bond, general obligation	06/16	06/33	2.095%	2,880,000
Serial bond, general obligation	06/17	06/40	2.489%	<u>7,881,574</u>
				<u>\$ 56,861,574</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

f. *Indebtedness* - Continued

i. *General Obligation Bonds* - Continued

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Principal	Interest	Total
For the years ending December 31,			
2018	\$ 2,401,574	\$ 2,054,774	\$ 4,456,348
2019	2,590,000	1,868,115	4,458,115
2020	2,690,000	1,773,654	4,463,654
2021	2,795,000	1,674,859	4,469,859
2022	2,905,000	1,571,437	4,476,437
2023 - 2027	14,240,000	6,294,744	20,534,744
2028 - 2032	14,855,000	3,853,817	18,708,817
2033 - 2037	10,610,000	1,595,956	12,205,956
2038 - 2040	3,775,000	180,794	3,955,794
	\$ 56,861,574	\$ 20,868,150	\$ 77,729,724

Of the total outstanding indebtedness of the City in the sum of \$56,861,574, \$39,605,444 was subject to the statutory debt limit and represented approximately 49% of the City's \$80,523,104 self-imposed debt limit.

The City's general obligation bonds were issued at a premium, which is reported as a component of bonds payable in the government-wide statement of net position. Premiums on general obligation bonds are being amortized using the effective interest method over the life of the bonds. Bond premium amortization is reported as a component of interest expense.

ii. *Special Assessment Debt*

At December 31, 2017, the amount of special assessment debt outstanding for SAD and WASAD was \$435,640 and \$349,908, respectively. These amounts are reflected in the governmental activities statement of net position and included in the schedules above.

iii. *Lease Payables*

On March 7, 2008, the City entered into a lease agreement with Municipal Leasing Consultants for \$1,721,297 to finance energy-saving equipment. The rate of interest on the first \$1,000,000 is 2%, which was bought down by a New York State Energy Research and Development Authority (NYSERDA) grant. On December 14, 2012, the City issued a statutory installment bond in the amount of \$555,304 to refinance the portion of the lease not subsidized by NYSERDA. The principal balance remaining on the lease is \$402,188.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

f. Indebtedness - Continued

iv. Other liabilities include the following:

	January 1, 2017	Additions	Deletions	December 31, 2017
Sick time	\$ 3,179,387	\$ 449,973	\$ 142,925	\$ 3,486,435
Compensatory time	923,569	876,371	777,065	1,022,875
Total	\$ 4,102,956	\$ 1,326,344	\$ 919,990	\$ 4,509,310

v. Construction Loan

On January 10, 2017, the City Center Authority Fund entered into an agreement with The Adirondack Trust Company for a construction loan not-to-exceed \$7,500,000 to finance a new parking facility at High Rock and Maple Avenues. The City Center is required to make a minimum equity contribution of \$4,500,000 toward the project. The loan requires the City Center to maintain a minimum of \$500,000 in liquid funds as additional equity to be used for any contingent costs associated with the construction of the parking facility, for a total equity contribution of \$5,000,000. The City Center is required to establish a debt service reserve account at The Adirondack Trust Company in the amount of \$444,000. The construction loan bears interest at a rate of 3.3% for the first 10 years. After the fixed rate term, the rate will reset at each five year anniversary for the following five years based on *The Wall Street Journal* prime lending rate plus .50% (Taxable Rate) divided by a conversion factor, with a floor of 2.81%. Prior to twelve months after project commencement, the City is required to pay monthly interest payments on the construction loan. Twelve months after project commencement, the City Center is required to remit principal and interest payments sufficient to fully amortize the loan over a period of 26 years.

Collateral for the loan includes a first leasehold mortgage on the parking facility, assignment of rents, leases and profits, a security interest with corresponding UCC filings in all furniture, fixtures, equipment used in the operations of the property, and a first lien security interest in and assignment of all existing and future plans (buildings or otherwise), specifications, drawings, site places, all governmental permits and approvals, site plan approvals, building permits and other permits, all construction contracts, architects' contracts, engineer's contracts and other similar items that pertain to the construction of improvements in connection with the project.

The City Center has drawn \$50,000 of funds on the loan at December 31, 2017. The project was not considered to have commenced at December 31, 2017.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans

Plan Description

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (System). These are cost-sharing, multiple-employer retirement systems. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the Trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (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 System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The City also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance.

