

City of Saratoga Springs, New York

Financial Report

December 31, 2016

City of Saratoga Springs, New York

Financial Report

December 31, 2016

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 of Saratoga Springs, New York as of December 31, 2016, 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 60 through 62 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 26, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
July 26, 2017



City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2016

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, 2016. 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 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, 2016, by \$13,413,147 representing net position. Of this amount, \$42,984,739 represents the City's investment in capital assets net of related debt, and \$18,309,600 is restricted for future capital improvements, debt service, and other purposes. The remaining amount, which represents negative unrestricted net position, is \$47,828,018. The primary driver of the City's negative unrestricted net position is unfunded other postemployment benefits, compensated absences, and net pension liability of \$57,694,560, \$3,692,956, and \$17,099,060, respectively.
- At December 31, 2016, the City's governmental funds reported a combined ending fund balance of \$21,898,269. Of this amount, \$27,553,847 of the fund balance was nonspendable, restricted, or assigned for specific purposes. The combined unassigned fund balance was a negative \$5,655,578 due to \$13,499,941 of encumbrances reported in the Capital Projects Fund.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$9,009,363.

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, 2016

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, 2016 for the SAD was \$267,847, and for the WASAD was \$4,293. 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, 2016

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 through 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 54 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 \$13,413,147 at December 31, 2016.

By far, the largest portion, \$42,984,739, of the City's net position reflects its investment in capital assets (i.e., land, buildings, improvements, infrastructure, work in progress, and machinery and equipment) 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	
	2016	2015	2016	2015	2016	2015
Current assets and deferred outflows of resources	\$ 48,036,347	\$ 32,261,388	\$ 14,240,390	\$ 14,145,802	\$ 62,276,737	\$ 46,407,190
Capital assets, net	68,974,061	66,207,356	24,305,639	23,913,816	93,279,700	90,121,172
Total assets	<u>117,010,408</u>	<u>98,468,744</u>	<u>38,546,029</u>	<u>38,059,618</u>	<u>155,556,437</u>	<u>136,528,362</u>
Long-term liabilities	112,912,438	87,670,401	16,459,006	15,370,884	129,371,444	103,041,285
Other liabilities and deferred inflows of resources	11,307,066	11,350,688	1,464,780	1,559,626	12,771,846	12,910,314
Total liabilities	<u>124,219,504</u>	<u>99,021,089</u>	<u>17,923,786</u>	<u>16,930,510</u>	<u>142,143,290</u>	<u>115,951,599</u>
Net position						
Net investment in capital assets	30,244,553	27,781,996	12,740,186	11,814,936	42,984,739	39,596,932
Restricted	10,320,457	10,678,612	7,989,143	9,442,408	18,309,600	20,121,020
Unrestricted	<u>(47,774,106)</u>	<u>(39,012,953)</u>	<u>(107,086)</u>	<u>(128,236)</u>	<u>(47,881,192)</u>	<u>(39,141,189)</u>
Total net position	<u>\$ (7,209,096)</u>	<u>\$ (552,345)</u>	<u>\$ 20,622,243</u>	<u>\$ 21,129,108</u>	<u>\$ 13,413,147</u>	<u>\$ 20,576,763</u>

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2016

Overview of the Financial Statements - Continued

Government-Wide Financial Analysis - Continued

The City experienced a decrease in net position during 2016 totaling \$7,163,616, as shown in the following statement:

	December 31,					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues						
Charges for services	\$ 5,710,483	\$ 5,736,012	\$ 9,223,833	\$ 9,591,491	\$ 14,934,316	\$ 15,327,503
Operating grants and contributions	3,890,255	3,366,043	-	-	3,890,255	3,366,043
Capital grants and contributions	366,080	2,461,261	-	-	366,080	2,461,261
General revenues						
Property taxes	20,033,405	19,679,989	-	-	20,033,405	19,679,989
Other taxes	14,522,969	14,202,315	1,244,164	1,259,253	15,767,133	15,461,568
State aid and mortgage taxes	3,224,171	3,298,336	-	-	3,224,171	3,298,336
Other	408,899	340,794	229,908	166,420	638,807	507,214
Total revenues	<u>48,156,262</u>	<u>49,084,750</u>	<u>10,697,905</u>	<u>11,017,164</u>	<u>58,854,167</u>	<u>60,101,914</u>
EXPENSES						
General governmental support	13,420,725	13,381,452	-	-	13,420,725	13,381,452
Public safety	31,337,619	25,789,603	-	-	31,337,619	25,789,603
Health	22,053	120,135	-	-	22,053	120,135
Transportation	4,326,945	4,293,890	-	-	4,326,945	4,293,890
Economic opportunity and development	177,613	203,387	-	-	177,613	203,387
Culture and recreation	2,503,709	3,853,100	-	-	2,503,709	3,853,100
Home and community service	2,168,001	1,877,942	-	-	2,168,001	1,877,942
Interest on long-term debt	1,439,004	1,484,546	-	-	1,439,004	1,484,546
Water	-	-	3,897,211	3,779,348	3,897,211	3,779,348
Sewer	-	-	3,795,357	3,740,363	3,795,357	3,740,363
City Center Authority	-	-	2,929,546	2,817,075	2,929,546	2,817,075
Total expenses	<u>55,395,669</u>	<u>51,004,055</u>	<u>10,622,114</u>	<u>10,336,786</u>	<u>65,732,455</u>	<u>61,340,841</u>
Transfers	582,656	(569,095)	(582,656)	569,095	-	-
CHANGE IN NET POSITION	<u>(6,656,751)</u>	<u>(2,488,400)</u>	<u>(506,865)</u>	<u>1,249,473</u>	<u>(7,163,616)</u>	<u>(1,238,927)</u>
NET POSITION, beginning of year as previously stated	(552,345)	1,772,403	21,129,108	20,001,885	20,576,763	21,774,288
Effects of adoption of GASB 68 and 71	-	163,652	-	(122,250)	-	41,402
NET POSITION, beginning of year as restated	<u>(552,345)</u>	<u>1,936,055</u>	<u>21,129,108</u>	<u>19,879,635</u>	<u>20,576,763</u>	<u>21,815,690</u>
NET POSITION, end of year	<u>\$ (7,209,096)</u>	<u>\$ (552,345)</u>	<u>\$ 20,622,243</u>	<u>\$ 21,129,108</u>	<u>\$ 13,413,147</u>	<u>\$ 20,576,763</u>

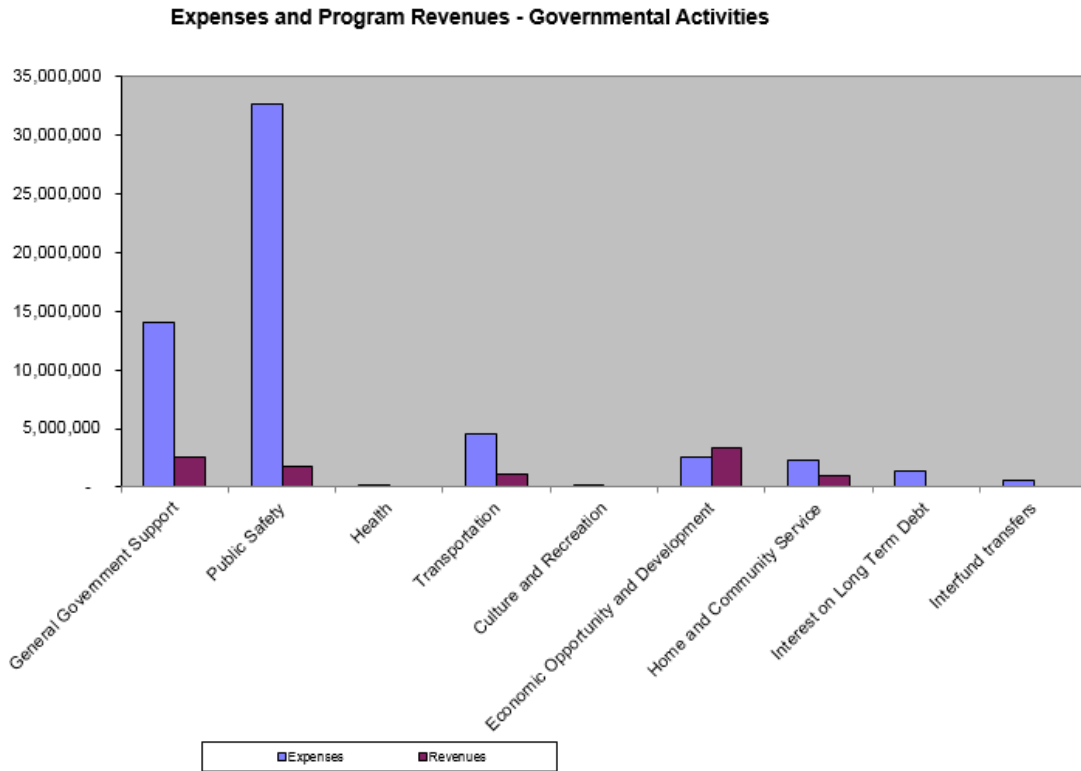
City of Saratoga Springs, New York

Management's Discussion and Analysis
December 31, 2016

Overview of the Financial Statements - Continued

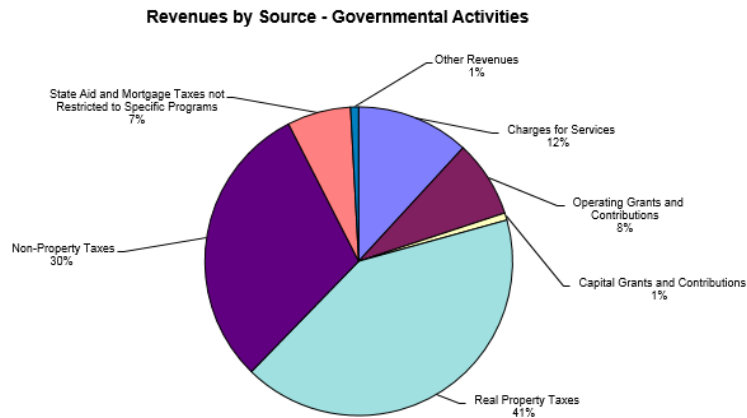
Government-Wide Financial Analysis - Continued

Governmental activities. Governmental activities decreased the City's net position by \$6,656,751. 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 increased by 3%.

