

CITY OF BINGHAMTON, NEW YORK

**Financial Statements as of
December 31, 2018**

**Together with Independent Auditor's Report and Reports
Required by the Uniform Guidance and *Government
Auditing Standards***

Bonadio & Co., LLP
Certified Public Accountants

CITY OF BINGHAMTON, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

September 27, 2019

To the City Council of the
City of Binghamton, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Binghamton, New York (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Binghamton Local Development Corporation (BLDC), which represent 89% of the assets, 89% of the net position, and 85% of the revenues of the business-type activities, and 14% of the assets, 25% of the fund balance/net position, and 2% of the revenues of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities and aggregate remaining fund information, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Binghamton, New York as of December 31, 2018, 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.

Emphasis of Matter - Correction of Errors

As described in Note 1 to the financial statements, the City restated fund balance and net position of the governmental activities, business-type activities, aggregate remaining fund information, and aggregate discretely presented component units at January 1, 2018, to reflect corrections of errors. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in Total Other Postemployment Benefit Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability (Asset), and Schedule of Contributions - Pension Plans 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 and other auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Binghamton, New York's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 nonmajor 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 September 27, 2019, on our consideration of the City of Binghamton, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Binghamton, New York's internal control over financial reporting and compliance.

CITY OF BINGHAMTON, NEW YORK

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of the City of Binghamton's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's governmental assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$133,150,213 (net position).
- The General Fund recorded an operating decrease of \$2,283,703 in 2018 and had a fund balance of \$20,017,260 at year-end. This was mainly due to a couple large capital projects in 2018 where fund balance was used instead of bonding.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The Government-wide financial statements are organized to provide an understanding of the fiscal performance of the City as a whole in a manner similar to a private sector business. There are two Government-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the City's finances.

The Statement of Net Position

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Increases and decreases in net position may serve as useful indicator of whether the financial position of the City is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net positions are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported on the statement for some items that will result in cash flow in future fiscal periods.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds, not the City as a whole. 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 also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the City are reported in the governmental funds and the fiduciary funds.

Management's Discussion and Analysis (Unaudited)

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in the future years. Consequently, the governmental fund statements provide a detailed short-term view of the City's operations and the services it provides.

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, you may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's Enterprise Funds (a component of Proprietary Funds) are the same as the Business-type Activities, with the exception of the Internal Service Fund that is part of Governmental Activities, we report in the Government-wide financial statements but provide more detail and additional information, such as cash flows, for Proprietary Funds.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the city in its capacity as agent or trustee. All the city's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the City's Government-wide financial statements because the City cannot use these assets to finance its operations.

CITY OF BINGHAMTON, NEW YORK

Management's Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

A summary of the City's Statement of Net Position at December 31, 2018 and 2017 is as follows:

	Governmental 2018	Business-type 2018	Governmental 2017 (restated)	Business-type 2017 (restated)
Current Assets	\$ 86,849,354	\$ 2,753,541	\$ 80,847,048	\$ 2,978,218
Noncurrent Assets	<u>319,931,303</u>	<u>1,561,446</u>	<u>384,443,166</u>	<u>1,312,359</u>
 Total Assets	 406,780,657	 4,314,987	 465,290,214	 4,290,577
Deferred Outflows of Resources-Pensions	12,665,846	-	16,341,340	-
Deferred Outflows of Resources-OPEB	5,706,003	-	6,847,204	-
Deferred Outflows of Resources-Joint Sewer	<u>96,206,175</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>521,358,681</u>	 <u>4,314,987</u>	 <u>488,478,758</u>	 <u>4,290,577</u>
Current Liabilities	136,161,957	3,284	103,131,361	113,156
Noncurrent Liabilities	<u>194,160,748</u>	<u>-</u>	<u>233,308,080</u>	<u>-</u>
 Total Liabilities	 330,322,705	 3,284	 336,439,441	 113,156
Deferred Inflows of Resources-Unearned revenue	1,913,018	54,774	-	-
Deferred Inflows of Resources-Pensions	9,498,442	-	3,643,659	-
Deferred Inflows of Resources-OPEB	<u>46,474,303</u>	<u>-</u>	<u>12,851,210</u>	<u>-</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>388,208,468</u>	 <u>58,058</u>	 <u>352,934,310</u>	 <u>113,156</u>
 Net Position				
Net investment in Capital Assets	199,549,617	576,386	142,538,795	576,386
Restricted	48,954,163	3,622,110	12,823,555	3,560,449
Unrestricted (Deficit)	<u>(115,353,567)</u>	<u>58,433</u>	<u>(19,817,902)</u>	<u>40,586</u>
 Total Net Position	 <u>\$ 133,150,213</u>	 <u>\$ 4,256,929</u>	 <u>\$ 135,544,448</u>	 <u>\$ 4,177,421</u>

CITY OF BINGHAMTON, NEW YORK

Management's Discussion and Analysis (Unaudited)

Current assets consist largely of \$26,744,905 in cash and cash equivalents, \$42,348,768 in restricted cash, and \$9,756,531 in due from other governments. Non-Current assets increased primarily as a result of a large increase of the Joint Sewage Treatment Plant.

Included in current liabilities are bond anticipation notes (BANs) payable of \$111,411,331, the current portion of long-term liabilities of \$8,050,670, and various payables. Noncurrent liabilities consist of bonds payable of \$117,265,000, compensated absences of \$4,005,959, other postemployment benefits payable of \$65,802,280, and the City's proportionate share of the net pension liability of \$7,006,326. The decrease in postemployment benefits is due to a significant decrease in Medicare Supplemental cost. The increase in current liabilities is primarily due to an increase in BANs payable related to the joint sewer project.

Changes in deferred outflows of resources - OPEB and deferred inflows of resources - OPEB are based on changes in the actuarial valuation of the City's OPEB plan.

Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. Non-property tax items consist of New York State sales tax, utility tax and franchise tax.

CITY OF BINGHAMTON, NEW YORK

Management's Discussion and Analysis (Unaudited)

A summary of this statement for the years ending December 31, 2018 and 2017 is as follows:

	Governmental 2018	Business-type 2018	Governmental 2017 (restated)	Business-type 2017 (restated)
Revenues				
Program Revenues				
Charges for Service	\$ 20,121,444	\$ 178,663	\$ 20,797,096	\$ 250,116
Operating Grants	96,270	272,411	3,467,548	282,789
Capital Grants	45,190,821	-	39,971,341	-
General Revenues				
Property Taxes and Other Items	36,922,257	-	37,409,232	-
Nonproperty Tax items	12,948,237	-	12,163,195	-
Use of Money and Property	338,817	1,392	199,688	865
Sale of Property	1,477,958	-	-	-
Miscellaneous	2,837,949	-	14,022,748	-
State Sources	9,832,347	-	9,718,814	-
Change in Equity Interest in Joint Venture	6,504,865	-	12,540,153	-
Total Revenues	<u>136,270,965</u>	<u>452,466</u>	<u>150,289,815</u>	<u>533,770</u>
Expenses				
General Government Support	20,789,649	-	20,545,637	-
Public Safety	35,011,652	-	38,126,983	-
Public Health	90,982	-	989,867	-
Transportation	5,104,645	-	3,149,866	-
Economic Assistance and Opportunity	1,708,690	-	454,777	-
Home and Community Services	4,251,171	-	4,882,562	-
Culture & Recreation	67,806,319	-	55,735,798	-
Interest on long-term debt	3,902,092	-	4,733,299	-
BURA	-	64,330	-	82,737
BLDC	-	308,628	-	333,116
Total Expenses	<u>138,665,200</u>	<u>372,958</u>	<u>128,618,789</u>	<u>415,853</u>
Change in Net Position	<u>\$ (2,394,235)</u>	<u>\$ 79,508</u>	<u>\$ 21,671,026</u>	<u>\$ 117,917</u>

Net position of the City's activities decreased primarily due to some one time capital improvement funded through fund balance. Capital grants increased significantly as a result of reimbursements related to the Joint Sewer Project. Operating and capital grants fluctuate from year to year depending on the types of grants the City has applied for and received.

Property tax and tax items remained consistent from the prior year. Nonproperty taxes were up 6% in 2018, as compared to 2017. Other revenue increased primarily due to payments from the Village of Johnson City on joint venture debt and an increase in compensation from loss related to FEMA reimbursements. See Note 11 for more information about the City's joint ventures.

CITY OF BINGHAMTON, NEW YORK

Management's Discussion and Analysis (Unaudited)

THE CITY'S GOVERNMENTAL FUNDS

The following shows changes in fund balance for the year for the City's funds.

	2018	2017	Increase (Decrease)	% Change
General Fund	\$ 20,017,260	\$ 22,300,963	\$ (2,283,703)	-10%
Capital Projects Fund	(71,258,497)	(47,889,469)	(23,369,028)	49%
Non-Major Funds:				
Special Grant Fund	468,170	424,094	44,076	10%
Parking Ramp Fund	(270,700)	(390,466)	119,766	-31%
Water Fund	2,858,061	3,045,618	(187,557)	-6%
Refuse and Garbage Fund	945,790	1,064,608	(118,818)	-11%
Sewer Fund	4,712,636	4,988,390	(275,754)	-6%
 Total Fund Balance - governmental funds	 <u>\$ (42,527,280)</u>	 <u>\$ (16,456,262)</u>	 <u>\$ (26,071,018)</u>	 158%

The General Fund decrease was mainly the result of one time capital improvement projects funded by fund balance. Capital Projects Fund decreased based on issuance of bond anticipation notes that have not been converted to long term debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council as well as the management of the City revised the City General Fund budget several times. These budget amendments consist of transfers between functions, encumbrances from the prior fiscal year, and acceptance of grant awards.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2018 the City had net capital assets of \$305,210,240. Change from the prior year was a result of depreciation expense of \$14,959,316 and capital asset additions net of disposals of \$11,194,942.

	2018	2017	Increase (Decrease)	% Change
Capital Assets:				
Land	\$ 4,279,869	\$ 4,279,869	\$ -	0%
Construction in Progress	11,136,255	9,355,650	1,780,605	19%
Buildings, net	17,628,701	15,434,013	2,194,688	14%
Equipment, net	7,062,815	7,433,585	(370,770)	-5%
Infrastructure, net	265,102,600	271,954,703	(6,852,103)	-3%
 Total Capital Assets, net	 <u>\$ 305,210,240</u>	 <u>\$ 308,457,820</u>	 <u>\$ (3,247,580)</u>	 -1%

CITY OF BINGHAMTON, NEW YORK

Management's Discussion and Analysis (Unaudited)

Debt

Debt (bonds, BANs, and lease obligations payable), considered a liability of Governmental Activities, as shown below. Of the amount of bonds and BANs outstanding, \$72,843,853 is subject to the constitutional debt limit and represented 72% of the City's statutory debt limit. The City's bond rating was assigned an A2 by Moody's. More detailed information about the City's liabilities is presented in the notes to the financial statements.