Plan Benefits

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

ERS

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

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

Plan Benefits - Continued

PFRS

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

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

Typically, the benefit for members in all Tiers within ERS and PFRS is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a Tier 1 or 2 member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4, or 5 member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a Tier 3, 4, or 5 member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Final average salary for Tiers 1 through 5 is the average of the wages earned in the three highest consecutive years of employment. Each year used in the final average salary calculation is limited to no more than 20 percent of the previous year (Tier 1) or no more than 20 percent of the average of the previous two years (Tier 2). For Tier 3, 4, and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent of the average of the previous two years. The benefit for Tier 6 members who retire with 20 years of service is 1.75 percent of final average salary for each year of service. If a Tier 6 member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied to each year of service over 20 years. The final average salary for a Tier 6 member is computed as the average of the wages earned in the five highest consecutive years. Each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

Plan Benefits - Continued

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

Funding Policy

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

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2017 was approximately 15.5 percent of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2017 was approximately 24.3 percent of payroll. Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
2017	\$ 1,736,737	\$ 2,649,876	\$ 4,386,613
2016	1,644,685	2,960,169	4,604,854
2015	2,154,563	2,668,289	4,822,852

These contributions were equal to the 100% of the actuarially required contributions for each respective fiscal year.

The current ERS contribution for the City was charged to the governmental and business-type activities as indicated below. The Current PFRS contribution was charged to the General Fund.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

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

At December 31, 2017, the City reported a liability of \$10,480,449 in the governmental activities statement of net position and \$738,769 in the business-type activities statement of net position for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, 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.

At December 31, 2017, the City's proportion was .0430345% in the Employee Retirement System and .3462039% in the Police and Fire Retirement System.

For the year ended December 31, 2017, the City recognized pension expense of \$5,956,301 in the governmental activities and \$427,791 in the business-type activities. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
ERS		
Differences between expected and actual experience	\$ 82,816	\$ 501,860
Change in assumptions	1,129,057	-
Net differences between projected and actual investment earnings on pension plan investments	660,112	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	144,970	123,953
City contributions subsequent to the measurement date	1,407,482	-
Total	\$ 3,424,437	\$ 625,813

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
PFRS		
Differences between expected and actual experience	\$ 941,315	\$ 1,239,785
Change in assumptions	3,535,117	-
Net differences between projected and actual investment earnings on pension plan investments	1,071,666	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,053	800,570
City contributions subsequent to the measurement date	2,627,560	-
Total	\$ 8,228,711	\$ 2,040,355

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

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

	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
ERS		
Differences between expected and actual experience	\$ 18,513	\$ 112,186
Change in assumptions	252,390	-
Net differences between projected and actual investment earnings on pension plan investments	147,562	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,407	27,708
City contributions subsequent to the measurement date	314,629	-
Total	\$ 765,501	\$ 139,894

The amount of deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending December 31, 2018. The remaining cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS		
	Governmental Activities	Business Type-Activities	Total
Year ending December 31,			
2018	\$ 632,167	\$ 141,315	\$ 773,482
2019	632,167	141,315	773,482
2020	591,384	132,198	723,582
2021	(464,576)	(103,850)	(568,426)
Total	\$ 1,391,142	\$ 310,978	\$ 1,702,120

	PFRS
	Governmental Activities
Year ending December 31,	
2018	\$ 1,237,491
2019	1,237,491
2020	1,157,506
2021	(187,277)
2022	115,585
Total	\$ 3,560,796

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

Actuarial Assumptions

The total pension liability at March 31, 2017 was determined by using an actuarial valuation as April 1, 2016, with update procedures used to rollforward the total pension liability to March 31, 2017. The actuarial valuations used the following actuarial assumptions:

Actuarial Cost Method	Entry age normal
Inflation Rate	2.5 percent
Salary Scale	
ERS	3.8 percent, indexed by service
PFRS	4.5 percent, indexed by service
Investment rate of return, including inflation	7.0 percent compounded annually, net of expenses
Decrement	Based on FY 2011-2015 experience
Mortality improvement	Society of Actuaries' Scale MP-2014

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2015.