The following chart shows revenues by source for all governmental activities, with general revenues totaling 79% and program revenues totaling 21%:



City of Saratoga Springs, New York

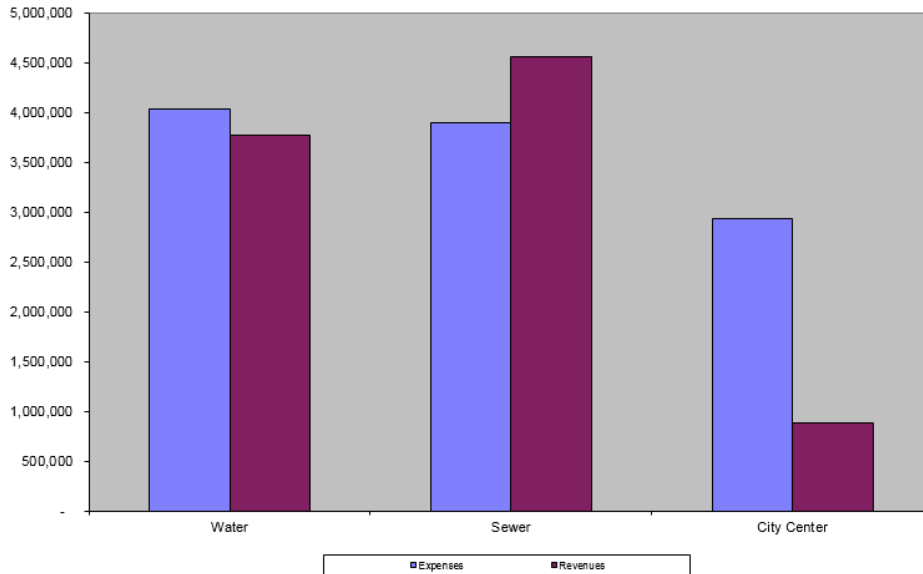
Management's Discussion and Analysis
December 31, 2016

Overview of the Financial Statements - Continued

Government-Wide Financial Analysis - Continued

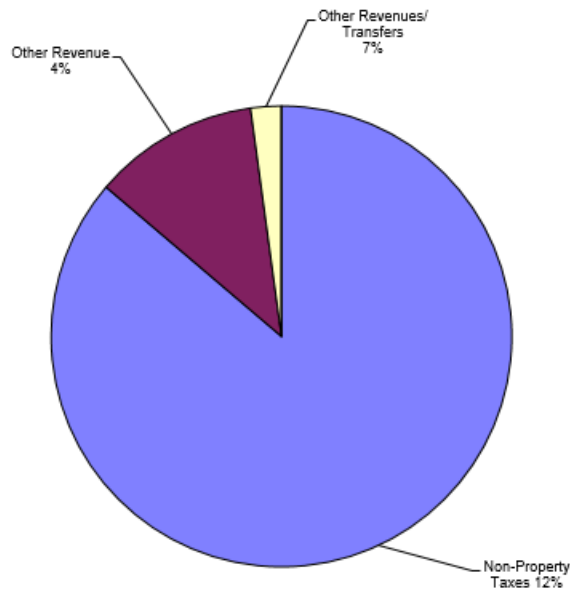
Business-type activities. Business-type activities decreased the City's net position by \$506,656.

Expenses and Program Revenues - Business-type Activities



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.

Revenues by Source - Business-type Activities



City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2016

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 fund balance 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 balances of \$21,898,269, a decrease of \$801,068 from the prior year. \$27,553,847 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 \$15,650,030, 2) be held for future capital improvements of \$5,929,252, 3) restricted for tax stabilization of \$1,506,412, 4) various other restrictions set by the City Council, and 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 \$9,009,363, while total fund balance was \$15,483,219. 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 36% of that same amount.

The overall fund balance of the City's General Fund decreased by \$1,057,982 during the current fiscal year. Key factors in this decrease are as follows:

General Fund Revenues

1. Sales tax increased from 2015 by 3.2% but did not exceed the budget. 2016 sales tax collections were \$11,982,000, a \$371,000 increase from 2015 actual collections, and \$292,000 less than the 2016 adopted budget.
2. Hotel Room Occupancy Tax decreased by 1.2%. 2016 actual collections were \$622,000, a decrease of \$7,000 from 2015. Actual amounts were \$68,000 less than the 2016 adopted budget.
3. Utilities Gross Receipts Tax declined for the second year. Amounts received were \$397,000 in 2016 and \$423,000 in 2015. Receipts did not meet the 2016 adopted budget by \$77,000.
4. Franchise Fees grew 4% during 2016. Actual receipts of \$568,000 exceeded the adopted budget by \$23,000.
5. Ambulance Fees increased in 2016 by \$123,000. \$1,033,000 was collected, a 13% increase from last year. Actual amounts exceeded the budget by \$206,000. This is the second consecutive year with an increase.
6. Admission Tax decreased \$38,000, or 6% from 2015. Actual amounts received for 2016 were \$590,000. The budget was \$591,000 for 2016.
7. VLT Aid was \$2,326,000 in 2016, the same as 2015 and 2014. The revised 2016 budget was \$1,893,000.
8. Mortgage Tax receipts decreased in 2016. Actual receipts for 2016 were \$1,472,000, 3% less than 2015. The budget for 2016 was \$1,530,000.
9. Overall, total general fund revenues in 2016 were less than 2015. Total revenues for the General Fund were \$42.7 million, \$1.2 million less than in 2015 and \$2.9 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 but the City finished with only a \$1 million operating deficit.

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2016

Financial Analysis of the City's Funds - Continued

Governmental funds - Continued

General Fund Expenses

1. Health insurance costs were \$6,816,000 in 2016. This was an increase of 3.75% from 2015. However, 2016 actual expenses were \$206,000 less than the revised budget.
2. Retirement costs increased 6% for police and fire but decreased for other employees by 19%. 2016 total actual retirement expenses were \$4,636,000 and met the budget. Chapter 260 of the Laws of 2004 of the State of New York allowed local employers to amortize a portion of their retirement bill for up to 10 years. The City took advantage of this option only once, in 2004. The final amortization payment was made in 2015. Therefore, this is the reason for the decrease in the other employees annual payment.
3. Social Security expenses in 2016 were \$1,573,000, \$138,000 less than budgeted but \$37,000 more than last year.
4. Utility costs were budgeted for \$555,000, and actual expenses were \$442,000. Actual expenses in 2016 were \$64,000 less than fiscal year 2015.
5. Overtime costs totaled \$882,000 in 2016 which was a 14.7% decrease from 2015. Overtime was budgeted as \$975,000 for 2016. Decreases in costs are primarily due to the settlement of the PBA contract in 2015 and retroactive pay for overtime costs over a number of years.
6. Payments for compensatory time amounted to \$597,000, a 29% increase from 2015. Compensatory time pay outs were budgeted for \$638,000.
7. Total personal services costs (excluding social security) were \$515,000 higher in 2016. This was primarily the result of negotiated salary increases for union personnel.
8. During 2016 the City was required to pay a \$750,000 legal settlement for a longstanding court case. This payment was made from unassigned fund balance.
9. Total General Fund expenses were \$607,000 more than in 2015, but \$3.2 million less than budgeted. It is important to note that of this \$3.2 million, \$1 million was encumbered at year end. Encumbrances are goods or services which are ordered or committed to in 2016 but will be received and paid for in 2017. Therefore, the actual unspent/uncommitted variance was \$2.2 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, 2016, amounts to \$42,984,739 (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 and sewer system. Improved storm drainage in various areas of the City.
- Many recreational and park improvements.
- Various equipment, such as an aerial apparatus for the Fire Department.