	2018	2017	Increase (Decrease)	% Change
Outstanding Debt:				
Bond Anticipation Notes	\$ 111,411,331	\$ 68,833,754	\$ 42,577,577	62%
Serial Bonds	125,315,670	117,819,122	7,496,548	6%
Installment Purchase Debt	160,743	238,711	(77,968)	-33%
Total Outstanding Debt	<u>\$ 236,887,744</u>	<u>\$ 186,891,587</u>	<u>\$ 49,996,157</u>	27%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City, with a land area of approximately 10.4 square miles, is situated in the southern portion of Broome County (the "County") in upstate New York. The City of Syracuse lies approximately 75 miles to the north, while the Pennsylvania border lies approximately 7 miles to the south. The City is the County Seat of the County and is part of a metropolitan area running along the Susquehanna River Valley through the incorporated Villages of Endicott and Johnson City and the unincorporated area of Vestal.

Major highways within and in close proximity to the City include U.S. Route 11, Interstate 81 which extends north to Canada and south to Tennessee, Interstate 88 which runs northeast to Albany, Route 17 (soon to be Interstate 86) which runs east-west and connects with Interstate 87 north of New York City and Interstate 90 near Erie, Pennsylvania, and State Routes 7, 12, and 26.

Banking services are provided within the City by offices of Key Bank, N.A., M&T Bank, Chemung Canal, Tioga State Bank and NBT Bank, N. A. The City maintains accounts with Chase Bank, M&T Bank, and Chemung Canal Trust Company.

Recent and Planned Construction and Development Activity

The City has instituted an aggressive approach to develop and expand the commercial and industrial base within the City and is continuing to establish its central business district as a major retailing, cultural, convention, and entertainment center. Today, the business district is thriving during both day and evening hours. Downtown has also become an entertainment center and a place where thousands of residents and visitors come to socialize following the end of the workday and on weekends. The urban core currently hosts a variety of restaurants, coffeehouses, hotels, and taverns that attract people from throughout the region. Also located downtown is the Floyd L. Maines Veterans Memorial Arena, a 6,925 (4,679 for hockey) seat multi-purpose arena and home of the Binghamton Devils, a professional ice hockey team in the American Hockey League, which is a primary entertainment venue for residents of the Greater Binghamton area. NYSEG Stadium (former Binghamton Municipal Stadium), a stadium located in the northern section of downtown Binghamton, is home to the Binghamton Rumble Ponies of the Double-A Eastern League. The Broome County Forum Theatre (the "Forum") is a 1,500-seat performing arts theatre located in City's downtown and home to Broadway in Binghamton, the Tri-Cities Opera, and the Binghamton Philharmonic. The Forum also hosts a wide variety of other events, including concerts, comedians, conventions, talent competitions, and recitals. It also houses a Robert Morton Theatre Organ.

CITY OF BINGHAMTON, NEW YORK

Management's Discussion and Analysis (Unaudited)

In June 2017, the \$19 million Koffman Southern Tier Incubator opened on Hawley Street in Binghamton's urban core. The 35,000 square-foot Incubator was built by Binghamton University (the "University") and SUNY Broome to support the Southern Tier's growing entrepreneurial ecosystem and attract new companies to the area, especially those in the energy fields. The Incubator has offices, labs, common areas, and co-working spaces meant to encourage collaboration. It also offers wrap-around services such as financial, legal, and regulatory resources to help developing companies succeed. With such support, new firms increase their likelihood of success. Rather than 2 or 3 of 10 firms succeeding beyond three years, with the support available through an incubator, the success rate typically jumps to 8 of 10 thriving. The University has announced it expects to help create more than 900 jobs within the next nine years through the Incubator.

The City's Economic Development Office is working in concert with SUNY Broome and the University to identify suitable locations for the Governor's "Start-Up New York" tax free zone program. The Charles Street Business Park and a large manufacturing-ready facility on Court Street both offer build to suit and move-in opportunities. The Binghamton Local Development Corporation (the "BLDC") has worked with local business owners, Cornell University, SUNY Broome, and Cornell Cooperative Extension to attract a new generation of food businesses to take advantage of Binghamton's proximity to Cornell's technology and the City's access to three major railroads and three major interstate highways. This project is also part of the Upstate Revitalization Initiative discussed below.

Recent Budget Results

The City Council and Mayor adopted and approved the 2020 budget which included a decrease in residential tax rate of 2.31% thus complying with the statutory tax cap; however, a total appropriation of \$1,118,000 from General Fund reserves is expected to be used.

Education

Binghamton University began as a Triple Cities College in 1946, joining the State University System in 1950 as Harpur College. In 1965 the campus was formally designated the State University of New York at Binghamton. Today, the University consists of the Harpur College of Arts & Sciences, the School of Education & Human Development, the School of Management, the Decker School of Nursing, the College of Community and Public Affairs and the Thomas J. Watson School of Engineering & Applied Sciences. Binghamton University had an enrollment of 13,708 undergraduates and 3,614 graduate students for the 2017 fall semester.

Nationally recognized as a world-class institution, and one of the most elite research institutions in the nation, Binghamton University offers students a broad, interdisciplinary education with an international perspective. For 16 straight years, U.S. News & World Report has ranked Binghamton as one of the nation's top 50 public universities. Kiplinger's Personal Finance Magazine rated Binghamton University sixth among the Nations Public Universities for out-of-state students and eighteenth overall in its 2017- 2018 ranking of the 100 Best Values in Public Colleges.

Broome County Community College, renamed SUNY Broome, is a comprehensive academic institution supervised by the State University of New York, sponsored by Broome County, and accredited by both professional and educational organizations. The college was chartered as the New York State Institute of Applied Arts and Sciences at Binghamton in 1946. It became Broome Community College in 1971 and, in September 2013, it underwent its final name change to SUNY Broome Community College to highlight its long history as a State University of New York Institution.

SUNY Broome had an enrollment of 4,075 full-time and 1,549 part-time students for the Spring 2018 semester. The college offers 50 degree programs and various certificate programs designed to prepare graduates for immediate employment or transfer to four-year colleges and universities.

CITY OF BINGHAMTON, NEW YORK

Management's Discussion and Analysis (Unaudited)

The expansion of Binghamton University and SUNY Broome has led to increased demand for off-campus student housing and resulted in a housing boom in downtown Binghamton in recent years. There have been several multi-million dollar student housing projects, including new construction projects, such as 20 Hawley and Twin River Commons, and the renovation of multiple historic buildings, such as Chenango Place, The Printing House, and University Lofts. A total of 367 units with 1,445 beds are planned. A \$17.5 million waterfront housing project, called Chenango Place consisting of 178 student beds was completed in the summer of 2014, creating 50 full-time construction jobs during construction and 20 permanent jobs. This project also restored part of a historic downtown building.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Clarence E. Shager, City Comptroller, City Hall, 38 Hawley Street, Binghamton, NY 13901.

CITY OF BINGHAMTON, NEW YORK

Statement of Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 26,744,905	\$ 81,717	\$ 26,826,622
Restricted cash and cash equivalents	42,348,768	2,458,578	44,807,346
Accounts receivable	-	45,750	45,750
Due from state and federal governments	2,591,346	-	2,591,346
Due from other governments	7,165,185	-	7,165,185
Other receivables, net	5,506,803	-	5,506,803
Inventory	391,833	-	391,833
Prepaid expenditures	2,100,514	-	2,100,514
Loans receivable, current portion	-	167,496	167,496
Total current assets	<u>86,849,354</u>	<u>2,753,541</u>	<u>89,602,895</u>
NONCURRENT ASSETS:			
Loans receivable, net	6,749,332	985,060	7,734,392
Equity interest in joint ventures	7,971,731	-	7,971,731
Capital assets, net	<u>305,210,240</u>	<u>576,386</u>	<u>305,786,626</u>
Total noncurrent assets	<u>319,931,303</u>	<u>1,561,446</u>	<u>321,492,749</u>
Total assets	<u>406,780,657</u>	<u>4,314,987</u>	<u>411,095,644</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	12,665,846	-	12,665,846
OPEB related	5,706,003	-	5,706,003
Joint sewer related	<u>96,206,175</u>	<u>-</u>	<u>96,206,175</u>
Total deferred outflows of resources	<u>114,578,024</u>	<u>-</u>	<u>114,578,024</u>
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	3,689,582	3,284	3,692,866
Accrued liabilities	10,378,043	-	10,378,043
Due to Fiduciary Fund	614,674	-	614,674
Due to other governments	557,770	-	557,770
Bond anticipation notes payable	111,411,331	-	111,411,331
Interest payable	1,146,465	-	1,146,465
Other liabilities	7,150	-	7,150
Compensated absences, current portion	226,712	-	226,712
Bonds payable, current portion	8,050,670	-	8,050,670
Lease obligations payable, current portion	<u>79,560</u>	<u>-</u>	<u>79,560</u>
Total current liabilities	<u>136,161,957</u>	<u>3,284</u>	<u>136,165,241</u>
LONG-TERM LIABILITIES:			
Bonds payable	117,265,000	-	117,265,000
Lease obligations payable	81,183	-	81,183
Compensated absences	4,005,959	-	4,005,959
Net pension liability	7,006,326	-	7,006,326
Total other postemployment benefits	<u>65,802,280</u>	<u>-</u>	<u>65,802,280</u>
Total long-term liabilities	<u>194,160,748</u>	<u>-</u>	<u>194,160,748</u>
Total liabilities	<u>330,322,705</u>	<u>3,284</u>	<u>330,325,989</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	1,913,018	54,774	1,967,792
Pension related	9,498,442	-	9,498,442
OPEB related	<u>46,474,303</u>	<u>-</u>	<u>46,474,303</u>
Total deferred inflows of resources	<u>57,885,763</u>	<u>54,774</u>	<u>57,940,537</u>
NET POSITION			
Net investment in capital assets	199,549,617	576,386	200,126,003
Restricted	48,954,163	3,622,110	52,576,273
Unrestricted	<u>(115,353,567)</u>	<u>58,433</u>	<u>(115,295,134)</u>
Total net position	<u>\$ 133,150,213</u>	<u>\$ 4,256,929</u>	<u>\$ 137,407,142</u>

The accompanying notes are an integral part of these statements.