The actuarial assumptions used in the April 1, 2016 valuations are based on the results of actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each 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, 2017 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.75%
Real estate	10.00%	5.80%
Absolute return strategies	2.00%	4.00%
Opportunities portfolio	3.00%	4.89%
Real assets	3.00%	5.54%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation indexed bonds	4.00%	1.50%
	<u>100.00%</u>	

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

Discount Rate

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
ERS			
City's proportionate share of the net pension liability (asset)	\$ 12,914,505	\$ 4,043,615	\$ (3,456,706)
Proprietary activities	\$ 2,329,490	\$ 738,769	\$ (760,475)
Governmental activities	10,585,015	3,304,846	(2,696,231)
	\$ 12,914,505	\$ 4,043,615	\$ (3,456,706)
PFRS			
City's proportionate share of the net pension liability (asset)			
Governmental activities	\$ 20,342,415	\$ 7,175,603	\$ (3,868,131)

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2017, were as follows:

	(Dollars in Thousands)		
	Employees' Retirement System	Police and Fire Retirement System	Total
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483	\$ 209,071,069
Plan net position	<u>(168,004,363)</u>	<u>(29,597,830)</u>	<u>(197,602,193)</u>
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 2,072,653</u>	<u>\$ 11,468,876</u>
Ratio of fiduciary net position to total pension liability	<u>94.7%</u>	<u>93.5%</u>	<u>94.5%</u>

Note 4 - Postemployment Benefits Other Than Pensions

Plan Description. The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The Retiree Health Plan provides lifetime healthcare insurance and prescription drug coverage for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the seven unions representing City employees and are renegotiated at the end of each of the bargaining periods. The Retiree Health Plan does not issue a publicly available financial report. The City offers four community rated HMO’s and one experience rated Traditional PPO. Upon turning 65, a retiree may choose to participate in two Medicare Advantage plans.

The City offers life insurance to active and retired firefighters and police officers who retired prior to January 1, 2007. The plan pays a beneficiary upon death of the retiree.

Funding Policy. Contribution requirements are negotiated between the City and union representatives. The City contributes a percent of the cost of current year premiums for eligible retired Plan members and their spouses. For the year ended December 31, 2017, the City contributed \$3,092,659 to the Retiree Health Plan. Some Retiree Health Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$440,341 for the year ended December 31, 2017.

The City pays the full premium for the life insurance coverage.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 4 - Postemployment Benefits Other Than Pensions - Continued

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for fiscal year 2017, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

Required Information	Govt.	Water	Sewer	Total
Annual required contribution	\$ 11,660,000	\$ 437,197	\$ 233,029	\$ 12,330,226
Interest on net OPEB obligation	2,014,339	95,523	53,684	2,163,546
Adjustment to annual required contribution	<u>(3,399,151)</u>	<u>(161,193)</u>	<u>(90,590)</u>	<u>(3,650,934)</u>
Annual OPEB cost (expense)	10,275,188	371,527	196,123	10,842,838
Contributions made (expected)	<u>(2,687,655)</u>	<u>(139,045)</u>	<u>(30,690)</u>	<u>(2,857,390)</u>
Increase in net OPEB obligation	7,587,533	232,482	165,433	7,985,448
Net OPEB obligation, <i>beginning of year</i>	<u>53,715,703</u>	<u>2,547,290</u>	<u>1,431,567</u>	<u>57,694,560</u>
Net OPEB obligation, <i>end of year</i>	<u>\$ 61,303,236</u>	<u>\$ 2,779,772</u>	<u>\$ 1,597,000</u>	<u>\$ 65,680,008</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Retiree Health Plan, and the net OPEB obligation for fiscal year 2017 was as follows:

Activity	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017			
Governmental	\$ 10,275,188	26%	\$ 61,303,236
Water	363,100	37%	2,779,772
Sewer	196,123	16%	1,597,000
December 31, 2016			
Governmental	10,019,472	25%	53,715,703
Water	363,100	37%	2,547,290
Sewer	188,932	12%	1,431,567
December 31, 2015			
Governmental	7,456,020	28%	46,199,628
Water	283,167	24%	2,319,191
Sewer	139,713	15%	1,265,515

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 4 - Postemployment Benefits Other Than Pensions - Continued

Funded Status and Funding Progress - As of December 31, 2017, the actuarial accrued liability for benefits was \$111,232,398, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Retiree Health Plan) was \$26,468,904, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 420%.

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

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

The following simplifying assumptions were made:

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

Marital Status - It is assumed that 70% of retirees will be married and participating in a non-shared health insurance plan at the time of their retirement, with the male spouse assumed to be approximately three years older than the female.

Mortality - Life expectancies were based on mortality tables from the RP-2000 Mortality Table for Males and for Females.

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

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 11% initially, reduced to an ultimate rate of 8% after six years, was used.

Health Insurance Premiums - The current enrollment of retirees in each of the City's available plans was used to make assumptions about the health plans that current active employees would enroll in upon retiring.