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2016

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	
	2016	2015	2016	2015	2016	2015
Land	\$ 5,516,625	\$ 3,961,353	\$ 325,841	\$ 325,841	\$ 5,842,466	\$ 4,287,194
Buildings	26,518,219	23,424,751	15,455,423	15,455,422	41,973,642	38,880,173
Improvements other than building	10,436,304	10,160,356	4,010,412	3,380,431	14,446,716	13,540,787
Machinery, equipment and vehicles	16,477,840	16,347,641	1,786,502	1,784,302	18,264,342	18,131,943
Infrastructure	57,829,520	57,371,528	18,281,689	17,699,936	76,111,209	75,071,464
Work in progress	5,336,836	7,889,767	1,461,527	1,123,752	6,798,363	9,013,519
Totals	<u>122,115,344</u>	<u>119,155,396</u>	<u>41,321,394</u>	<u>39,769,684</u>	<u>163,436,738</u>	<u>158,925,080</u>
Accumulated depreciation	<u>53,141,283</u>	<u>52,948,040</u>	<u>17,015,755</u>	<u>15,855,868</u>	<u>70,157,038</u>	<u>68,803,908</u>
Capital assets net of accumulated depreciation	<u>\$ 68,974,061</u>	<u>\$ 66,207,356</u>	<u>\$ 24,305,639</u>	<u>\$ 23,913,816</u>	<u>\$ 93,279,700</u>	<u>\$ 90,121,172</u>

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 \$51,319,324. Of this amount, \$50,869,014 comprises debt backed by the full faith and credit of the City, and \$450,310 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 \$267,802,653, 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 \$76,515,044, which is also significantly in excess of the City's outstanding general obligation debt.

The City participates in the New York State and Local Retirement Systems for police and firefighters (PFRS) and all other employees (ERS).

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 is paying for this program over a ten-year period with interest starting the second year at 8% per annum. The first installment was due February 1, 2008, for the City's 2007 fiscal year. All outstanding debt was paid on December 15, 2016.

Additional information on the City's long-term debt can be found in Note 1o on page 32 and Note 3f on pages 39 through 41 of this report.

City of Saratoga Springs, New York

Management's Discussion and Analysis December 31, 2016

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 2016. 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.

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, 2016		
	Governmental Activities	Business-type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 9,926,965	\$ 855,200	\$ 10,782,165
Cash and cash equivalents, restricted	11,351,124	7,989,143	19,340,267
Receivables, net	6,706,931	3,740,466	10,447,397
Inventory	-	40,870	40,870
Prepaid expenses	-	8,933	8,933
Internal balances	(1,053)	1,053	-
Due from fiduciary fund	-	102	-
Accrued interest receivable	28,207	-	28,207
Total current assets	28,012,174	12,635,767	40,647,839
NONCURRENT ASSETS			
Nondepreciable capital assets	10,853,461	1,787,368	12,640,829
Depreciable capital assets	58,120,600	22,518,271	80,638,871
Total assets	96,986,235	36,941,406	133,927,539
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	19,381,183	1,604,623	20,985,806
Deferred refunding charges	642,990	-	642,990
Total assets and deferred outflows of resources	117,010,408	38,546,029	155,556,335
LIABILITIES			
Accounts payable and other current liabilities	2,464,183	385,378	2,849,561
Accrued interest payable	1,437,984	385,574	1,823,558
Bond anticipation note payable	1,165,000	-	1,165,000
Current maturities on long-term liabilities	3,406,505	510,218	3,916,723
Total current liabilities	8,473,672	1,281,170	9,754,842
NONCURRENT LIABILITIES			
Bonds payable	39,428,018	11,055,235	50,483,253
Capital lease obligations	401,615	-	401,615
Compensated absences	3,692,956	-	3,692,956
Other postemployment benefits	53,715,703	3,978,857	57,694,560
Net pension liability	15,674,146	1,424,914	17,099,060
Total liabilities	121,386,110	17,740,176	139,126,286
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	2,833,394	183,610	3,017,004
Total liabilities and deferred inflows of resources	124,219,504	17,923,786	142,143,290
NET POSITION			
Net investment in capital assets	30,244,553	12,740,186	42,984,739
Restricted for			
Capital improvements	1,209,404	6,976,886	8,186,290
Capital projects	4,719,848	-	4,719,848
Debt service	2,242,811	-	2,242,811
Tax stabilization	1,506,412	-	1,506,412
Retirement reserve	439,383	-	439,383
Insurance reserve	121,756	-	121,756
Special district	1,971	-	1,971
Waterline extensions	-	1,012,257	1,012,257
Other purposes	78,872	-	78,872
Unrestricted	(47,774,106)	(107,086)	(47,881,192)
Total net position	\$ (7,209,096)	\$ 20,622,243	\$ 13,413,147

See accompanying Notes to Financial Statements.

City of Saratoga Springs, New York

Government-Wide Financial Statements Statement of Activities

Year Ended December 31, 2016

Functions/Programs	Year Ended December 31, 2016						
	Program Revenue			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General governmental support	\$ 13,420,725	\$ 2,561,639	\$ 56,703	\$ -	\$ (10,802,383)	\$ -	\$ (10,802,383)
Public safety	31,337,619	1,745,506	90,271	-	(29,501,842)	-	(29,501,842)
Health	22,053	-	-	-	(22,053)	-	(22,053)
Transportation	4,326,945	-	728,897	366,080	(3,231,968)	-	(3,231,968)
Economic opportunity and development	177,613	-	-	-	(177,613)	-	(177,613)
Culture and recreation	2,503,709	1,066,339	2,332,292	-	894,922	-	894,922
Home and community service	2,168,001	336,999	682,092	-	(1,148,910)	-	(1,148,910)
Interest on long-term debt	1,439,004	-	-	-	(1,439,004)	-	(1,439,004)
Total governmental activities	<u>55,395,669</u>	<u>5,710,483</u>	<u>3,890,255</u>	<u>366,080</u>	<u>(45,428,851)</u>	<u>-</u>	<u>(45,428,851)</u>
BUSINESS-TYPE ACTIVITIES							
Water	3,897,211	3,777,105	-	-	-	(120,106)	(120,106)
Sewer	3,795,357	4,554,660	-	-	-	759,303	759,303
City Center Authority	2,929,546	892,068	-	-	-	(2,037,478)	(2,037,478)
Total business-type activities	<u>10,622,114</u>	<u>9,223,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,398,281)</u>	<u>(1,398,281)</u>
Total government	<u>\$ 66,017,783</u>	<u>\$ 14,934,316</u>	<u>\$ 3,890,255</u>	<u>\$ 366,080</u>	<u>\$ (45,428,851)</u>	<u>\$ (1,398,281)</u>	<u>\$ (46,827,132)</u>
GENERAL REVENUES							
Real property tax and related tax items					\$ 20,033,405	\$ -	\$ 20,033,405
Non-property taxes					14,522,969	1,244,164	15,767,133
Other general revenue items					305,725	221,465	527,190
Interest earnings					103,174	8,443	111,617
State aid and mortgage taxes not restricted to specific purposes					3,224,171	-	3,224,171
Total general revenues					<u>38,189,444</u>	<u>1,474,072</u>	<u>39,663,516</u>
TRANSFERS							
Transfer to governmental from business-type activities					582,656	(582,656)	-
Total general revenues and transfers					<u>38,772,100</u>	<u>891,416</u>	<u>39,663,516</u>
CHANGE IN NET POSITION					(6,656,751)	(506,865)	(7,163,616)
NET POSITION, beginning of year					<u>(552,345)</u>	<u>21,129,108</u>	<u>20,576,763</u>
NET POSITION, end of year					<u>\$ (7,209,096)</u>	<u>\$ 20,622,243</u>	<u>\$ 13,413,147</u>

See accompanying Notes to Financial Statements.

City of Saratoga Springs, New York

Fund Financial Statements Balance Sheet - Governmental Funds

December 31, 2016

	Major Funds				Other Governmental Funds	Eliminations	Total Governmental Funds
	General	Capital Projects	Debt Service	Community Development			
ASSETS							
Cash and cash equivalents	\$ 9,288,589	\$ -	\$ -	\$ 346,883	\$ 291,493	\$ -	\$ 9,926,965
Cash and cash equivalents, restricted	3,355,857	5,528,809	2,464,487	-	1,971	-	11,351,124
Receivables, net	3,620,652	-	-	126,310	-	-	3,746,962
Receivables from other governments	2,569,074	336,466	-	54,429	-	-	2,959,969
Prepaid expenses	967,910	-	-	-	-	-	967,910
Due from other funds	259,850	-	-	-	-	(259,850)	-
Total assets	\$ 20,061,932	\$ 5,865,275	\$ 2,464,487	\$ 527,622	\$ 293,464	\$ (259,850)	\$ 28,952,930
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ 918,952	\$ 895,569	\$ 1,834	\$ 29,320	\$ 5,401	\$ -	\$ 1,851,076
Bond anticipation note payable	-	1,165,000	-	-	-	-	1,165,000
Due to other funds	-	-	219,842	25,109	15,952	(259,850)	1,053
Due to other governments	611,504	-	-	1,603	-	-	613,107
	<u>1,530,456</u>	<u>2,060,569</u>	<u>221,676</u>	<u>56,032</u>	<u>21,353</u>	<u>(259,850)</u>	<u>3,630,236</u>
Deferred inflows of resources							
Unavailable tax resources	1,698,865	-	-	-	-	-	1,698,865
Other unavailable resources	1,349,392	249,858	-	126,310	-	-	1,725,560
	<u>3,048,257</u>	<u>249,858</u>	<u>-</u>	<u>126,310</u>	<u>-</u>	<u>-</u>	<u>3,424,425</u>
Total liabilities and deferred inflows of resources	4,578,713	2,310,427	221,676	182,342	21,353	(259,850)	7,054,661
Fund balance							
Nonspendable	967,910	-	-	-	-	-	967,910
Restricted for							
Capital reserve	1,209,404	-	-	-	-	-	1,209,404
Capital projects	-	4,719,848	-	-	-	-	4,719,848
Tax stabilization reserve	1,506,412	-	-	-	-	-	1,506,412
Retirement reserve	439,383	-	-	-	-	-	439,383
Insurance reserve	121,786	-	-	-	-	-	121,786
Other restrictions	78,872	-	2,242,811	-	1,971	-	2,323,654
Assigned for							
Encumbrances	541,112	13,499,941	-	-	-	-	14,041,053
2016 budget	1,608,977	-	-	-	-	-	1,608,977
Other assignments	-	-	-	345,280	-	-	345,280
Special district purposes	-	-	-	-	270,140	-	270,140
Unassigned	9,009,363	(14,664,941)	-	-	-	-	(5,655,578)
Total fund balance	15,483,219	3,554,848	2,242,811	345,280	272,111	-	21,898,269
Total liabilities and fund balances	\$ 20,061,932	\$ 5,865,275	\$ 2,464,487	\$ 527,622	\$ 293,464	\$ (259,850)	\$ 28,952,930