City of Binghamton, New York

Statement of Activities
For the year ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Change in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government
Governmental activities:							
General government support	\$ 20,789,649	\$ 185,551	\$ 94,895	\$ -	\$ (20,509,203)	\$ -	\$ (20,509,203)
Public safety	35,011,652	998,563	287,151	188,097	(33,537,841)	-	(33,537,841)
Public health	90,982	735,413	-	-	644,431	-	644,431
Transportation	5,104,645	1,630,176	-	4,141,226	666,757	-	666,757
Economic assistance and opportunity	1,708,690	-	-	-	(1,708,690)	-	(1,708,690)
Culture and recreation	4,251,171	23,389	9,800	-	(4,217,982)	-	(4,217,982)
Home and community services	67,806,319	16,548,352	(295,576)	40,861,498	(10,692,045)	-	(10,692,045)
Interest on long-term debt	3,902,092	-	-	-	(3,902,092)	-	(3,902,092)
Total governmental activities	138,665,200	20,121,444	96,270	45,190,821	(73,256,665)	-	(73,256,665)
Business-type activities:							
BURA	64,330	8,067	61,668	-	-	5,405	5,405
BLDC	308,628	170,596	210,743	-	-	72,711	72,711
Total business-type activities	372,958	178,663	272,411	-	-	78,116	78,116
Total primary government	\$ 139,038,158	\$ 20,300,107	\$ 368,681	\$ 45,190,821	(73,256,665)	78,116	(73,178,549)
General revenues:							
Real property taxes					35,928,310	-	35,928,310
Other real property tax items					993,947	-	993,947
Non-property taxes					12,948,237	-	12,948,237
Use of money and property					338,817	1,392	340,209
Sale and compensation of property					1,477,958	-	1,477,958
Miscellaneous					2,837,949	-	2,837,949
State sources					9,832,347	-	9,832,347
Change in equity interest in joint ventures					6,504,865	-	6,504,865
Total general revenues					70,862,430	1,392	70,863,822
Change in net position					(2,394,235)	79,508	(2,314,727)
Net position - beginning of year, as previously reported					135,142,427	(1,621,643)	133,520,784
Cumulative effect of prior period adjustment (Note 1)					402,021	5,799,064	6,201,085
Net position - beginning of year, as restated					135,544,448	4,177,421	139,721,869
Change in net position					(2,394,235)	79,508	(2,314,727)
Net position - end of year					\$ 133,150,213	\$ 4,256,929	\$ 137,407,142

The accompanying notes are an integral part of these statements.

City of Binghamton, New York

Balance Sheet
Governmental Funds
December 31, 2018

	Governmental		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund		
ASSETS				
Cash and cash equivalents	\$ 16,543,194	\$ 7,654,381	\$ 2,547,330	\$ 26,744,905
Restricted Cash and cash equivalents	5,387,106	35,020,946	346,129	40,754,181
Due from other funds	959,709	150,486	920,107	2,030,302
Due from state and federal governments	71,725	2,357,817	161,804	2,591,346
Due from other governments	3,092,928	3,212,403	859,854	7,165,185
Other receivables, net	414,579	58,259	5,029,619	5,502,457
Inventory	30,490	-	361,343	391,833
Prepaid expenditures	1,678,266	-	369,014	2,047,280
Loans receivable, net	-	-	6,749,332	6,749,332
	<u>-</u>	<u>-</u>	<u>6,749,332</u>	<u>6,749,332</u>
Total assets	<u>\$ 28,177,997</u>	<u>\$ 48,454,292</u>	<u>\$ 17,344,532</u>	<u>\$ 93,976,821</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 539,970	\$ 2,487,498	\$ 623,567	\$ 3,651,035
Accrued liabilities	2,191,381	5,813,960	97,247	8,102,588
Due to other funds	4,605,503	-	1,130,001	5,735,504
Due to other governments	557,767	-	3	557,770
Bond anticipation notes payable	-	111,411,331	-	111,411,331
Compensated absences	205,520	-	21,192	226,712
Other liabilities	-	-	7,150	7,150
	<u>-</u>	<u>-</u>	<u>7,150</u>	<u>7,150</u>
Total liabilities	<u>8,100,141</u>	<u>119,712,789</u>	<u>1,879,160</u>	<u>129,692,090</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	<u>60,596</u>	<u>-</u>	<u>6,751,415</u>	<u>6,812,011</u>
FUND BALANCES:				
Nonspendable	2,116,932	-	730,357	2,847,289
Restricted	5,387,106	35,020,946	7,543,788	47,951,840
Committed	-	-	827,859	827,859
Assigned	1,700,887	-	-	1,700,887
Unassigned	<u>10,812,335</u>	<u>(106,279,443)</u>	<u>(388,047)</u>	<u>(95,855,155)</u>
Total fund balances	<u>20,017,260</u>	<u>(71,258,497)</u>	<u>8,713,957</u>	<u>(42,527,280)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,177,997</u>	<u>\$ 48,454,292</u>	<u>\$ 17,344,532</u>	<u>\$ 93,976,821</u>

The accompanying notes are an integral part of these statements

CITY OF BINGHAMTON, NEW YORK

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2018

Total fund balance - governmental funds		\$	(42,527,280)
Total net position reported for governmental activities in the statement of net position is different because:			
Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources.			7,971,731
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the funds.			
Cost of capital assets	\$	597,901,776	
Accumulated depreciation		<u>(292,691,536)</u>	
			305,210,240
Funds borrowed for construction at the Joint Sewer Treatment Plant are obligations of the City; however, the Plant will provide resources in the form of bill credits in the future. This is the total borrowings provided to the Plant reported as a deferred outflow of resources.			96,206,175
Other deferred outflows of resources not reported in the governmental funds Balance Sheet but included in the Statement of Net Position are as follows:			
Pension related	\$	12,665,846	
OPEB related		<u>5,706,003</u>	
			18,371,849
Interest payable accrued in the Statement of Net Position does not require the use of current financial resources and, therefore, is not reported as a liability in the funds.			(1,146,465)
Long-term debt and other noncurrent liabilities are not due and payable in the current period and; therefore, are not reported in the funds.			
Bonds payable	\$	(125,315,670)	
Lease obligations payable		(160,743)	
Compensated absences		(4,005,959)	
Net pension liability		(7,006,326)	
Other postemployment benefits		<u>(65,802,280)</u>	
			(202,290,978)
Portions of loans receivable are not available to pay for current period expenditures and are deferred in the funds.			4,898,993
Other deferred inflows of resources not reported in the governmental funds Balance Sheet but included in the Statement of Net Position are as follows:			
Pension related	\$	(9,498,442)	
OPEB related		<u>(46,474,303)</u>	
			(55,972,745)
Internal Service Funds are used by management to charge the costs of certain activities, such as health and workers' compensation insurance. The assets and liabilities of the Internal Service Funds are included in Governmental Activities in the Statement of Net Position.			<u>2,428,693</u>
Net position of governmental activities		\$	<u>133,150,213</u>

The accompanying notes are an integral part of these statements.

City of Binghamton, New York

Statement of Revenues, Expenditures and Change in Fund Balances
 Governmental Funds
 For the year ended December 31, 2018

	Governmental		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Projects Fund		
REVENUES:				
Real property taxes	\$ 35,928,310	\$ -	\$ -	\$ 35,928,310
Other real property tax items	993,947	-	-	993,947
Non-property taxes	12,948,237	-	-	12,948,237
Departmental income	1,600,354	-	17,033,862	18,634,216
Intergovernmental charges	557,617	34,752,304	72,484	35,382,405
Interfund revenues	1,529,740	-	166,111	1,695,851
Use of money and property	274,648	59,470	4,699	338,817
Licenses and permits	400,996	-	-	400,996
Fines and forfeitures	542,134	-	-	542,134
Sale of property and compensation for loss	107,977	1,349,383	28,003	1,485,363
Miscellaneous	509,071	295,478	1,165	805,714
State aid	10,013,561	5,882,004	-	15,895,565
Federal aid	176,016	4,369,928	1,932,329	6,478,273
	<u>65,582,608</u>	<u>46,708,567</u>	<u>19,238,653</u>	<u>131,529,828</u>
Total revenues				
EXPENDITURES:				
General government support	7,378,773	1,694,974	135,542	9,209,289
Public safety	22,978,949	599,405	-	23,578,354
Public health	47,851	7,379	-	55,230
Transportation	2,084,614	6,088,920	602,097	8,775,631
Economic assistance and opportunity	-	1,545,690	163,000	1,708,690
Culture and recreation	2,978,296	183,584	10,000	3,171,880
Home and community services	1,300,764	83,526,988	10,367,108	95,194,860
Employee benefits	17,253,051	1,513	2,640,418	19,894,982
Debt Service - principal	4,851,847	-	5,637,031	10,488,878
Debt Service - interest	1,765,328	-	2,136,764	3,902,092
	<u>60,639,473</u>	<u>93,648,453</u>	<u>21,691,960</u>	<u>175,979,886</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,943,135</u>	<u>(46,939,886)</u>	<u>(2,453,307)</u>	<u>(44,450,058)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from the issuance of debt	-	14,510,670	-	14,510,670
Premiums on debt issuances	225,062	-	246,520	471,582
BANs redeemed from appropriations	-	3,396,788	-	3,396,788
Interfund transfers in	-	5,663,400	2,555,000	8,218,400
Interfund transfers out	(7,451,900)	-	(766,500)	(8,218,400)
Total other financing sources (uses) - net	<u>(7,226,838)</u>	<u>23,570,858</u>	<u>2,035,020</u>	<u>18,379,040</u>
CHANGE IN FUND BALANCE	<u>(2,283,703)</u>	<u>(23,369,028)</u>	<u>(418,287)</u>	<u>(26,071,018)</u>
FUND BALANCES AT BEGINNING OF YEAR - as previously reported	22,300,963	(47,889,469)	8,228,093	(17,360,413)
PRIOR PERIOD ADJUSTMENT (Note 1)	-	-	904,151	904,151
FUND BALANCES AT BEGINNING OF YEAR - as restated	<u>22,300,963</u>	<u>(47,889,469)</u>	<u>9,132,244</u>	<u>(16,456,262)</u>
FUND BALANCES AT END OF YEAR	<u>\$ 20,017,260</u>	<u>\$ (71,258,497)</u>	<u>\$ 8,713,957</u>	<u>\$ (42,527,280)</u>

The accompanying notes are an integral part of these statements.