Inflation Rate - The expected long-term inflation assumption is 2.9%. The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group. It represents a reasonable medical trend projection for the current plan provisions and demographics of the City of Saratoga Springs Postemployment Benefits Plan, and no changes to these baseline assumptions are necessary.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 4 - Postemployment Benefits Other Than Pensions - Continued

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4% was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level period of thirty years. The remaining amortization period at December 31, 2017 was twenty-three years.

Note 5 - Tax Abatements

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

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

Copies of the agreements may be obtained from the Commissioner of Finance, 474 Broadway, Saratoga Springs, NY 12866. Information relevant to disclosure of these agreements for the fiscal year ended December 31, 2017 is as follows:

State Date	Agreement	Taxable Assessed Value	Tax Rate	Tax Value	PILOT Received	Taxes Abated
6/17/2003	11 Kirby Road - Kirby Village	\$ 2,761,800	\$ 5.98	\$ 16,516	\$ 2,880	\$ 13,636
5/17/2016	9 Kirby Road - Kirby Village	3,223,400	5.98	19,276	4,713	14,563
8/17/2004	125 West Avenue - Westview Apartment	8,193,000	5.98	48,994	15,075	33,919
7/29/2010	57 Ballston Avenue - Raymond Watkins Apartments	3,000,000	6.07	18,210	14,162	4,048
5/21/1951	Saratoga Housing Authority	22,104,300	6.07	134,173	-	134,173
1/16/2007	Embury Apartments	16,326,800	6.07	99,104	-	99,104
		<u>\$ 55,609,300</u>		<u>\$ 336,273</u>	<u>\$ 36,830</u>	<u>\$ 299,443</u>

Note 6 - Commitments and Contingencies

a. Environmental Risks

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

b. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The General, Water, Sewer, and City Center Authority funds pay insurance premiums.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 6 - Commitments and Contingencies - Continued

b. Risk Management - Continued

The City's Safety Committee reviews potential areas of risk and develops safety policies. The Safety Committee reviews, among other things, workers' compensation trends to determine and prevent causation of similar claims in future. The City belongs to the Saratoga County Workers' Compensation pool, and cases are reviewed and paid by Saratoga County. The City's 2017 annual contribution to the workers' compensation pool was \$851,157.

c. Contingent Liabilities

The City is involved in certain suits and claims arising from a variety of sources. Provision has been made in accounts payable and other current liabilities in the government-wide statement of net position for claims the City has determined to be estimable and probable of settlement. It is the opinion of counsel and management that any remaining liabilities that may arise from such actions would be covered by the City's insurance carrier or would not result in losses that would materially affect the financial position of the City or the results of its operations.

d. Labor Relations

The City has employees covered by seven bargaining units. The Police Chiefs' contract will expire on December 31, 2019, the Police Benevolent Association's and Fire Chiefs' will expire on December 31, 2022, the Police Lieutenants' will expire on December 31, 2020, and the CSEA City Hall and CSEA DPW contracts will expire on December 31, 2021. The Firefighters' contract expires on December 31, 2018.

Note 7 - Subsequent Events

In May 2018, the City issued \$6,260,000 in refunding bonds at a premium of \$442,809, to refund \$6,460,000 in general obligation bonds series 2008, 2009 and 2010. The refunding bonds will be repaid annually starting in 2018 at fixed interest rates ranging from 2.00% to 5.00% through July 2039. The refunding resulted in a net present value savings of \$965,345. The proceeds of the 2018 Refunding Bonds were used as follows:

Sources

Par amount of 2018 Refunding Bonds	\$ 6,260,000
Net original issue premium	442,809
	<u>\$ 6,702,809</u>

Uses

Deposit to debt service reserve fund	\$ 6,598,052
Cost of issuance	64,000
Underwriter's discount	36,496
Other uses	4,261
	<u>\$ 6,702,809</u>

In June 2018, the City issued \$6,777,562 in public improvement (serial) bonds to finance certain equipment purchases and to finance various projects throughout the City. The bonds will be repaid annually commencing in 2019 at fixed interest rates ranging from 2.500% to 3.375% through June 2042.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 8 - Accounting Standards Issued But Not Yet Implemented

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

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73* (GASB 82). GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying fiduciary activities of 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. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017* (GASB 85). The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and “negative” goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2017

Note 8 - Accounting Standards Issued But Not Yet Implemented – Continued

- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

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

GASB Statement No. 87, *Leases* (GASB 87). This statement requires 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. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines-of-credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