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,
2016**

Total fund balances in the fund financial statements for the governmental funds.	\$ 21,898,269
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.	68,974,061
Accrued interest on property, school taxes, and community development loans on receivables for revenues earned, measurable, but not available are added.	28,207
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.	3,424,425
Deferred outflows and inflows for pensions are included in the government-wide statements and are added.	
Prepaid pension contributions	(967,910)
Deferred outflows - pension contributions subsequent to the measurement date	4,279,144
Deferred outflows - pension resources	15,102,039
Deferred inflows - pension resources	(2,833,394)
Long-term liabilities for bonded debt are included as liabilities in the government-wide statements and are deducted.	(41,372,523)
The difference between the bond reacquisition price and the net carrying amount of the bond is deferred and amortized to interest expense.	642,990
Long-term liabilities for the lease obligations by the City are included as liabilities in the government-wide statements and are deducted.	(453,615)
Long-term liabilities for other post-employment benefit obligations of the City are included as liabilities in the government-wide statements and are deducted.	(53,715,703)
Long-term liabilities for pension obligations by the City are included as liabilities in the government-wide statements and are deducted.	(15,674,146)
Other current liabilities for compensated absences are included in the government-wide statements as liabilities and are deducted.	(4,102,956)
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>(1,437,984)</u>
Net position of governmental activities	<u><u>\$ (7,209,096)</u></u>

See accompanying Notes to Financial Statements.

City of Saratoga Springs, New York

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

	Year Ended December 31, 2016					
	Major Funds				Other	Total
	General	Capital Projects	Debt Service	Community Development	Governmental Funds	Governmental Funds
REVENUES						
Real property taxes and related tax items	\$ 16,789,221	\$ -	\$ 2,596,024	\$ -	\$ 162,958	\$ 19,548,203
Non-property taxes	14,522,969	-	-	-	-	14,522,969
Departmental income	2,697,756	-	-	13,597	-	2,711,353
Intergovernmental charges	359,001	60,001	-	-	-	419,002
Use of money and property	649,230	49,610	1,628	4,101	15,267	719,836
Licenses and permits	390,337	-	-	-	-	390,337
Fines and forfeitures	523,423	-	-	-	-	523,423
Sale of property and compensation for loss	519,213	-	-	-	-	519,213
Miscellaneous	2,576,530	360,000	263,425	-	-	3,199,955
State aid	3,314,232	-	-	-	-	3,314,232
Federal aid	70,888	490,672	-	633,563	-	1,195,123
Total revenues	42,412,800	960,283	2,861,077	651,261	178,225	47,063,646
EXPENDITURES						
<i>General governmental support</i>						
Mayor	1,753,647	-	-	-	-	1,753,647
Finance	2,415,848	-	-	-	-	2,415,848
Public Works	4,409,397	-	-	-	-	4,409,397
Accounts	1,165,941	-	-	-	-	1,165,941
Civil Service	204,851	-	-	-	-	204,851
Other general governmental support	603,067	-	28,503	-	1,333	632,903
<i>Public safety</i>						
Police	11,800,449	-	-	-	-	11,800,449
Fire	9,411,260	-	-	-	-	9,411,260
Other public safety	2,888,357	-	-	-	-	2,888,357
Health	118,385	-	-	-	-	118,385
Transportation	4,186,964	-	-	-	-	4,186,964
Economic opportunity and development	144,731	-	-	-	48,634	193,365
Culture and recreation	2,758,066	-	-	-	-	2,758,066
Home and community service	1,465,081	-	-	511,538	-	1,976,619

<i>Debt service</i>						
Principal	49,372	-	1,844,090	-	14,295	1,907,757
Interest	21,815	-	1,463,141	-	12,659	1,497,615
<i>Capital outlay</i>						
Public Works	-	181,304	-	-	-	181,304
Other general governmental support	-	1,386,786	-	-	-	1,386,786
Police	-	82,070	-	-	-	82,070
Fire	-	398,940	-	-	-	398,940
Other public safety	-	188,075	-	-	-	188,075
Transportation	-	802,371	-	-	-	802,371
Culture and recreation	-	814,234	-	-	-	814,234
Home and community service	-	301,490	-	-	-	301,490
Total expenditures	<u>43,397,231</u>	<u>4,155,270</u>	<u>3,335,734</u>	<u>511,538</u>	<u>76,921</u>	<u>51,476,694</u>
Excess (deficiency) of revenues over expenditures	<u>(984,431)</u>	<u>(3,194,987)</u>	<u>(474,657)</u>	<u>139,723</u>	<u>101,304</u>	<u>(4,413,048)</u>
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	3,029,324	-	-	-	3,029,324
Interfund transfers in	278,635	738,161	176,604	-	-	1,193,400
Interfund transfers out	<u>(352,186)</u>	<u>(5,947)</u>	<u>(68,594)</u>	<u>(134,514)</u>	<u>(49,503)</u>	<u>(610,744)</u>
Total other financing sources (uses)	<u>(73,551)</u>	<u>3,761,538</u>	<u>108,010</u>	<u>(134,514)</u>	<u>(49,503)</u>	<u>3,611,980</u>
NET CHANGE IN FUND BALANCE	<u>(1,057,982)</u>	<u>566,551</u>	<u>(366,647)</u>	<u>5,209</u>	<u>51,801</u>	<u>(801,068)</u>
FUND BALANCE, <i>beginning of year</i>	<u>16,541,201</u>	<u>2,988,297</u>	<u>2,609,458</u>	<u>340,071</u>	<u>220,310</u>	<u>22,699,337</u>
FUND BALANCE, <i>end 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>

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,
2016**

Net change in fund balances shown for total governmental funds \$ (801,068)

This amount differs from the change in net position shown in the statement of activities because of the following:

Capital 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	(448,230)	
Capital expenditures	6,116,397	
Depreciation expense	<u>(2,901,462)</u>	2,766,705

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	1,749,087	
Long-term debt proceeds	<u>(3,029,324)</u>	(1,280,237)

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 bond premiums - interest expense	98,617	
Amortization of loss on refunding - interest expense	(39,174)	
Pension contributions payable	435,949	
Net pension liability	(13,687,584)	
Deferred outflows of resources - pension related	14,398,823	
Deferred inflows of resources - pension related	(2,484,171)	
Compensated absences	(412,032)	
Other obligations	750,000	
Accrued interest	20,880	
Other postemployment benefits	<u>(7,516,075)</u>	(8,434,767)

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	13,661	
Unavailable revenues	<u>1,078,955</u>	<u>1,092,616</u>

\$ (6,656,751)

City of Saratoga Springs, New York

Fund Financial Statements Statement of Net Position - Proprietary Funds

	December 31, 2016			
	Water Activities	Sewer Activities	City Center Activities	Total
ASSETS				
Current assets				
Cash and equivalents	\$ 234,801	\$ 439,145	\$ 181,254	\$ 855,200
Cash and cash equivalents, restricted	1,376,052	108,739	6,504,352	7,989,143
Due from fiduciary fund	102	-	-	102
Due from governmental funds	1,053	-	-	1,053
Receivables, net of allowance	1,545,795	1,857,761	336,910	3,740,466
Inventories	33,258	7,612	-	40,870
Prepaid expenses	-	-	8,933	8,933
Total current assets	3,191,061	2,413,257	7,031,449	12,635,767
Noncurrent assets				
Nondepreciable capital assets	333,853	1,453,515	-	1,787,368
Depreciable capital assets	8,772,927	1,441,134	12,304,210	22,518,271
Total assets	12,297,841	5,307,906	19,335,659	36,941,406
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	718,418	361,893	524,312	1,604,623
Total assets and deferred outflows of resources	13,016,259	5,669,799	19,859,971	38,546,029
LIABILITIES				
Current liabilities				
Accounts payable and other current liabilities	97,738	32,112	255,528	385,378
Current maturities on bonds payable	457,804	52,414	-	510,218
Accrued interest payable	315,782	69,792	-	385,574
Total current liabilities	871,324	154,318	255,528	1,281,170
Noncurrent liabilities				
Bonds payable	8,870,664	2,184,571	-	11,055,235
Other postemployment benefits	2,547,290	1,431,567	-	3,978,857
Net pension liability	637,981	321,508	465,425	1,424,914
Total liabilities	12,927,259	4,091,964	720,953	17,740,176
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	82,205	41,410	59,995	183,610
Total liabilities and deferred inflows of resources	13,009,464	4,133,374	780,948	17,923,786
NET POSITION				
Net investment in capital assets	(221,688)	657,664	12,304,210	12,740,186
Restricted for				
Capital improvements	363,795	108,739	6,504,352	6,976,886
Water line extension projects	1,012,257	-	-	1,012,257
Unrestricted	(1,147,569)	770,022	270,461	(107,086)
Total net position	\$ 6,795	\$ 1,536,425	\$ 19,079,023	\$ 20,622,243

See accompanying Notes to Financial Statements.