CITY OF BINGHAMTON, NEW YORK

**Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances -
Governmental Funds to the Statement of Activities
For the year ended December 31, 2018**

Net changes in fund balances - total governmental funds		\$ (26,071,018)
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources. This is the change in the investments in the City's joint ventures.		6,504,865
The cost of investment in capital assets and the depreciation expense associated with the investment in capital assets are reported as expenditures in the year they are incurred in the Balance Sheet. However, the Statement of Net Position includes those costs among the assets of the District, and their original costs are depreciated annually over the life of the asset.		
Capital outlay	\$ 11,876,391	
Depreciation expense	(14,959,316)	
Net book value of disposed asset	<u>(192,932)</u>	
		(3,275,857)
Funds provided to the Joint Sewer Treatment Plant for construction are not considered capital outlay above, but are reflected in total debt obligations. This is the amount provided in the current year.		28,075,127
Issuance of long-term debt is recognized as proceeds in the governmental funds, but recorded as a liability in the statement of net position.		(14,510,670)
Repayments of long-term serial bonds and lease obligations are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.		7,092,090
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds include the following:		
Compensated absences		136,242
Pension (expense)/income resulting from the change in the pension related (liabilities)/assets and deferred outflows and inflows of resources, that are long-term in nature and therefore not reported in the funds.		
Net pension liability/asset	\$ 8,960,519	
Deferred outflows of resources	(3,675,494)	
Deferred inflows of resources	<u>(5,854,783)</u>	
		(569,758)
Other postemployment benefits (expense)/income resulting from the change in the pension related (liabilities)/assets and deferred outflows and inflows of resources, that are long-term in nature and therefore not reported in the funds.		
Other postemployment benefits liability	\$ 36,431,012	
Deferred outflows of resources	(1,141,201)	
Deferred inflows of resources	<u>(33,623,093)</u>	
		1,666,718
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference in unearned revenue.		(2,227,905)
Internal Service Funds are used by management to charge the costs of certain activities, such as workers' compensation and insurance, to individual funds. Net revenue of the Internal Service Fund is reported with Governmental Activities.		
		<u>785,931</u>
Change in net position of governmental activities		<u>\$ (2,394,235)</u>

The accompanying notes are an integral part of these statements.

City of Binghamton, New York

Statement of Net Position
Proprietary Funds
December 31, 2018

	Business-Type Activities			Governmental
	<u>BURA</u>	<u>BLDC</u>	<u>Total</u>	Activities Internal Service Fund
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 30,432	\$ 51,285	\$ 81,717	\$ -
Restricted cash and cash equivalents	-	2,458,578	2,458,578	1,594,587
Due from other funds	-	-	-	3,090,528
Accounts receivable	-	45,750	45,750	-
Other receivables, net	-	-	-	4,346
Loans receivable, current portion	-	167,496	167,496	-
Prepaid expenses	-	-	-	53,234
Total current assets	<u>30,432</u>	<u>2,723,109</u>	<u>2,753,541</u>	<u>4,742,695</u>
NONCURRENT ASSETS:				
Capital assets, net of accumulated depreciation	439,432	136,954	576,386	-
Loans receivable, net of current portion and allowance for doubtful accounts of \$327,911	-	985,060	985,060	-
Total noncurrent assets	<u>439,432</u>	<u>1,122,014</u>	<u>1,561,446</u>	<u>-</u>
Total assets	<u>469,864</u>	<u>3,845,123</u>	<u>4,314,987</u>	<u>4,742,695</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	-	3,284	3,284	38,547
Accrued liabilities	-	-	-	2,275,455
Total liabilities	<u>-</u>	<u>3,284</u>	<u>3,284</u>	<u>2,314,002</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	-	54,774	54,774	-
NET POSITION				
Net investment in capital assets	439,432	136,954	576,386	-
Restricted	20,000	3,602,110	3,622,110	1,002,323
Unrestricted	<u>10,432</u>	<u>48,001</u>	<u>58,433</u>	<u>1,426,370</u>
Total net position	<u>\$ 469,864</u>	<u>\$ 3,787,065</u>	<u>\$ 4,256,929</u>	<u>\$ 2,428,693</u>

The accompanying notes are an integral part of these statements

City of Binghamton, New York

Statement of Revenues, Expenses and Change in Net Position - Proprietary Funds
 Proprietary Funds
 For the year ended December 31, 2018

	Business-Type Activities			Governmental
	BURA	BLDC	Total	Internal Service Fund
OPERATING REVENUES:				
Interdepartmental charges	\$ -	\$ -	\$ -	\$ 2,811,605
Rental income	8,067	-	8,067	-
Grant income	50,000	54,217	104,217	-
Interest and fees on loans	-	29,620	29,620	-
UDAG repayments	-	25,275	25,275	-
CDBG HUD funds	-	210,743	210,743	-
Other operating revenues	-	61,484	61,484	175,650
In-Kind revenue	11,668	-	11,668	-
Total operating revenues	69,735	381,339	451,074	2,987,255
OPERATING EXPENSES:				
Salaries and benefits	-	176,583	176,583	144,176
Contractual services	-	-	-	246,658
Workers compensation claims	-	-	-	1,857,832
Facilities, personnel, materials and supplies - CDBG HUD funds	-	9,873	9,873	-
Grant expense	-	40,733	40,733	-
Marketing	-	15,858	15,858	-
Professional fees	2,000	-	2,000	-
Utilities	662	-	662	-
Stadium maintenance	50,000	-	50,000	-
Office expenses	-	26,036	26,036	-
Other	-	39,545	39,545	-
In-Kind expense	11,668	-	11,668	-
Total operating expenses	64,330	308,628	372,958	2,248,666
INCOME FROM OPERATIONS	5,405	72,711	78,116	738,589
NONOPERATING (EXPENSES) REVENUES:				
Interest income	20	1,372	1,392	47,342
Total nonoperating (expenses) revenues	20	1,372	1,392	47,342
CHANGE IN NET POSITION	5,425	74,083	79,508	785,931
NET POSITION - beginning of year, as previously reported	-	-	-	1,642,762
PRIOR PERIOD ADJUSTMENT (Note 1)	464,439	3,712,982	4,177,421	-
NET POSITION - beginning of year, as restated	464,439	3,712,982	4,177,421	1,642,762
NET POSITION - end of year	\$ 469,864	\$ 3,787,065	\$ 4,256,929	\$ 2,428,693

The accompanying notes are an integral part of these statements.

City of Binghamton, New York

Statement of Cash Flows - Proprietary Funds
For the year ended December 31, 2018

	Business-Type Activities			Governmental
	BURA	BLDC	Total	Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES:				
Cash received from providing services	\$ 58,067	\$ -	\$ 58,067	\$ 2,807,259
Cash payments for contractual services	(52,662)	-	(52,662)	(316,972)
Cash payments for salaries and benefits	-	-	-	(144,176)
Cash payments for workers compensation claims	-	-	-	(1,487,882)
Refund of prior year expenditures	-	-	-	175,650
Internal activity with other funds- net	-	-	-	(4,084,026)
BLDC cash flow from operating activities	-	100,113	100,113	-
Net cash flow from operating activities	5,405	100,113	105,518	(3,050,147)
CASH FLOW FROM INVESTING ACTIVITIES:				
Interest income received	20	1,372	1,392	47,342
New loans	-	(260,195)	(260,195)	-
Loan repayments	-	119,517	119,517	-
Net cash flow from investing activities	20	(139,306)	(139,286)	47,342
CHANGE IN CASH AND CASH EQUIVALENTS	5,425	(39,193)	(33,768)	(3,002,805)
CASH AND CASH EQUIVALENTS - beginning of year	25,007	2,549,056	2,574,063	4,597,392
CASH AND CASH EQUIVALENTS - end of year	\$ 30,432	\$ 2,509,863	\$ 2,540,295	\$ 1,594,587
Cash and cash equivalents - unrestricted	\$ 30,432	\$ 51,285	\$ 81,717	\$ -
Cash and cash equivalents - restricted	-	2,458,578	2,458,578	1,594,587
Total cash and cash equivalents	\$ 30,432	\$ 2,509,863	\$ 2,540,295	\$ 1,594,587
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 5,405	\$ 72,711	\$ 78,116	\$ 738,589
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Changes in:				
Due from other funds	-	-	-	(3,090,528)
Accounts receivable	-	82,500	82,500	(4,346)
Prepays	-	-	-	339,124
Accounts payable	-	(55,098)	(55,098)	(17,080)
Accrued liabilities	-	-	-	(22,408)
Due to other funds	-	-	-	(993,498)
Net cash flow from operating activities	\$ 5,405	\$ 100,113	\$ 105,518	\$ (3,050,147)

The accompanying notes are an integral part of these statements

CITY OF BINGHAMTON, NEW YORK

Statement of Net Position

Fiduciary Fund

December 31, 2018

	Agency <u>Fund</u>
ASSETS:	
Unrestricted cash & cash equivalents	\$ 370,927
Due from other funds	<u>614,674</u>
 Total assets	 <u>\$ 985,601</u>
LIABILITIES:	
Agency liabilities	<u>\$ 985,601</u>
 Total liabilities	 <u>\$ 985,601</u>

The accompanying notes are an integral part of these statements.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Binghamton (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The City, which was established in 1867, is governed by its Charter, General City Law, and other general laws of the State of New York and various local laws. The Common Council is the legislative body responsible for overall operations; the Mayor serves as chief executive officer, and the Comptroller serves as the chief fiscal officer.

The following basic services are provided: public safety (police and fire), highways and streets, sanitation, health, culture and recreation, parking facilities, economic and community development, planning and zoning, and general administration.

All Governmental Activities and functions performed for the City are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Reporting Entity: Omnibus":

- The primary government, which is the City,
- Organizations for which the primary government is financially accountable, and;
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following have been included in the City's reporting entity, and are discretely reported.

Blended Component Unit - Binghamton Urban Renewal Agency

The Binghamton Urban Renewal Agency (BURA) was created in 1963 pursuant to an act of the State Legislature (General Municipal Law Article 572). Members of the Agency consist of the Mayor, Comptroller, Corporation Counsel, City Engineer, Commissioner of Public Works, and two members of Common Council. Because of local grants in aid, municipal expenditures on behalf of BURA and municipal debt for BURA purposes, BURA provides benefits and creates burdens for the City.

Notes to Basic Financial Statements

Blended Component Unit - Binghamton Local Development Corporation

The Binghamton Local Development Corporation (BLDC) was incorporated in 1982 under not for profit corporation law. BLDC is governed by a Board of Directors consisting of the Mayor, Corporation Counsel, Director of the Economic Development Department, Comptroller, and several members at large. BLDC is fiscally dependent on the City because its operations are substantially funded by grants received from the City under the Federal Community Development Block Grant and Urban Development Action Grant programs. BLDC has a fiscal year end of August 31; the information included in the financial statements is for the year ended August 31, 2018.

BLDC is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the BLDC's financial information in the City's financial reporting entity for these differences. Further, the cash flows of BLDC are presented as indirect method only, as FASB standards do not require the direct method.

Financial statements for BURA and BLDC are both available from the City Department of Economic Development.

Joint Venture - Binghamton-Johnson City Joint Sewage and Waste Water Treatment Plant

The City jointly operates a sewage treatment operation with the Village of Johnson City. The operation is jointly controlled and the City has an ongoing financial responsibility for and an equity interest in the joint venture. Equity interest in the joint venture has been reflected in the Statement of Net Position.

Related Organization - Binghamton Housing Authority

The Binghamton Housing Authority was created in 1957 pursuant to an act of the State Legislature. It is governed by seven members, five of whom are appointed by the Mayor. The Authority designates management and exercises complete responsibility for all fiscal matters.