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

City of Saratoga Springs, New York

Required Supplementary Information Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Revised - Positive (Negative)
	Adopted	Revised		
REVENUES				
Real property taxes and related tax items	\$ 18,060,096	\$ 18,282,015	\$ 16,901,104	\$ (1,380,911)
Non-property taxes	15,736,891	15,736,891	14,408,999	(1,327,892)
Departmental income	2,300,240	2,430,398	2,786,511	356,113
Intergovernmental charges	384,320	390,744	415,514	24,770
Use of money and property	618,944	618,944	621,437	2,493
Licenses and permits	417,000	417,000	455,403	38,403
Fines and forfeitures	660,000	680,054	794,127	114,073
Sale of property and compensation for loss	501,020	822,179	860,256	38,077
Miscellaneous	2,476,992	2,725,084	2,680,527	(44,557)
State aid	3,639,101	4,130,703	4,251,877	121,174
Federal aid	606,214	60,151	46,223	(13,928)
Total revenues	<u>45,400,818</u>	<u>46,294,163</u>	<u>44,221,978</u>	<u>(2,072,185)</u>
EXPENDITURES				
General government support	11,005,428	11,015,650	10,020,667	994,983
Public safety	26,082,489	26,080,664	24,065,678	2,014,986
Health	128,265	174,757	164,683	10,074
Transportation	4,279,920	4,866,719	4,358,889	507,830
Economic opportunity and development	170,291	170,817	170,339	478
Culture and recreation	2,228,110	3,271,963	2,856,554	415,409
Home and community service	1,436,728	1,677,432	1,455,423	222,009
Debt service	69,587	69,587	69,587	-
Total expenditures	<u>45,400,818</u>	<u>47,327,589</u>	<u>43,161,820</u>	<u>4,165,769</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	126,464	155,474	132,914	(22,560)
Interfund transfers out	-	-	(277,472)	(277,472)
Total other financing sources (uses)	<u>126,464</u>	<u>155,474</u>	<u>(144,558)</u>	<u>(300,032)</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	126,464	(877,952)	915,600	\$ 1,793,552
FUND BALANCE, <i>beginning of year</i>	<u>15,483,219</u>	<u>15,483,219</u>	<u>15,483,219</u>	
FUND BALANCE, <i>end of year</i>	<u>\$ 15,609,683</u>	<u>\$ 14,605,267</u>	<u>\$ 16,398,819</u>	

City of Saratoga Springs, New York

Required Supplementary Information Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund

	December 31, 2017			
	Budgeted Amounts		Actual	Variance with
	Adopted	Revised	Amounts	Revised - Positive (Negative)
REVENUES				
Real property taxes and related tax items	\$ 3,526,451	\$ 3,526,451	\$ 2,832,041	\$ (694,410)
Use of money and property	1,600	1,600	1,664	64
Miscellaneous	20,000	26,210	57,000	30,790
Total revenues	3,548,051	3,554,261	2,890,705	(663,556)
EXPENDITURES				
General government support	40,000	41,271	35,266	6,005
Debt service, principal	1,940,673	1,940,974	1,795,951	145,023
Debt service, interest	1,423,971	1,432,731	1,432,009	722
Total expenditures	3,404,644	3,414,976	3,263,226	151,750
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	199,600	199,600	199,694	94
Interfund transfers out	-	-	(144,545)	(144,545)
Total other financing sources (uses)	199,600	199,600	55,149	(144,451)
Net change in fund balance (actual) and appropriated fund balance (budget)	343,007	338,885	(317,372)	\$ (656,257)
FUND BALANCE, beginning of year	2,242,811	2,242,811	2,242,811	
FUND BALANCE, end of year	\$ 2,585,818	\$ 2,581,696	\$ 1,925,439	

City of Saratoga Springs, New York

Required Supplementary Information Other Postemployment Benefits - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
12/31/2016	\$ -	\$ 105,106,456	\$ 105,106,456	0.00%	\$ 27,265,433	385%
12/31/2014	\$ -	\$ 77,687,462	\$ 77,687,462	0.00%	\$ 22,258,925	349%
12/31/2012	\$ -	\$ 78,232,416	\$ 78,232,416	0.00%	\$ 20,837,019	375%
12/31/2010	\$ -	\$ 104,696,316	\$ 104,696,316	0.00%	\$ 15,199,469	689%