City of Saratoga Springs, New York

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

	Year Ended December 31, 2016			Total
	Water Activities	Sewer Activities	City Center Activities	
OPERATING REVENUES				
Water charges	\$ 3,752,569	\$ -	\$ -	\$ 3,752,569
Sewer charges	-	4,548,251	-	4,548,251
Facility charges	-	-	892,068	892,068
Other operating	24,536	6,409	-	30,945
Total operating revenues	<u>3,777,105</u>	<u>4,554,660</u>	<u>892,068</u>	<u>9,223,833</u>
OPERATING EXPENSES				
Costs of sales and services	2,575,802	3,274,681	1,154,885	7,005,368
Administration	469,272	413,625	1,186,412	2,069,309
Depreciation	544,379	37,259	588,249	1,169,887
Total operating expenses	<u>3,589,453</u>	<u>3,725,565</u>	<u>2,929,546</u>	<u>10,244,564</u>
Operating income (loss)	<u>187,652</u>	<u>829,095</u>	<u>(2,037,478)</u>	<u>(1,020,731)</u>
NONOPERATING REVENUES (EXPENSES)				
Hotel occupancy tax	-	-	1,244,164	1,244,164
Other revenue	33,121	10,496	177,848	221,465
Interest and earnings	1,036	92	7,315	8,443
Interest expense	(307,758)	(69,792)	-	(377,550)
Total nonoperating revenues (expenses)	<u>(273,601)</u>	<u>(59,204)</u>	<u>1,429,327</u>	<u>1,096,522</u>
Income (loss) before transfers	<u>(85,949)</u>	<u>769,891</u>	<u>(608,151)</u>	<u>75,791</u>
Transfer from governmental funds	270,865	-	134,044	404,909
Transfer to governmental funds	<u>(728,726)</u>	<u>(258,839)</u>	<u>-</u>	<u>(987,565)</u>
CHANGE IN NET POSITION	<u>(543,810)</u>	<u>511,052</u>	<u>(474,107)</u>	<u>(506,865)</u>
NET POSITION (DEFICIT), <i>beginning of year</i>	<u>550,605</u>	<u>1,025,373</u>	<u>19,553,130</u>	<u>21,129,108</u>
NET POSITION (DEFICIT), <i>end of year</i>	<u>\$ 6,795</u>	<u>\$ 1,536,425</u>	<u>\$ 19,079,023</u>	<u>\$ 20,622,243</u>

City of Saratoga Springs, New York

Fund Financial Statements Statement of Cash Flows - Proprietary Funds

	Year Ended December 31, 2016			
	Water	Sewer	City Center	Total
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES				
Charges for services	\$ 3,751,248	\$ 4,516,303	\$ 901,847	\$ 9,169,398
Payments to contractors and suppliers	(1,436,687)	(2,866,699)	(1,235,582)	(5,538,968)
Payments to employees, payroll taxes and benefits	(1,234,204)	(538,901)	(1,168,438)	(2,941,543)
	<u>1,080,357</u>	<u>1,110,703</u>	<u>(1,502,173)</u>	<u>688,887</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(594,554)	(1,004,415)	-	(1,598,969)
Payment on bonds	(530,831)	(90,596)	-	(621,427)
Interest paid	(319,665)	(91,753)	-	(411,418)
	<u>(1,445,050)</u>	<u>(1,186,764)</u>	<u>-</u>	<u>(2,631,814)</u>
CASH FLOWS PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Other general revenues	33,121	10,496	1,422,012	1,465,629
Transfers and other	(504,797)	(257,915)	135,353	(627,359)
	<u>(471,676)</u>	<u>(247,419)</u>	<u>1,557,365</u>	<u>838,270</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES				
Interest received	<u>1,036</u>	<u>92</u>	<u>7,315</u>	<u>8,443</u>
Net increase (decrease) in cash and cash equivalents	(835,333)	(323,388)	62,507	(1,096,214)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	<u>2,446,186</u>	<u>871,272</u>	<u>6,623,099</u>	<u>9,940,557</u>
CASH AND CASH EQUIVALENTS, <i>end of year</i>	<u>\$ 1,610,853</u>	<u>\$ 547,884</u>	<u>\$ 6,685,606</u>	<u>\$ 8,844,343</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 44,470	\$ 732,802	\$ (2,037,478)	\$ (1,260,206)
Depreciation expense	544,379	37,259	588,249	1,169,887
(Increase) decrease in				
Receivables, net of allowances	(25,857)	(38,357)	9,779	(54,435)
Inventories	2,599	2,601	-	5,200
Prepaid expenses	46,365	29,877	1,797	78,039
Deferred outflows of resources, pensions	(534,670)	(243,491)	(396,742)	(1,174,903)
Increase (decrease) in				
Accounts payable and other current liabilities	(14,018)	(2,409)	(95,043)	(111,470)
Deferred inflows of resources, pensions	216,019	168,925	53,491	438,435
Net pension liability	505,971	236,444	373,774	1,116,189
Other postemployment benefits	295,099	187,052	-	482,151
Net cash provided (used) by operating activities	<u>\$ 1,080,357</u>	<u>\$ 1,110,703</u>	<u>\$ (1,502,173)</u>	<u>\$ 688,887</u>

See accompanying Notes to Financial Statements.

City of Saratoga Springs, New York

Fund Financial Statements Statement of Fiduciary Net Position - Fiduciary Funds

	<u>December 31, 2016</u>	
	<u>Agency Funds</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash and equivalents	<u>\$ 1,531,558</u>	<u>\$ 36,433</u>
LIABILITIES		
Due to other governments	1,531,456	-
Due to other funds	102	-
Total liabilities	<u>1,531,558</u>	<u>-</u>
NET POSITION	<u><u>\$ -</u></u>	<u><u>\$ 36,433</u></u>

City of Saratoga Springs, New York

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

	December 31, 2016
	Private Purpose Trust
ADDITIONS	
Private donations	\$ 1,000
Interest earnings	36
	<u>1,036</u>
DEDUCTIONS	
Culture and recreation	596
	<u>596</u>
CHANGE IN NET POSITION	440
NET POSITION, <i>beginning of year</i>	<u>35,993</u>
NET POSITION, <i>end of year</i>	<u>\$ 36,433</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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, 2016

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.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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

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

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.

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, 2016

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, 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, 2016

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.

In addition to the various funds, the City also maintains schedules of non-current governmental assets and non-current governmental liabilities. Non-current governmental assets include capital assets used in governmental activities, and non-current governmental liabilities include bonds, retirement system debt, accumulated sick and compensatory time, and other long-term debt used to finance governmental activities. These non-current governmental assets and liabilities are included under governmental activities in the government-wide statement of net position.

e. Estimates

The preparation of financial statements 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. 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.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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

g. 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."

h. 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, 2016. Water and sewer rents not collected by year end are relieved on the subsequent year's tax roll.

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.

i. 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.

j. Restricted Assets

Certain resources of the governmental and proprietary funds are classified as restricted assets on the balance sheet because they have externally imposed constraints or constraints imposed by law through constitutional provisions or enabling legislation.

k. Capital Assets, Net

Capital assets include land, buildings, improvements other than buildings, 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.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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

k. Capital Assets, Net - Continued

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, 2016.

l. 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.

m. 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:

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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

m. Fund Balance - Continued

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

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

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

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

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

The City's fund balance policy is set by the 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 shall 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.

n. 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.

o. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement 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.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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

o. Long-Term Obligations - Continued

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.

p. 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 and proprietary fund statements 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.

The City has reported deferred inflows of resources for real property taxes and other unavailable resources in the governmental funds. 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 may occur due to differences between expected and actual experience, changes in actuarial assumptions, the net difference between projected and actual experience, the net difference between projected and actual investment earnings on pension plan investments, and changes in proportion and difference between employer contributions made subsequent to the measurement date. 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.

q. Adoption of New Accounting Standards

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures* (GASB 77), requires governmental organizations that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The City implemented the provisions of this accounting standard, see footnote 5.

r. Subsequent Events

The City has evaluated subsequent events for potential recognition or disclosure through July 26, 2017, the date the financial statements were available to be issued.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 2 - Stewardship, Compliance, and Accountability

Legal Compliance and Budgets

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.

Note 3 - Detailed Notes on all Funds

a. Cash and Cash Equivalents

Collateral

New York State statutes require the City to collateralize its cash deposits in excess of the Federal Deposit Insurance Corporation limit of \$250,000. This collateral is to 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 deposits were adequately insured or collateralized as of December 31, 2016.