A. Basis of Presentation

Financial Statements

The City's basic financial statements include both Government-wide (reporting the City as a whole) and Governmental Fund financial statements (reporting the City's Major Funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either governmental or proprietary. The City's general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities. The remaining activities of the Binghamton Regency Hotel and BURA and BLDC (component units described above) are classified as Business-Type Activities.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of activities for the primary government. Government-wide financial statements do not include the activities reported in the Fiduciary Funds. This Government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

In the Government-wide Statement of Net Position, the Governmental Activities columns is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts - net investment in capital assets, restricted, and unrestricted.

The Statement of Activities reports both the gross and net cost for each of the City's functions or programs. Direct expenses, are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the City's programs, including personnel, overall administration and finance. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions - that are restricted to meeting the program or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the City.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The City records its transactions in the funds described below:

Governmental 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 measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position.

a) Major Governmental Funds

General Fund

Principal operating fund; includes all operations not required to be recorded in other funds.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

Capital Projects Fund

Accounts for financial resources to be used for the acquisition, construction, or renovation of major capital facilities or equipment.

b) Non-major Governmental Funds

Special Revenue Funds

Special Grant Fund - Accounts for Community Development Block Grant activities and other federal revenue sources.

Parking Ramps Fund - Accounts for funds collected from parking garage receipts and related expenditures.

Water Fund - Accounts for revenues derived from charges for water consumption and the application of such revenues toward related operating expenses and debt retirement.

Refuse and Garbage Fund - Accounts for revenues derived from charges for garbage, refuse, and recycling consumption, and the application of such revenues toward related operating expenses.

Sewer Fund - Accounts for revenues derived from charges for sewer usage and benefited assessments, and the application of such revenues toward related operating expenses and debt retirement.

Proprietary Fund Types

Proprietary Funds are used to account for activities which are similar to those often found in the private sector. The costs of providing goods or services to the general public are financed or recovered primarily through user fees. The measurement focus is upon determination of operating income, changes in net position, financial position, and cash flows.

The City reports the following Proprietary Funds:

a) Non-major Enterprise Funds

Regency Hotel Fund - Business-type fund accounts for the remaining activity associated with the Binghamton Regency Hotel. The City sold the property in December 2010; the Enterprise Fund accounts for remaining activity.

BURA - Accounts for activities of the blended component unit.

BLDC - Accounts for activities of the blended component unit.

Notes to Basic Financial Statements

- b) Internal Service Fund - Governmental activities fund accounts for special activities or services provided by one department to other departments or to other governments on a cost-reimbursement basis, and for insurance coverage when the Council has decided to have a self-insurance program on an actuarial basis. The reimbursements and premiums are treated as operating revenues of the Internal Service Fund and as expenditures/expenses of the reimbursing or insured fund. Included is the following:

Self-Insurance Funds for Workers' Compensation - Accounts for the accumulation of resources for payment of compensation, assessments, and other obligations under Workers' Compensation Law, Article 5.

Fiduciary Fund Types

Fiduciary Fund Types are used to account for assets held by the local government in a trustee or custodial capacity. The City reports the following Fiduciary Fund:

Agency Fund - Accounts for money and/or property received and held in the capacity of trustee, custodian or agent.

B. Basis of Accounting and Measurement Focus

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

Accrual Basis

The Government-wide financial statements, Proprietary Funds and Fiduciary Fund financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred inflows of resources, liabilities, and deferred outflows of resources, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual Basis

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The City has an agreement with Broome County; the County collects property taxes on behalf of the City and pays the City the full amount of taxes due prior to year-end. The City is assured of full tax collections, and has no current taxes receivable. All other revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

C. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions and OPEB plans in the Statement of Net Position. In addition, the City has recorded a deferred outflow to reflect amounts provided for construction of the Joint Sewer Treatment Plant.

In addition to liabilities, the Statement of Net Position and the Balance Sheet - Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of deferred inflow which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Balance Sheet - Governmental Funds. The governmental funds report unavailable revenues from loans and other receivables that remain uncollected 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows related to pensions and OPEB plans in the Statement of Net Position.

D. Inventory

Inventory is valued at cost utilizing the first-in, first-out method. The cost of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

E. Property Taxes

Real property taxes are levied annually by the City no later than December 31, and become a lien on January 1. City taxes are collected in two installments, the first due January 31 and the second due July 31.

Effective September 1, 2006, the City signed an intermunicipal agreement with Broome County (County) for the purposes of tax billing, collection, and enforcement of property taxes for the City and the Binghamton City School District. As part of this agreement, the City turned over outstanding delinquent taxes, In Rem Agreements, Payment in Lieu of Tax Agreements, and foreclosures.

F. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services in connection with a proprietary fund's principal ongoing operations. It also includes all revenues and expenses not related to capital and related financing or investment activities.

G. Receivables

Amounts due from state and federal governments represent amounts owed to the City to reimburse it for expenditures incurred pursuant to state and federally funded programs. Other receivables represent amounts owed to the City including sewer rents, water rents, rehabilitation loans, and assessments. Provisions have been made for uncollectible accounts as considered appropriate by management. All receivables net of estimated allowances for uncollectible amounts are expected to be collected within the subsequent fiscal year.

H. Loans Receivable

The City provides loans the Community Development Block Grant (CDBG) and HOME programs under the U.S. Department of Housing and Urban Development (HUD). Portions of these loans are to be forgiven provided the recipient continues to own the property for a specified number of years. In general, the loans that are not forgiven will be payable upon transfer of title. There is an offsetting deferred inflow of resources related to these loans in their full amount reported in the Special Grant Fund. The governmental activities report a deferred inflow of resources to the extent that the loans may be forgiven.

I. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with initial maturities of three months or less are considered cash equivalents.

J. Capital Assets

All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of over \$5,000, and having a useful life of greater than three years are capitalized. The estimated useful lives for governmental capital assets are as follows:

Buildings	30 - 60 years
Improvements other than buildings	10 - 20 years
Machinery and Equipment	6 - 15 years
Infrastructure	5 - 60 years
Water System	65 years

No interest on construction in progress has been capitalized.

K. Insurance

The City assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

L. Vacation and Sick Leave and Compensatory Absences

The City recognizes a liability for vacation leave and other compensated absences with similar characteristics and additional salary-related payments as the benefits are earned by the employees, based on the rendering of past service and the probability the employees will be compensated for the benefits through paid time off or some other means. This includes vacation leave and other compensated absences with similar characteristics earned but not used during the current or prior periods and for which employees can receive compensation in a future period. Amounts do not include leave expected to lapse and do include leave that (new) employees will (eventually) qualify for.

In addition, the City recognizes a liability for vesting sick leave and other compensated absences with similar characteristics and additional salary-related payments as employees earn benefits and to the extent it's probable that the City will compensate the employees for the benefits through cash payments (which may be conditioned on the employees' termination or retirement), rather than be taken as absences due to illness or other contingencies.

The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the Governmental Funds inasmuch as it will be funded from current financial resources. The Statement of Net Position records this current portion, as well as amounts to be paid from future financial resources.

M. Other Postretirement Benefits

In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the City and the retired employee. The City recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The City follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The City's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement.

N. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

O. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, it is the City's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Certain assets are classified on the Balance Sheet as restricted because their use is limited. The proceeds of bond and note sales may only be used for the stated borrowing purpose. Community Development Block Grant Funds must be used for approved programs only.

P. Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Governmental Fund Financial Statements

The City reports fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items and inventories.

- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In the General Fund, this includes encumbrances and amounts of fund balance appropriated in the following year's budget.
- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Q. Order of Use of Fund Balance

The City's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted and committed fund balances for specific purposes are determined. Any remaining fund balance amounts are classified as assigned or unassigned. Funds other than the General Fund will report any remaining amounts as assigned. However, assignments of fund balance cannot cause a negative unassigned fund balance.

R. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Notes to Basic Financial Statements

S. Prior Period Adjustments

Corrections of Errors

- Restatement 1 - the financial statements have been restated to include the component units BURA and BLDC as blended component units, whereas as of December 31, 2017, the City's financial statement improperly reported them as discretely presented component units. This results in a restatement of the net position of business-type activities, the BURA and BLDC enterprise funds in the aggregate remaining fund information opinion unit, and discretely presented component units.
- Restatement 2 - the financial statements have been restated to eliminate the Regency Hotel Fund, which erroneously overstated liabilities at December 31, 2017. This results in a restatement to reduce net position and increase liabilities of business-type activities and the Regency Hotel Fund in the aggregate remaining fund information opinion unit.
- Restatement 3 - the financial statements have been restated to correct a misstatement of accounts receivable in the Sewer Fund, part of the aggregate remaining fund information, at December 31, 2017. This results in an increase in fund balance of the aggregate remaining fund information and net position of governmental activities.
- Restatement 4 - the financial statements have been restated to correct a misstatement of deferred inflows and other liabilities in the Refuse and Garbage Fund, part of the aggregate remaining fund information, at December 31, 2017. This results in an increase in fund balance of the aggregate remaining fund information and net position of governmental activities.

The effect of these restatements in aggregate on each opinion unit is as follows:

	<u>Net Position</u>	<u>Other Receivables</u>	<u>Other Liabilities</u>
Governmental activities:			
As previously reported, December 31, 2017	\$ 135,142,427	\$ 6,275,235	\$ 117,564
Restatement 3	294,657	294,657	-
Restatement 4	<u>107,364</u>	<u>-</u>	<u>(107,364)</u>
As restated, December 31, 2017	<u>\$ 135,544,448</u>	<u>\$ 6,569,892</u>	<u>\$ 10,200</u>

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

	<u>Net Position</u>	<u>Due to Fiduciary Funds</u>	<u>Bonds Payable</u>
Business-type activities:			
As previously reported, December 31, 2017	\$ (1,621,643)	\$ 1,276,768	\$ 344,875
Restatement 1	4,177,421	-	-
Restatement 2	<u>1,621,643</u>	<u>(1,276,768)</u>	<u>(344,875)</u>
As restated, December 31, 2017	<u>\$ 4,177,421</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Net Position</u>
Discretely presented component units:	
As previously reported, December 31, 2017	\$ 4,177,421
Restatement 1	<u>(4,177,421)</u>
As restated, December 31, 2017	<u>\$ -</u>

	<u>Regency Hotel Fund</u>			<u>BURA</u>	<u>BLDC</u>
	<u>Net Position</u>	<u>Due to Fiduciary Funds</u>	<u>Bonds Payable</u>	<u>Net Position</u>	<u>Net Position</u>
Aggregate remaining fund information:					
As previously reported, December 31, 2017	\$ (1,621,643)	\$ 1,276,768	\$ 344,875	\$ -	\$ -
Restatement 1	-	-	-	464,439	3,712,982
Restatement 2	<u>1,621,643</u>	<u>(1,276,768)</u>	<u>(344,875)</u>	<u>-</u>	<u>-</u>
As restated, December 31, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,439</u>	<u>\$ 3,712,982</u>

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

	Sewer Fund		Refuse and Garbage Fund		
	Fund Balance	Other receivables	Fund Balance	Other Liabilities	Deferred Inflows of Resources
Aggregate remaining fund information:					
As previously reported, December 31, 2017	\$ 4,693,733	\$ 2,549,430	\$ 455,114	\$ 107,364	\$ 502,130
Restatement 3	<u>294,657</u>	<u>294,657</u>	<u>609,494</u>	<u>(107,364)</u>	<u>(502,130)</u>
As restated, December 31, 2017	<u>\$ 4,988,390</u>	<u>\$ 2,844,087</u>	<u>\$ 1,064,608</u>	<u>\$ -</u>	<u>\$ -</u>

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- 1) No later than October 31st of each year, the Mayor submits a tentative budget to Common Council for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the City.
- 2) After public hearings are conducted to obtain taxpayer comments, the Common Council adopts the budget. Appropriations established by the budget constitute a limitation on expenditures which may be incurred.
- 3) All modifications of the budget must be approved by the City Board and all appropriations lapse at fiscal year-end.
- 4) Legally adopted budgets include the General Fund, Water Fund and the Sewer Fund.

Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States.

3. CASH AND INVESTMENTS

New York State governs the City’s investment policies. The City is permitted to invest in special time deposits and certificate of deposits. In addition, the City may invest funds in direct obligations of the United States of America or obligations guaranteed by agencies of the United States of America where the payment of principal and interest are further guaranteed by the United States of America. Other eligible investments for the City include obligations of the State and repurchase agreements, subject to various conditions.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

The City's investment policies are governed by state statutes. In addition, the City has its own written investment policy. City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities. At year-end, demand deposits and certificates of deposit for the City were entirely covered by FDIC insurance or collateral held by trust companies located within the State.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least the cost of the repurchase agreement.

Deposits and investments are valued at cost or cost plus interest. Total financial institution (bank) balances at December 31, 2018, were insured or collateralized as follows:

FDIC Insurance	\$ 30,311,989
Collateralized by a third party	<u>39,870,858</u>
Total	<u>\$ 70,182,847</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the City's investment and deposit policy, all deposits of the City including certificates of deposit and time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by a pledge of securities with an aggregate value of 100% or more of the aggregate amount of deposits.

4. SALES TAXES AND COLLECTION

Broome County imposes a 4% sales tax on sales within the County. The County imposed tax is administered and collected by the State Tax Commission in the same manner as that relating to the State imposed 4% (June 1, 2005) sales and compensating use tax. The County remits a portion of sales tax collected to local municipalities, including the City.

Net collections, meaning monies collected after deducting expenses of administration and collections and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the State to the County, respectively. In 2018, payments from the County to the City aggregated \$11,975,515.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

5. CAPITAL ASSETS

<u>Governmental Activities:</u>	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 4,308,146	\$ -	\$ (28,277)	\$ 4,279,869
Construction in Progress - City	<u>9,355,650</u>	<u>9,604,891</u>	<u>(7,824,286)</u>	<u>11,136,255</u>
Subtotal	<u>13,663,796</u>	<u>9,604,891</u>	<u>(7,852,563)</u>	<u>15,416,124</u>
Depreciable:				
Buildings and Improvements	37,818,056	2,894,197	-	40,712,253
Machinery and Equipment	22,243,081	1,074,555	(653,172)	22,664,464
Infrastructure - City	494,887,052	6,127,034	-	501,014,086
Infrastructure - Joint Sewer	<u>18,094,849</u>	<u>-</u>	<u>-</u>	<u>18,094,849</u>
Subtotal	<u>573,043,038</u>	<u>10,095,786</u>	<u>(653,172)</u>	<u>582,485,652</u>
Total capital assets	<u>586,706,834</u>	<u>19,700,677</u>	<u>(8,505,735)</u>	<u>597,901,776</u>
Accumulated depreciation:				
Buildings and Improvements	(22,384,043)	(699,509)	-	(23,083,552)
Machinery and Equipment	(14,809,496)	(1,335,091)	542,938	(15,601,649)
Infrastructure - City	(224,712,922)	(12,562,819)	(54,421)	(237,330,162)
Infrastructure - Joint Sewer	<u>(16,314,276)</u>	<u>(361,897)</u>	<u>-</u>	<u>(16,676,173)</u>
Total	<u>(278,220,737)</u>	<u>(14,959,316)</u>	<u>488,517</u>	<u>(292,691,536)</u>
Net capital assets	<u>\$ 308,486,097</u>	<u>\$ 4,741,361</u>	<u>\$ (8,017,218)</u>	<u>\$ 305,210,240</u>

Depreciation was charged to governmental activities as follows:

General government support	\$ 12,072,548
Public safety	500,446
Transportation	167,195
Culture and Recreation	427,793
Home and Community Services	<u>1,791,334</u>
Total depreciation expense	<u>\$ 14,959,316</u>

Capital assets of business-type activities comprise land held by BURA in the amount of \$439,432 and BLDC in the amount of \$136,954. There were no additions or disposals during the year. Land is a non-depreciable asset.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

6. SHORT-TERM DEBT

Liabilities for bond anticipation notes (BANs) are generally accounted for in the Capital Projects Fund and used to finance capital projects. Principal payments on BANs must be made annually.

State law requires BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made. BANs issued to the New York State Environmental Facilities Corporation (EFC) do not renew on an annual basis; funds are drawn down as needed, and converted to long-term debt at conclusion of the project.

BANs payable at December 31, 2018 in the Capital Projects Fund and activity for the year then ended, was as follows:

Issued	Maturity	Interest Rate	Beginning Balance	Issued	Deletions	Ending Balance
2014	1/2019	0.00%	\$ 26,362,659	\$ 42,343,516	\$ -	\$ 68,706,175
4/2017	4/2018	2.50%	39,347,617	-	(39,347,617)	-
1/2017	1/2018	2.00%	3,123,478	-	(3,123,478)	-
4/2018	4/2019	3.00%	-	40,670,156	-	40,670,156
1/2018	1/2019	2.00%	-	2,035,000	-	2,035,000
Total			<u>\$ 68,833,754</u>	<u>\$ 85,048,672</u>	<u>\$ (42,471,095)</u>	<u>\$ 111,411,331</u>

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

7. LONG-TERM OBLIGATIONS

Summary of Long-Term Obligations

The following is a summary of all long-term obligations outstanding as of December 31, 2018:

Description	Balance at 12/31/2017	New Issues/ Additions	Maturities/ Reductions	Balance at 12/31/2018	Due within One year
General obligation debt	\$ 117,819,122	\$ 14,510,670	\$ 7,014,122	\$ 125,315,670	\$ 8,050,670
Lease obligations payable	238,711	-	77,968	160,743	79,560
Net pension liability	15,966,845	-	8,960,519	7,006,326	-
OPEB	102,233,292	-	36,431,012	65,802,280	-
Compensated absences	4,142,201	-	136,242	4,005,959	-
Total	\$ 240,400,171	\$ 14,510,670	\$ 52,619,863	\$ 202,290,978	\$ 8,130,230

Additions and deletions to the liability for compensated absences are shown net, as it is impractical to determine these amounts separately.

General Obligation Debt

The City borrows funds on a long-term basis for the purpose of financing acquisition of equipment and construction of buildings and improvements. This policy enables the cost of capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term obligations represent a reconciling item between the fund and government-wide statements. Detail relating to general obligation bonds of the City, outstanding at December 31, 2018, is summarized as follows:

Description	Date of Issue	Interest	Maturity Date	Outstanding
Wastewater projects	2000	3.8%	2019	\$ 205,000
Water projects	2000	4.6%	2022	3,115,000
Combined sewer overflow	2003	4.5%	2031	3,040,000
Wastewater projects	2005	3.0%	2034	11,825,000
Wastewater projects	2010	4.1%	2039	3,905,000
Refunding bonds	2012	3.0%	2026	8,130,000
Various projects	2012	2.0%	2029	6,818,704
Various projects	2012	2.0%	2029	2,486,296
General capital improvements	2014	3.8%	2034	3,827,172
Water and sewer improvements	2014	3.8%	2034	4,622,828
Refunding bonds	2014	2.6%	2029	14,265,000
Refunding bonds	2014	3.9%	2029	825,000
Various projects	2015	3.0%	2040	11,145,000
EFC financing	2016	0.6-3.5%	2046	27,500,000
Public improvement	2016	2.0-3.0%	2036	9,095,000
Public improvement	2018	3.0%	2043	14,510,670
Total				\$ 125,315,670

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

Principal and interest payments due on the bonds outstanding at December 31, 2018, for the primary government, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 8,050,670	\$ 3,480,525
2020	8,170,000	3,073,682
2021	8,350,000	2,851,165
2022	8,545,000	2,629,465
2023	7,710,000	2,399,351
2024-2028	37,220,000	8,668,489
2029-2033	22,675,000	4,316,779
2034-2038	12,640,000	1,951,172
2039-2043	8,340,000	740,371
2044-2046	<u>3,615,000</u>	<u>121,976</u>
Total	<u>\$ 125,315,670</u>	<u>\$ 30,232,975</u>

8. RETIREMENT PLANS

Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS) and Police and Fire Retirement System (PFRS)

The City participates in the New York State and Local Employees' Retirement System (the System) which includes the New York State and Local Employees' Retirement System plan (ERS) and the New York State Local Police and Fire Retirement System plan (PFRS). These plans are cost-sharing multiple-employer defined benefit pension plans. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the 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. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired.

Benefits can be changed for future members only by enactment of a state statute. The City also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. 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 found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under Tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions

Contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
ERS	\$ 1,666,901	\$ 1,737,859	\$ 2,101,209
PFRS	4,483,847	4,558,458	4,209,210

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

At December 31, 2018, the City reported the following liability for its proportionate share of the net pension liability for each of the System plans. The net pension liability was measured as of March 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the System relative to the projected contributions of all participating members, as actuarially determined. This information was derived from the report provided to the City by each System.