City of Saratoga Springs, New York

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ERS			
City's proportion of the net pension liability	0.0430345%	0.0448128%	0.0414829%
City's proportionate share of the net pension liability	\$ 4,043,615	\$ 7,192,574	\$ 1,401,392
City's covered-employee payroll	\$ 11,900,452	\$ 11,088,897	\$ 11,068,113
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.98%	64.86%	12.66%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
PFRS			
City's proportion of the net pension liability	0.346204%	0.334572%	0.3247468%
City's proportionate share of the net pension liability	\$ 7,175,602	\$ 9,905,974	\$ 893,897
City's covered-employee payroll	\$ 11,245,023	\$ 10,699,616	\$ 9,655,380
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.81%	92.58%	9.26%
Plan fiduciary net position as a percentage of the total pension liability	93.46%	90.24%	99.00%

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

City of Saratoga Springs, New York

Required Supplementary Information Schedule of Pension Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
ERS							
Contractually required contribution	\$ 1,722,111	\$ 1,644,685	\$ 2,154,563	\$ 1,956,585	\$ 2,040,703	\$ 1,820,208	\$ 1,493,697
Contributions in relation to the contractually required contribution	1,722,111	1,644,685	2,154,563	1,956,585	2,040,703	1,820,208	1,493,697
Contribution deficiency (excess)	-	-	-	-	-	-	-
City's covered-employee payroll	11,900,452	11,088,897	11,068,113	10,187,493	9,871,986	9,516,189	8,850,094
Contributions as a percentage of covered-employee payroll	14.47%	14.83%	19.47%	19.21%	20.67%	19.13%	16.88%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
PFRS							
Contractually required contribution	\$ 2,627,560	\$ 2,960,169	\$ 2,668,289	\$ 3,163,809	\$ 3,353,037	\$ 3,055,740	\$ 2,445,663
Contributions in relation to the contractually required contribution	2,627,560	2,960,169	2,668,289	3,163,809	3,353,037	3,055,740	2,445,663
Contribution deficiency (excess)	-	-	-	-	-	-	-
City's covered-employee payroll	11,245,023	10,699,616	9,655,380	9,978,301	9,567,690	9,160,503	8,652,781
Contributions as a percentage of covered-employee payroll	23.37%	27.67%	27.64%	31.71%	35.05%	33.36%	28.26%

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

City of Saratoga Springs, New York

Supplementary Information
December 31, 2017

Combining Non-Major Governmental Funds

The City maintains two Special Revenue Funds that are not considered major governmental funds. These non-major special revenue funds include the following:

- Downtown Special Assessment District (SAD) was created to make improvements in the boundaries of the district and is funded through a special assessment on the property owners in the district.
- West Avenue Special Assessment District (WASAD) was created to make improvements in the boundaries of the district and is funded through a special assessment on the property owners in the district.

The following are financial statements for these non-major governmental funds:

City of Saratoga Springs, New York

Supplementary Information - Combining Balance Sheet - Non-Major Governmental Funds

	December 31, 2017		
	Downtown Special Assessment District	West Avenue Special Assessment District	Total
ASSETS			
Cash and cash equivalents	\$ 352,804	\$ 4,975	\$ 357,779
Cash, restricted	1,973	-	1,973
Total assets	\$ 354,777	\$ 4,975	\$ 359,752
LIABILITIES			
Accounts payable and accrued liabilities	\$ 800	\$ -	\$ 800
Due to other funds	20,000	-	20,000
Total liabilities	20,800	-	20,800
FUND BALANCE			
Restricted for			
Other restrictions	1,973	-	1,973
Assigned for			
Special district purposes	332,004	4,975	336,979
Total fund balance	333,977	4,975	338,952
Total liabilities and fund balances	\$ 354,777	\$ 4,975	\$ 359,752

City of Saratoga Springs, New York

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

	Year Ended December 31, 2017		
	Downtown Special Assessment District	West Avenue Special Assessment District	Total
REVENUES			
Real property taxes and related tax items	\$ 115,170	\$ 51,005	\$ 166,175
Use of money and property	5,486	25	5,511
Total revenues	120,656	51,030	171,686
EXPENDITURES			
Other general governmental support	-	845	845
Economic opportunity and development	27,457	-	27,457
Debt service			
Principal	14,670	-	14,670
Interest	12,370	-	12,370
Total expenditures	54,497	845	55,342
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	-	(49,503)	(49,503)
Net change in fund balance	66,159	682	66,841
FUND BALANCE, <i>beginning of year</i>	267,818	4,293	272,111
FUND BALANCE, <i>end of Year</i>	\$ 333,977	\$ 4,975	\$ 338,952