Cash and Cash Equivalents, Restricted

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

Debt service	\$ 2,464,487
Special assessment district purposes	1,971
Tax stabilization	1,506,412
Retirement reserve	439,383
Insurance reserve	121,786
Capital projects	5,528,809
Capital improvements	1,209,404
Community development	78,872
	<hr/>
Total restricted cash and cash equivalents	<u>\$ 11,351,124</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

a. *Cash and Cash Equivalents - Continued*

Cash and Cash Equivalents, Restricted - Continued

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

City Center capital improvements	\$ 6,504,352
Water capital projects	1,376,052
Sewer capital projects	<u>108,739</u>
 Total restricted	 <u><u>\$ 7,989,143</u></u>

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	<i>Governmental Funds</i>				<i>Enterprise Funds</i>			Total
	General	Capital	Debt Service	Special Grant	Water	Sewer	Center Authority	
City and county taxes	751,229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 751,229
School taxes	596,340	-	-	-	-	-	-	596,340
Tax sales	1,361,531	-	-	-	-	-	-	1,361,531
Water rents	-	-	-	-	1,595,194	-	-	1,595,194
Sewer rents	-	-	-	-	-	1,939,912	-	1,939,912
Accounts	2,049,821	-	-	-	3,000	-	59,040	2,111,861
Rehabilitation loans	-	-	-	236,770	-	-	-	236,770
State and federal	2,317,806	301,466	-	54,429	24,535	6,409	-	2,704,645
Other governments	251,268	35,000	-	-	-	-	277,870	564,138
Total net receivables	7,327,995	336,466	-	291,199	1,622,729	1,946,321	336,910	11,861,620
Allowance for uncollectible accounts	(1,138,269)	-	-	(110,460)	(76,934)	(88,560)	-	(1,414,223)
Total net receivables	\$ 6,189,726	\$ 336,466	\$ -	\$ 180,739	\$ 1,545,795	\$ 1,857,761	\$ 336,910	\$ 10,447,397

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

Receivables, net of allowances	
Governmental activities	\$ 6,706,931
Business-type activities	<u>3,740,466</u>
 Total	 <u><u>\$ 10,447,397</u></u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

c. Capital Assets

Capital asset activity was as follows:

	Year Ended December 31, 2016			
	Balance January 1, 2016	Additions/ Adjustment	Retirement Reclassifications	Balance December 31, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,961,353	\$ 1,555,272	\$ -	\$ 5,516,625
Work in progress	7,889,767	653,065	(3,205,996)	5,336,836
Total capital assets not being depreciated	<u>11,851,120</u>	<u>2,208,337</u>	<u>(3,205,996)</u>	<u>10,853,461</u>
Depreciable capital assets				
Buildings	23,424,751	3,093,468	-	26,518,219
Improvements	10,160,356	1,294,838	(1,018,890)	10,436,304
Machinery, equipment, and vehicles	16,347,641	2,267,758	(2,137,559)	16,477,840
Infrastructure	57,371,528	457,992	-	57,829,520
Total depreciable capital assets	<u>107,304,276</u>	<u>7,114,056</u>	<u>(3,156,449)</u>	<u>111,261,883</u>
Less accumulated depreciation				
Buildings	8,473,197	431,084	(2,925,817)	5,978,464
Improvements other than buildings	4,323,894	453,557	26,549	4,804,000
Machinery, equipment, and vehicles	10,166,044	1,122,778	1,029,907	12,318,729
Infrastructure	29,984,905	894,043	(838,858)	30,040,090
Total accumulated depreciation	<u>52,948,040</u>	<u>2,901,462</u>	<u>(2,708,219)</u>	<u>53,141,283</u>
Net depreciable capital assets	<u>54,356,236</u>	<u>4,212,594</u>	<u>(448,230)</u>	<u>58,120,600</u>
Total net capital assets governmental activities	<u>\$ 66,207,356</u>	<u>\$ 6,420,931</u>	<u>\$ (3,654,226)</u>	<u>\$ 68,974,061</u>
Business-type Activities				
Water activity				
Capital assets not being depreciated				
Land	\$ 325,841	\$ -	\$ -	\$ 325,841
Work in progress	637,393	599	(629,980)	8,012
Total capital assets not being depreciated	<u>963,234</u>	<u>599</u>	<u>(629,980)</u>	<u>333,853</u>
Depreciable capital assets				
Buildings	749,195	-	-	749,195
Improvements	3,153,186	629,980	-	3,783,166
Machinery, equipment, and vehicles	1,622,078	12,202	-	1,634,280
Infrastructure	16,316,086	581,753	-	16,897,839
Total depreciable capital assets	<u>21,840,545</u>	<u>1,223,935</u>	<u>-</u>	<u>23,064,480</u>
Less accumulated depreciation				
Buildings	295,955	12,179	-	308,134
Improvements	403,382	164,415	-	567,797
Machinery, equipment, and vehicles	450,856	111,358	-	562,214
Infrastructure	12,596,981	256,427	-	12,853,408
Total accumulated depreciation	<u>13,747,174</u>	<u>544,379</u>	<u>-</u>	<u>14,291,553</u>
Net depreciable capital assets	<u>8,093,371</u>	<u>679,556</u>	<u>-</u>	<u>8,772,927</u>
Total net capital assets water activities	<u>\$ 9,056,605</u>	<u>\$ 680,155</u>	<u>\$ (629,980)</u>	<u>\$ 9,106,780</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

c. Capital Assets - Continued

	Year Ended December 31, 2016			Balance December 31, 2016
	Balance January 1, 2016	Additions/ Adjustment	Retirement Reclassifications	
Business-type Activities				
Sewer activity				
Capital assets not being depreciated				
Work in progress	\$ 486,359	\$ 967,156		\$ 1,453,515
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	24,533	9,876		34,409
Machinery, equipment, and vehicles	57,562	1,177		58,739
Infrastructure	67,875	26,206		94,081
Total accumulated depreciation	<u>149,970</u>	<u>37,259</u>	<u>-</u>	<u>187,229</u>
Net depreciable capital assets	<u>1,478,393</u>	<u>(37,259)</u>	<u>-</u>	<u>1,441,134</u>
Total net capital assets sewer activities	<u>\$ 1,964,752</u>	<u>\$ 929,897</u>	<u>\$ -</u>	<u>\$ 2,894,649</u>
City Center Authority				
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				
Accumulated depreciation	1,948,724	588,249		2,536,973
Net capital assets City Center Authority	<u>\$ 12,892,459</u>	<u>\$ (588,249)</u>	<u>\$ -</u>	<u>\$ 12,304,210</u>

Depreciation expense was charged to functions/programs as follows:

Mayor	\$ 16,368
Finance	18,906
DPW	1,048,805
DPS	99,656
Accounts	4,840
Other General government support	1,614
Police	161,561
Fire	336,390
Home and community service	39,367
Transportation	599,758
Culture and recreation	<u>574,197</u>
Total depreciation expense for governmental activities	<u>\$ 2,901,462</u>
Water	\$ 544,379
Sewer	37,259
City Center Authority	<u>588,249</u>
Total depreciation expense for business-type activities	<u>\$ 1,169,887</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

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, 2016	
	Due From	Due To
General	\$ 259,850	\$ -
City Center	-	-
Water	1,155	-
SAD	-	15,952
Trust	-	102
Debt Service	-	219,842
Community Development	-	25,109
	\$ 261,005	\$ 261,005

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

	December 31, 2016	
	Due To	Due From
General	\$ -	\$ 1,053
Water	1,155	-
Trust and Agency	-	102
	\$ 1,155	\$ 1,155

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

Transfers Out	December 31, 2016					
	Transfers In					
	General	Capital Projects	Debt Service	Water	City Center	Totals
General Fund	\$ -	\$ 97,693	\$ 120,449	\$ -	\$ 134,044	\$ 352,186
Capital Projects	-	-	5,947	-	-	5,947
Debt Service	-	68,594	-	-	-	68,594
WASAD	-	-	49,503	-	-	49,503
Community Development	134,513	-	-	-	-	134,513
Water	144,122	381,828	-	202,776	-	728,726
Sewer	-	190,046	704	68,089	-	258,839
	\$ 278,635	\$ 738,161	\$ 176,603	\$ 270,865	\$ 134,044	\$ 1,598,308