	<u>ERS</u>	<u>PFRS</u>
Actuarial valuation date	April 1, 2017	April 1, 2017
Net pension liability	\$ 3,227,444,946	\$ 1,010,756,881
City's proportionate share of the Plan's total net pension liability	\$ 1,492,037	\$ 5,514,289
City's share of the net pension liability	0.0462297%	0.5455604%
Pension expense recognized	\$ 1,655,118	\$ 5,109,120

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

At December 31, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

Deferred Outflows of Resources	<u>ERS</u>	<u>PFRS</u>
Differences between expected and actual experience	\$ 532,161	\$ 2,269,626
Changes of assumptions	989,344	4,178,072
Changes in proportion and differences between the City's contributions and proportionate share of contributions	34,802	38,979
City's contributions subsequent to the measurement date	<u>1,259,977</u>	<u>3,362,885</u>
 Total	 <u>\$ 2,816,284</u>	 <u>\$ 9,849,562</u>
 Deferred Inflows of Resources	 <u>ERS</u>	 <u>PFRS</u>
Differences between expected and actual experience	\$ 439,758	\$ 1,465,273
Net differences between projected and actual earnings on pension plan investments	2,110,505	4,525,413
Changes in proportion and differences between the City's contributions and proportionate share of contributions	<u>195,036</u>	<u>762,457</u>
 Total	 <u>\$ 2,745,299</u>	 <u>\$ 6,753,143</u>

City contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>ERS</u>	<u>PFRS</u>
2019	\$ 238,220	\$ 965,013
2020	203,727	838,969
2021	(1,121,877)	(1,351,960)
2022	(509,062)	(900,703)
2023	<u>-</u>	<u>182,215</u>
 Total	 <u>\$ (1,188,992)</u>	 <u>\$ (266,466)</u>

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

Actuarial Assumptions

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

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.80% ERS, 4.50% PFRS, indexed by service
Investment rate of return, including inflation	7.00% compounded annually, net of investment expenses
Projected COLAs	1.30% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

Long Term Expected Rate of Return

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36.0%	4.55
International Equity	14.0%	6.35
Private Equity	10.0%	7.50
Real Estate	10.0%	5.55
Absolute Return	2.0%	3.75
Opportunistic Portfolio	3.0%	5.68
Real Asset	3.0%	5.29
Bonds & Mortgages	17.0%	1.31
Cash	1.0%	-0.25
Inflation Indexed Bonds	<u>4.0%</u>	1.25
Total	<u>100.0%</u>	

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS			
City's proportionate share of the net pension liability	\$ 11,289,156	\$ 1,492,037	\$ (679,593)

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
PFRS			
City's proportionate share of the net pension liability	\$ 27,010,481	\$ 5,514,289	\$ (12,515,973)

Pension Plan Fiduciary Net Position (000's)

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

	ERS	PFRS
Total pension liability	\$ 183,400,590	\$ 32,914,423
Net position	<u>(180,173,142)</u>	<u>(31,903,666)</u>
Net pension liability (asset)	<u>\$ 3,227,448</u>	<u>\$ 1,010,757</u>
Net position as a percentage of total pension liability	98.24%	96.93%

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Plan Description

The City's defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The specifics of each contract are on file at the City offices and are available upon request. The plan is a single-employer defined benefit healthcare plan administered by the City. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City Council. As of the date of the financial statement, New York State did not yet have legislation that would enable government entities to establish a qualifying trust for the purpose of funding other post employment benefits. As such, there are no assets accumulated in a trust that meets all of the criteria in *GASB Statement No. 75, Paragraph 4*. The Plan does not issue separate financial statements since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Funding Policy

The obligations of the Plan members, employees, and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the member vary depending on the applicable agreement. The retirees currently contribute enough money to the Plan to satisfy current obligations on a pay-as-you go basis. The costs of administering the Plan are paid by the City.

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	357
Inactive employees entitled to but not yet receiving benefits	-
Active Employees	<u>511</u>
Total Participants	<u><u>868</u></u>

Total OPEB Liability

The City's total OPEB liability of \$65,802,280 was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2017.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

Changes in the Total OPEB Liability

Balance at December 31, 2017	<u>\$ 102,233,292</u>
Changes for the year:	
Service cost	4,416,599
Interest cost	3,745,694
Changes of benefit terms	-
Differences between expected and actual experience	(33,491,478)
Changes in assumptions	(8,234,310)
Benefit payments	<u>(2,867,517)</u>
Net change	<u>(36,431,012)</u>
Balance at December 31, 2018	<u>\$ 65,802,280</u>

Changes in assumptions reflect a change in the discount rate from 3.56% percent in 2017 to 4.11% in 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.56% as of December 31, 2017; 4.11% as of December 31, 2018, based on an analysis of 20-Year Municipal Bond Index.
Payroll Growth	2.50%
Inflation Rate	3.00%
Health Care Cost Trends	8.5% for 2019, decreasing to an ultimate trend rate of 4.5% in 2027 and beyond.
Mortality	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 (RPH-2017 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2017 using MP-2017 improvement.)
Retirement Rates	The retirement rates are based on assumptions used in the NYS ERS actuarial valuation as of April 1, 2015.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents that the total OPEB liability for the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.11%) or 1 percentage point higher (5.11%) than the current discount rate:

	1 % Decrease (3.11%)	Current Discount Rate (4.11%)	1 % Increase (5.11%)
Total OPEB Liability	\$ 75,144,102	\$ 65,802,280	\$ 58,073,948

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following present the total OPEB Liability of the County, as well as what the County's total OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rate:

	1 % Decrease	Current Healthcare Trend Rate	1 % Increase
Total OPEB Liability	\$ 55,966,623	\$ 65,802,280	\$ 78,287,225

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$1,200,799.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 39,416,323
Changes in assumptions or other inputs	5,706,003	7,057,980
Contributions subsequent to measurement date	-	-
Total	\$ 5,706,003	\$ 46,474,303

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

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

<u>Year Ended December 31:</u>	<u>Amount</u>
2019	\$ (6,961,494)
2020	(6,961,494)
2021	(6,961,494)
2022	(6,961,494)
2023	(6,961,494)
Thereafter	<u>(5,960,830)</u>
Total	<u>\$ (40,768,300)</u>

10. INTERFUND BALANCES AND ACTIVITY

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources, primarily to provide services, which are routine annual events for the budget and accounting process.

Interfund balances at December 31, 2018, and activity for the year then ended, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payables</u>	<u>Interfund Revenue</u>	<u>Interfund Expenditures</u>
General Fund	\$ 959,709	\$ 4,605,503	\$ -	\$ 7,451,900
Capital Projects Fund	150,486	-	5,663,400	-
Non-Major Funds	<u>920,107</u>	<u>1,130,001</u>	<u>2,555,000</u>	<u>766,500</u>
 Total Governmental Funds	 2,030,302	 5,735,504	 8,218,400	 8,218,400
 Internal Service Fund	 3,090,528	 -	 -	 -
Agency Fund	<u>614,674</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 5,735,504</u>	 <u>\$ 5,735,504</u>	 <u>\$ 8,218,400</u>	 <u>\$ 8,218,400</u>

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

11. JOINT VENTURE

The following is the activity undertaken jointly with another municipality. Except for their equity interest in the joint venture, this activity is excluded from the financial statements of the participating municipalities. Separate financial statements are issued for this joint venture and may be obtained from the City Comptroller's office.

A sewage project is operated jointly with the Village of Johnson City (Village), under an agreement originally dated July 14, 1965 and most recently amended February 3, 2016. The agreement is for an indefinite period. A six member board constitutes the governing body; three members of the board are appointed by the City, and three by the Village. Ownership of the project, operational and capital costs are shared by the participants as follows: City - 54.8%; Village - 45.2%. The board of the project has established charges at rates intended to be self-sustaining to cover all operating costs and debt service. In addition to providing services for the City and Village, the project also provides services for several other municipalities.

The following is a summary of financial information included in financial statements for the joint venture:

	Year Ending <u>12/31/2018</u>
Total Assets and Deferred Outflows of Resources	\$ 243,578,767
Total Liabilities and Deferred Inflows of Resources	229,031,812
Joint Venture Equity	14,546,955
Total Revenues	35,131,748
Total Expenses	19,876,064

12. PUBLIC ENTITY RISK POOL

Risk Financing

The City's Corporation Counsel reviews all claims made against the City and estimates liabilities, if any, based on expertise and experience. All amounts reflected as an estimated liability are at present value with no discount. No annuity contracts have been purchased to satisfy claims.

Effective June 1, 1985, the City became self-insured for general liability exposure. A self- insurance fund was established as an internal service fund to administer the City's insurance program for general liability for all City departments and funds.

Effective July 1, 1995, the City became self-insured for workers' compensation insurance. The City annually appropriates funds for compensation pay awarded to disabled employees or surviving family. The City is negotiating premium costs related to claims incurred prior to July 1, 1995 with the insurance carrier in force at that time. Effective December 1, 1999 the City purchased stop loss insurance for workers compensation claims. City officials believe annual appropriations, reserves and stop loss insurance are sufficient to liquidate the City's obligations. In 2010, the City purchased workers compensation insurance.

13. SUMMARY OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

General Information

The City is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Judgments and Claims

The City and/or its agencies are named in several lawsuits, some of which are for substantial amounts. Except as described in Note 16, these claims are either adequately covered by insurance or, in the opinion of City officials, will not result in material judgments against the City or will not be pursued and, therefore, are not expected to have a material effect on the basic financial statements.

State and Federally Assisted Programs

The City receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory and/or contractual requirements. The City makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible that the City will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. City officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the basic financial statements.

Tax Certiorari Proceedings

Various tax certiorari proceedings pending against the City as of December 31, 2018 seek reductions in property tax assessments. The City's Assessment Rolls were changed to full market value in 1994, and are updated on a regular basis. Negotiations continue to settle open cases.

Stadium

In 1992 the BURA agreed to make certain payments as an incentive for private investment in a municipal stadium development plan located on blighted railroad land. The obligations to Sterling Doubleday, L.P. as developer were satisfied in 1996. The other obligation is to the Binghamton Mets Baseball Club, Inc. for an annual repair and replacement payment. During 2018, a payment of \$50,000 was made.

14. LITIGATION ISSUES

In 2014 a Plaintiff commenced an action against the City and individual police officers alleging excessive force and other claims. In January 2017, a jury returned a verdict (i) that the police officer did not use excessive force, did not assault or battery Plaintiff, and was not negligent; (ii) however, the City was negligent under a theory of respondent superior and awarded the Plaintiff \$2,750,000; \$500,000 in compensatory damages is to be paid initially and the remainder is to be paid over the term of 30 years. Given the inconsistent verdict, the Court afforded the parties an opportunity to submit a motion to set aside the verdict. The City's motion to set aside the verdict was granted on September 27, 2017. The Plaintiff has appealed to the United States Court of Appeals for the Second Circuit. This matter has been briefed, argued, and is awaiting a decision. The City has established a reserve in the amount of \$1,500,000 to account for a potential resolution of the matter.

15. TAX ABATEMENTS

For the year ended December 31, 2018, property in the City was subject to property tax abatements negotiated by the Broome County Industrial Development Agency (BCIDA), the Binghamton Housing Authority (BHA), and the Binghamton Urban Renewal Agency (BURA).

BCIDA enters into PILOT agreements with businesses within Broome County under New York State General Municipal Law 858. Economic development agreements entered into by BCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which BCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

BURA entered into a property tax abatement agreement with a local business under Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth. Under the Act, localities may grant property tax abatements of up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City.