In the government-wide statement of net position, interfund receivables and payables between governmental activities were eliminated, leaving \$1,053 due to the business-type activities. In the government-wide statement of activities, interfund transfers of \$610,744 between governmental activities were eliminated, leaving \$582,656 in transfers from the governmental activities to the business-type activities.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

e. Long-Term Liabilities

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

	Year Ended December 31, 2016				
	Balance January 1, 2016	New Issues/ Additions	Maturities and/or Payments	Balance December 31, 2016	Due Within On Year
Governmental activities					
Bonds payable	\$ 38,424,362	\$ 3,029,324	\$ 1,699,815	\$ 39,753,871	\$ 1,829,106
Bond premiums	1,717,269	-	98,617	1,618,652	115,399
	<u>40,141,631</u>	<u>3,029,324</u>	<u>1,798,432</u>	<u>41,372,523</u>	<u>1,944,505</u>
Other non-current liabilities					
Capital lease obligations	502,887	-	49,272	453,615	52,000
Claims payable	750,000	1,000,000	750,000	1,000,000	1,000,000
Compensated absences	3,690,924	1,254,897	908,832	4,102,956	410,000
Pension contribution payable	435,949	-	435,949	-	-
Net pension liability	1,986,562	17,617,499	3,929,915	15,674,146	-
Other postemployment benefits	46,199,628	10,019,472	2,503,397	53,715,703	-
	<u>53,565,950</u>	<u>29,891,868</u>	<u>8,577,365</u>	<u>74,946,420</u>	<u>1,462,000</u>
 Governmental activities long-term liabilities	 <u>\$ 93,707,581</u>	 <u>\$ 32,921,192</u>	 <u>\$ 10,375,797</u>	 <u>\$ 116,318,943</u>	 <u>\$ 3,406,505</u>
Business-type activities					
Bonds payable	\$ 12,098,880	\$ -	\$ 533,427	\$ 11,565,453	\$ 510,218
Other non-current liabilities					
Net pension liability	308,725	1,542,792	426,603	1,424,914	-
Other postemployment benefits	3,584,706	551,952	157,801	3,978,857	-
	<u>3,893,431</u>	<u>2,094,744</u>	<u>584,404</u>	<u>5,403,771</u>	<u>-</u>
 Business-type activities long-term liabilities	 <u>\$ 15,992,311</u>	 <u>\$ 2,094,744</u>	 <u>\$ 1,117,831</u>	 <u>\$ 16,969,224</u>	 <u>\$ 510,218</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 26, 2016, the City issued a \$3,029,324, 15-year general obligation bond. The entire amount of the bond was issued to finance governmental activities,

A summary of the City's general obligation serial bond transactions for the year ended December 31, 2016, is as follows:

Bonds payable, <i>beginning of year</i>	\$ 50,523,242
Bonds issued	3,029,324
Bonds retired	<u>(2,233,242)</u>
 Bonds payable, <i>end of year</i>	 <u>\$ 51,319,324</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:

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

f. Indebtedness - Continued

i. General Obligation Bonds - Continued

<u>Public Improvement Bonds</u>	<u>Issue Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>December 31, 2016</u>
Serial Bond, EFC	03/97	02/17	3.400%	\$ 130,000
Serial Bond, general obligation	07/07	07/16	3.700%	-
Serial Bond, general obligation	08/08	08/38	5.000%	4,285,000
Serial Bond, general obligation	01/09	01/24	4.250%	450,000
Serial Bond, general obligation	09/09	09/39	4.250%	1,210,000
Serial Bond, general obligation	07/10	07/37	4.420%	1,330,000
Statutory Installment Bond	04/11	04/39	4.630%	1,935,000
Serial Bond, general obligation	05/12	05/39	2.975%	5,985,000
Serial Bond, general obligation	12/12	12/22	2.000%	345,000
Serial Bond, general obligation	04/13	06/33	3.372%	3,860,000
Serial Bond, general obligation	06/14	06/34	2.810%	4,770,000
Refunding Bond	12/14	02/35	2.878%	18,180,000
Serial Bond, general obligation	06/15	06/40	3.310%	5,810,000
Serial Bond, general obligation	6/16/17	06/33	2.095%	3,029,324
				<u><u>\$ 51,319,324</u></u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31,			
2017	\$ 2,339,324	\$ 1,805,397	\$ 4,144,721
2018	2,235,000	1,756,488	3,991,488
2019	2,320,000	1,671,552	3,991,552
2020	2,415,000	1,582,542	3,997,542
2021	2,515,000	1,489,297	4,004,297
For the years ending December 31,			
2022-2026	12,740,000	5,967,270	18,707,270
2027-2031	13,290,000	3,658,758	16,948,758
2032-2036	9,810,000	1,583,017	11,393,017
2037-2040	3,655,000	250,947	3,905,947
	<u><u>\$ 51,319,324</u></u>	<u><u>\$ 19,765,268</u></u>	<u><u>\$ 71,084,592</u></u>

Of the total outstanding indebtedness of the City in the sum of \$51,319,324, \$39,765,554 was subject to the statutory debt limit and represented approximately 52% of the City's \$76,515,044 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.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

f. Indebtedness - Continued

ii. Special Assessment Debt

At December 31, 2016, the amount of special assessment debt outstanding for SAD and WASAD was \$70,371 and \$379,939, 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 \$453,615.

iv. Other liabilities include the following:

	January 1, 2016	Additions	Deletions	December 31, 2016
Sick time	\$ 2,956,054	\$ 299,730	\$ 76,397	\$ 3,179,387
Compensatory time	800,836	955,167	832,435	923,568
Total	\$ 3,756,890	\$ 1,254,897	\$ 908,832	\$ 4,102,955

v. Bond Anticipation Note Payable

On December 14, 2016, the City issued a Bond Anticipation Note (BAN) in the amount of \$1,165,000 to fund various capital projects. The BAN has an interest rate of .95% per annum and matures on September 15, 2017. The BAN is backed by the full faith and credit of the City.

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.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

Plan Description - Continued

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.

PFRS

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

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

Plan Benefits - Continued

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.

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.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on all Funds - Continued

g. Pension Plans - Continued

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, 2016 was approximately 18.2 percent of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2016 was approximately 24.7 percent of payroll.

Contributions made to the Systems for the current and two preceding years were as follows:

	<u>ERS</u>	<u>PFRS</u>
2016	\$ 1,644,685	\$ 2,960,169
2015	2,154,563	2,668,289
2014	1,956,585	3,163,809

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.

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

At December 31, 2016, the City reported a liability of \$15,674,146 in the governmental activities statement of net position and \$1,424,914 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, 2016, 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, 2016, the City's proportion was .0448128% in the Employee Retirement System and .3345723% in the Police and Fire Retirement System.

For the year ended December 31, 2016, the City recognized pension expense of \$5,605,223 in the governmental activities and \$515,648 in the business-type activities. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
ERS		
Differences between expected and actual experience	\$ 29,148	\$ 683,721
Change in assumptions	1,538,198	-
Net differences between projected and actual investment earnings on pension plan investments	3,421,996	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	189,666	59,814
City contributions subsequent to the measurement date	1,318,975	-
Total	\$ 6,497,983	\$ 743,535
	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
PFRS		
Differences between expected and actual experience	\$ 88,848	\$ 1,497,664
Change in assumptions	4,270,433	-
Net differences between projected and actual investment earnings on pension plan investments	5,551,497	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,253	592,195
City contributions subsequent to the measurement date	2,960,169	-
Total	\$ 12,883,200	\$ 2,089,859
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
ERS		
Differences between expected and actual experience	\$ 7,198	\$ 168,839
Change in assumptions	379,846	-
Net differences between projected and actual investment earnings on pension plan investments	845,033	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	46,836	14,771
City contributions subsequent to the measurement date	325,710	-
Total	\$ 1,604,623	\$ 183,610

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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

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, 2017. 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 May 31,			
2017	\$ 1,119,492	\$ 276,449	\$ 1,395,941
2018	1,119,492	276,449	1,395,941
2019	1,119,492	276,449	1,395,941
2020	1,076,997	265,956	1,342,953
Total	\$ 4,435,473	\$ 1,095,303	\$ 5,530,776

	PFRS Governmental Activities
	Year ending May 31,
2017	\$ 1,857,109
2018	1,857,109
2019	1,857,109
2020	1,779,810
2021	482,035
Total	\$ 7,833,172

Actuarial Assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as April 1, 2015, with update procedures used to rollforward the total pension liability to March 31, 2016. The actuarial valuations used the following actuarial assumptions:

	ERS	PFRS
Investment rate of return (net of investment expense, including inflation)	7.0%	7.0%
Salary scale	3.8%	4.5%
Inflation	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

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

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on All Funds - Continued

g. Pension Plans - Continued

Actuarial Assumptions - Continued

The actuarial assumptions used in the April 1, 2015 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, 2016, are summarized below:

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

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.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 3 - Detailed Notes on All Funds - Continued

g. Pension Plans - Continued

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)	\$ 16,218,732	\$ 7,192,574	\$ (434,144)
Proprietary activities	\$ 2,925,499	\$ 1,424,402	\$ (95,512)
Governmental activities	13,293,233	5,768,172	(338,632)
	\$ 16,218,732	\$ 7,192,574	\$ (434,144)
PFRS			
City's proportionate share of the net pension liability (asset)			
Governmental activities	\$ 22,126,035	\$ 9,905,974	\$ (337,085)

Pension Plan Fiduciary Net Position

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

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

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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, 2016, the City contributed \$2,220,593 to the Retiree Health Plan. Some Retiree Health Plan members receiving benefits contribute a percent of their premium costs. Total member contributions were \$375,093 for the year ended December 31, 2016.

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

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 2016, 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	\$ 11,295,208	\$ 427,141	\$ 223,877	\$ 11,946,226
Interest on net OPEB obligation	1,732,486	86,970	47,458	1,866,914
Adjustment to annual required contribution	<u>(3,008,222)</u>	<u>(151,011)</u>	<u>(82,402)</u>	<u>(3,241,635)</u>
Annual OPEB cost (expense)	10,019,472	363,100	188,933	10,571,505
Contributions made (expected)	<u>(2,503,397)</u>	<u>(135,001)</u>	<u>(22,880)</u>	<u>(2,661,278)</u>
Increase in net OPEB obligation	7,516,075	228,099	166,053	7,910,227
Net OPEB obligation, <i>beginning of year</i>	<u>46,199,628</u>	<u>2,319,191</u>	<u>1,265,514</u>	<u>49,784,333</u>
Net OPEB obligation, <i>end of year</i>	<u>\$ 53,715,703</u>	<u>\$ 2,547,290</u>	<u>\$ 1,431,567</u>	<u>\$ 57,694,560</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 4 - Postemployment Benefits Other Than Pensions

Annual OPEB Cost and Net OPEB Obligation - Continued

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 2016 was as follows:

<u>Activity</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2016			
Governmental	\$ 10,019,472	25%	\$ 53,715,703
Water	363,100	37%	2,547,290
Sewer	188,932	12%	1,431,566
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
December 31, 2014			
Governmental	7,117,307	28%	40,842,535
Water	268,890	20%	2,102,513
Sewer	132,323	13%	1,146,937

Funded Status and Funding Progress - As of December 31, 2016, the actuarial accrued liability for benefits was \$105,106,456, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Retiree Health Plan) was \$27,265,433, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 385%.

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.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 4 - Postemployment Benefits Other Than Pensions - Continued

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.

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, 2016, was twenty-four 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, 2016, 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	\$ 2,671,800	\$ 5.98	\$ 15,977	\$ 2,880	\$ 13,097
5/17/2016	9 Kirby Road - Kirby Village	3,223,400	5.98	19,276	2,880	16,396
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	13,216	4,994
5/21/1951	Saratoga Housing Authority	22,104,300	6.07	134,173	55,857	78,316
1/16/2007	Embury Apartments	16,326,800	6.07	99,104	-	99,104
		<u>\$ 55,519,300</u>		<u>\$ 335,734</u>	<u>\$ 89,908</u>	<u>\$ 245,826</u>

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

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.

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 2016 annual contribution to the workers' compensation pool was \$786,485.

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 accrued 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 314 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, 2017, and the Police Lieutenants', CSEA City Hall and CSEA DPW contracts expired on December 31, 2016. The Firefighters' contract expires on December 31, 2018. All expired contracts are actively under negotiation.

Note 7 - Subsequent Events

On June 6, 2017, the City issued \$7,881,574 in general obligation bonds to finance various projects. On April 4, 2017, the City Council approved a contract with CSEA City Hall Union for a 5-year period. On January 10, 2017, the City Center Authority entered into an agreement with the Adirondack Trust Company for a construction loan of \$7,500,000 to finance a new parking lot. To date no funds have been drawn on the loan.

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 8 - Accounting Standards Issued 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

City of Saratoga Springs, New York

Notes to Financial Statements December 31, 2016

Note 8 - Accounting Standards Issued Not Yet Implemented - Continued

- 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
- 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.

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Revised - Positive (Negative)</u>
	<u>Adopted</u>	<u>Revised</u>		
	REVENUES			
Real property taxes and related tax items	\$ 17,911,209	\$ 19,308,967	\$ 16,789,221	\$ (2,519,746)
Non-property taxes	14,894,009	14,894,009	14,522,969	(371,040)
Departmental income	2,327,327	2,438,241	2,697,756	259,515
Intergovernmental charges	345,503	360,655	359,001	(1,654)
Use of money and property	615,954	615,954	649,230	33,276
Licenses and permits	416,750	417,000	390,337	(26,663)
Fines and forfeitures	665,000	673,470	523,423	(150,047)
Sale of property and compensation for loss	461,129	558,048	519,213	(38,835)
Miscellaneous	1,957,651	2,119,883	2,576,530	456,647
State aid	3,639,101	4,020,530	3,314,232	(706,298)
Federal aid	556,910	43,650	70,888	27,238
Total revenues	<u>43,790,543</u>	<u>45,450,407</u>	<u>42,412,800</u>	<u>(3,037,607)</u>
EXPENDITURES				
General government support	18,579,256	20,231,542	10,552,751	9,678,791
Public safety	16,387,450	16,831,596	24,100,066	(7,268,470)
Health	25,765	25,766	118,385	(92,619)
Transportation	4,409,402	4,741,497	4,186,964	554,533
Economic opportunity and development	141,291	145,291	144,731	560
Culture and recreation	2,459,264	2,684,142	2,758,066	(73,924)
Home and community service	1,269,031	1,827,115	1,465,081	362,034
Debt service	394,588	69,588	71,187	(1,599)
Total expenses	<u>43,666,047</u>	<u>46,556,537</u>	<u>43,397,231</u>	<u>3,159,306</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	222,472	222,472	278,635	56,163
Interfund transfers out	(346,968)	(444,661)	(352,186)	92,475
Total other financing sources (uses)	<u>(124,496)</u>	<u>(222,189)</u>	<u>(73,551)</u>	<u>148,638</u>
Net change in fund balance (actual) and appropriated fund balance (budget)	-	(1,328,319)	(1,057,982)	<u>\$ 270,337</u>
FUND BALANCE, beginning of year	<u>16,541,201</u>	<u>16,541,201</u>	<u>16,541,201</u>	
FUND BALANCE, end of year	<u>\$ 16,541,201</u>	<u>\$ 15,212,882</u>	<u>\$ 15,483,219</u>	

See Independent Auditor's Report.

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, 2016			
	Budgeted Amounts		Actual	Variance with
	Adopted	Revised	Amounts	Revised - Positive (Negative)
REVENUES				
Real property taxes and related tax items	\$ 3,521,587	\$ 3,590,181	\$ 2,596,024	\$ (994,157)
Use of money and property	-	-	1,628	1,628
Miscellaneous	-	-	263,425	263,425
Total revenues	3,521,587	3,590,181	2,861,077	(729,104)
EXPENDITURES				
General government support	40,000	40,000	28,503	11,497
Debt service, principal	1,844,090	1,844,090	1,844,090	-
Debt service, interest	1,433,003	1,463,141	1,463,141	-
Total expenditures	3,317,093	3,347,231	3,335,734	11,497
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	115,276	115,276	176,604	61,328
Interfund transfers out	(319,770)	(358,226)	(68,594)	289,632
Total other financing sources (uses)	(204,494)	(242,950)	108,010	350,960
Net change in fund balance (actual) and appropriated fund balance (budget)	-	-	(366,647)	\$ (366,647)
FUND BALANCE, <i>beginning of year</i>	2,609,458	2,609,458	2,609,458	
FUND BALANCE, <i>end of year</i>	\$ 2,609,458	\$ 2,609,458	\$ 2,242,811	

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

	2016	2015
ERS		
City's proportion of the net pension liability	0.0448128%	0.0414829%
City's proportionate share of the net pension liability	\$ 7,192,574	\$ 1,401,392
City's covered-employee payroll	\$ 11,088,897	\$ 11,068,113
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.86%	12.66%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%
	2016	2015
PFRS		
City's proportion of the net pension liability	0.334572%	0.3247468%
City's proportionate share of the net pension liability	\$ 9,905,974	\$ 893,897
City's covered-employee payroll	\$ 10,699,616	\$ 9,655,380
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	92.58%	9.26%
Plan fiduciary net position as a percentage of the total pension liability	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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
ERS						
Contractually required contribution	\$ 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	1,644,685	2,154,563	1,956,585	2,040,703	1,820,208	1,493,697
Contribution deficiency (excess)	-	-	-	-	-	-
City's covered-employee payroll	11,088,897	11,068,113	10,187,493	9,871,986	9,516,189	8,850,094
Contributions as a percentage of covered-employee payroll	14.83%	19.47%	19.21%	20.67%	19.13%	16.88%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
PFRS						
Contractually required contribution	\$ 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	2,960,169	2,668,289	3,163,809	3,353,037	3,055,740	2,445,663
Contribution deficiency (excess)	-	-	-	-	-	-
City's covered-employee payroll	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	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.

See Independent Auditor's Report.

City of Saratoga Springs, New York

Supplementary Information
December 31, 2016

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, 2016		
	Downtown Special Assessment District	West Avenue Special Assessment District	Total
ASSETS			
Cash and cash equivalents	\$ 287,200	\$ 4,293	\$ 291,493
Cash, restricted	1,971	-	1,971
Total assets	\$ 289,171	\$ 4,293	\$ 293,464
LIABILITIES			
Accounts payable and accrued liabilities	\$ 5,401	\$ -	\$ 5,401
Due to other funds	15,952	-	15,952
Total liabilities	21,353	-	21,353
FUND BALANCE			
Restricted for			
Other restrictions	1,971	-	1,971
Assigned for			
Special district purposes	265,847	4,293	270,140
Total fund balance	267,818	4,293	272,111
Total liabilities and fund balances	\$ 289,171	\$ 4,293	\$ 293,464

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, 2016		
	Downtown Special Assessment District	West Avenue Special Assessment District	Total
REVENUES			
Real property taxes and related tax items	\$ 111,955	\$ 51,003	\$ 162,958
Use of money and property	15,244	23	15,267
Total revenues	127,199	51,026	178,225
EXPENDITURES			
Other general governmental support	-	1,333	1,333
Economic opportunity and development	48,634	-	48,634
Debt service			
Principal	14,295	-	14,295
Interest	12,659	-	12,659
Total expenditures	75,588	1,333	76,921
OTHER FINANCING SOURCES (USES)			
Interfund transfers out	-	(49,503)	(49,503)
Net change in fund balance	51,611	190	51,801
FUND BALANCE, <i>beginning of year</i>	216,207	4,103	220,310
FUND BALANCE, <i>end of Year</i>	\$ 267,818	\$ 4,293	\$ 272,111