CITY OF BINGHAMTON, NEW YORK

Notes to Basic Financial Statements

Information relevant to disclosure of the program for the year ended December 31, 2018 is as follows:

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated</u>
BURA	
Economic Development:	
Real property tax	\$ 36,233
BCIDA	
Economic Development:	
Real property tax	1,218,637
BHA	
Economic Development:	
Real property tax	<u>1,162,501</u>
Total	<u>\$ 2,417,371</u>

16. SUBSEQUENT EVENTS

On April 18, 2019, the City issued bond anticipation notes in the amount of \$43,357,295 due April 17, 2020 with an interest rate of 3.5%.

On January 24, 2019, the City issued bond anticipation notes in the amount of \$347,000 due January 24, 2020 with an interest rate of 2.75%.

On May 7, 2019, the City issued refunding serial bonds in the amount of \$7,525,000 with maturity dates through February 1, 2029 and interest rates between 4.5% and 5.0%.

On May 1, 2019, the City entered into a long-term Project Finance Agreement with the New York State Environmental Facilities Corporation in the amount of \$59,296,786 with maturity dates through February 1, 2049 and interest rates between 1.3% and 3.8%.

CITY OF BINGHAMTON, NEW YORK

Required Supplementary Information (Unaudited)
 Budgetary Comparison Schedule
 Budget and Actual - General Fund
 For the year ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Encumbrances	Variance Positive (Negative)
	Original	Modified			
Resources:					
Real property taxes	\$ 35,947,477	\$ 35,947,477	\$ 35,928,310	\$ -	\$ (19,167)
Other real property tax items	836,053	871,633	993,947	-	122,314
Non-property taxes	11,650,000	11,800,486	12,948,237	-	1,147,751
Departmental revenues	1,509,700	2,544,100	1,600,354	-	(943,746)
Intergovernmental charges	533,828	541,328	557,617	-	16,289
Tribal Compact moneys	1,604,932	1,604,932	1,529,740	-	(75,192)
Use of money and property	130,449	152,451	274,648	-	122,197
Licenses and permits	291,100	291,100	400,996	-	109,896
Fines and forfeitures	621,500	621,500	542,134	-	(79,366)
State aid	10,022,684	10,060,684	10,013,561	-	(47,123)
Federal aid	56,101	56,101	176,016	-	119,915
Sale of property and compensation for loss	136,000	136,000	107,977	-	(28,023)
Miscellaneous	65,000	794,400	509,071	-	(285,329)
	<u>63,404,824</u>	<u>65,422,192</u>	<u>65,582,608</u>	<u>-</u>	<u>160,416</u>
Amounts available for appropriation					
Charges to appropriations:					
General government support	7,016,621	8,017,665	7,378,773	567,245	71,647
Public safety	22,858,888	23,176,500	22,978,949	76,730	120,821
Health	46,625	48,305	47,851	-	454
Transportation	1,980,604	2,133,595	2,084,614	4,743	44,238
Economic assistance and opportunity	303,275	299,657	-	-	299,657
Culture and recreation	991,270	1,067,652	1,300,764	44,376	(277,488)
Home and community services	3,145,004	3,155,295	2,978,296	8,293	168,706
Employee benefits	19,016,314	18,616,691	17,253,051	-	1,363,640
Debt service - principal	4,844,053	4,844,053	4,851,847	-	(7,794)
Debt service - interest	1,765,329	1,765,329	1,765,328	-	1
	<u>61,967,983</u>	<u>63,124,742</u>	<u>60,639,473</u>	<u>701,387</u>	<u>1,783,882</u>
Total charges to appropriations					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,436,841</u>	<u>2,297,450</u>	<u>4,943,135</u>	<u>(701,387)</u>	<u>1,944,298</u>
OTHER FINANCING SOURCES (USES):					
Premiums on debt issuances	-	-	225,062	-	225,062
Interfund transfers out	(3,318,674)	(7,585,327)	(7,451,900)	-	133,427
	<u>(3,318,674)</u>	<u>(7,585,327)</u>	<u>(7,226,838)</u>	<u>-</u>	<u>358,489</u>
Total other financing sources (uses)					
NET CHANGE IN FUND BALANCE	<u>\$ (1,881,833)</u>	<u>\$ (5,287,877)</u>	<u>\$ (2,283,703)</u>	<u>\$ (701,387)</u>	<u>\$ 2,302,787</u>

CITY OF BINGHAMTON, NEW YORK

Required Supplementary Information (Unaudited)
 Schedule of Changes in Total OPEB Liability and Related Ratios
 For the year ended December 31, 2018

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	\$ 4,416,599	\$ 4,538,756								
Interest	3,745,694	4,207,633								
Changes of benefit terms	-	(3,818,625)								
Differences between expected and actual experience	(33,491,478)	(14,993,078)								
Changes in assumptions	(8,234,310)	7,988,405								
Benefit payments	<u>(2,867,517)</u>	<u>(3,145,818)</u>								
Total change in total OPEB liability	(36,431,012)	(5,222,727)								
Total OPEB liability - beginning	102,233,292	107,456,019								
Total OPEB liability - ending	\$ 65,802,280	\$ 102,233,292								
Covered-employee payroll	\$ 29,387,491	\$ 28,811,266								
Total OPEB liability as a percentage of covered-employee payroll	223.9%	354.8%								

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Notes to schedule:

Changes of assumptions: Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	4.11%	3.56%	3.81%
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Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Plan assets: No assets are accumulated in a trust that meets all of the criteria of GASB Statement No. 75, paragraph 4 to pay benefits.

CITY OF BINGHAMTON, NEW YORK

Required Supplementary Information (Unaudited)
 Schedule of Proportionate Share of Net Pension Liability (Asset)
 For the year ended December 31, 2018

	Last 10 Fiscal Years									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN:										
Proportion of the net pension liability (asset)	0.0462297%	0.0450603%	0.0548793%	0.0559201%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.					
Proportionate share of the net pension liability (asset)	\$ 1,492,037	\$ 4,233,966	\$ 7,645,586	\$ 1,889,118						
Covered-employee payroll	13,728,217	11,560,295	11,685,808	13,572,847						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.87%	36.63%	65.43%	13.92%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.70%	97.90%						
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN:										
Proportion of the net pension liability (asset)	0.5455604%	0.5660805%	0.6077317%	0.5556400%	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.					
Proportionate share of the net pension liability (asset)	\$ 5,514,289	\$ 11,732,879	\$ 17,993,642	\$ 1,529,449						
Covered-employee payroll	19,857,567	19,420,231	17,854,786	18,452,614						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.77%	60.42%	100.78%	8.29%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.93%	93.46%	90.20%	99.00%						

CITY OF BINGHAMTON, NEW YORK

Required Supplementary Information (Unaudited)
 Schedule of Contributions - Pension Plans
 For the year ended December 31, 2018

	Last 10 Fiscal Years															
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>						
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN:																
Contractually required contribution	\$ 1,666,901	\$ 1,737,859	\$ 2,101,209	\$ 2,470,316	Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.											
Contributions in relation to the contractually required contribution	<u>(1,666,901)</u>	<u>(1,737,859)</u>	<u>(2,101,209)</u>	<u>(2,470,316)</u>												
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -												
Covered-employee payroll	13,728,217	11,560,295	11,685,808	13,572,847												
Contributions as a percentage of covered-employee payroll	12.14%	15.03%	17.98%	18.20%												
NEW YORK STATE POLICE AND FIRE RETIREMENT SYSTEM PLAN:																
Contractually required contribution	\$ 4,483,847	\$ 4,558,458	\$ 4,209,210	\$ 4,944,560							Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.					
Contributions in relation to the contractually required contribution	<u>(4,483,847)</u>	<u>(4,558,458)</u>	<u>(4,209,210)</u>	<u>(4,944,560)</u>												
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -												
Covered-employee payroll	19,857,567	19,911,823	19,028,870	18,004,243												
Contributions as a percentage of covered-employee payroll	22.58%	22.89%	22.12%	27.46%												

CITY OF BINGHAMTON, NEW YORK

Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2018

	Special Revenue Funds					Nonmajor Governmental Funds
	Special Grant Fund	Parking Ramps Fund	Water Fund	Refuse and Garbage Fund	Sewer Fund	
ASSETS						
Unrestricted cash & cash equivalents	\$ 468,358	\$ 73,689	\$ 14,907	\$ 1,165,687	\$ 824,689	\$ 2,547,330
Restricted cash	-	124,498	106,076	5,541	110,014	346,129
Due from other funds	-	-	774,776	-	145,331	920,107
Due from state and federal governments	161,804	-	-	-	-	161,804
Due from other governments	-	-	-	-	859,854	859,854
Other receivables, net	-	-	2,009,186	360,984	2,659,449	5,029,619
Inventory	-	-	226,781	-	134,562	361,343
Prepaid expenditures	-	-	198,410	112,390	58,214	369,014
Cash with fiscal agent	-	-	-	-	-	-
Loans receivable, net	6,749,332	-	-	-	-	6,749,332
Total assets	\$ 7,379,494	\$ 198,187	\$ 3,330,136	\$ 1,644,602	\$ 4,792,113	\$ 17,344,532
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 160,614	\$ 51,478	\$ 247,275	\$ 137,839	\$ 26,361	\$ 623,567
Accrued liabilities	1,378	-	43,552	34,850	17,467	97,247
Due to other funds	-	408,176	170,292	520,567	30,966	1,130,001
Due to other governments	-	-	-	3	-	3
Compensated absences	-	-	10,956	5,553	4,683	21,192
Other liabilities	-	7,150	-	-	-	7,150
Total liabilities	161,992	466,804	472,075	698,812	79,477	1,879,160
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue	6,749,332	2,083	-	-	-	6,751,415
FUND BALANCES:						
Nonspendable	-	-	425,191	112,390	192,776	730,357
Restricted	468,170	117,347	2,432,870	5,541	4,519,860	7,543,788
Committed	-	-	-	827,859	-	827,859
Unassigned	-	(388,047)	-	-	-	(388,047)
Total fund balances	468,170	(270,700)	2,858,061	945,790	4,712,636	8,713,957
Total liabilities, deferred inflows of resources and fund balances	\$ 7,379,494	\$ 198,187	\$ 3,330,136	\$ 1,644,602	\$ 4,792,113	\$ 17,344,532

CITY OF BINGHAMTON, NEW YORK

Combining Statement of Revenues, Expenditures and Change in Fund Balances
 Nonmajor Governmental Funds
 For the year ended December 31, 2018

	Special Revenue Funds					Nonmajor Governmental Funds
	Special Grant Fund	Parking Ramps Fund	Water Fund	Refuse and Garbage Fund	Sewer Fund	
REVENUES:						
Departmental income	\$ -	\$ 1,120,441	\$ 6,694,965	\$ 850,183	\$ 8,368,273	\$ 17,033,862
Intergovernmental charges	72,484	-	-	-	-	72,484
Interfund revenues	-	-	166,111	-	-	166,111
Use of money and property	-	246	1,861	454	2,138	4,699
Sale of property and compensation for loss	-	-	2,661	25,342	-	28,003
Miscellaneous	-	-	979	-	186	1,165
Federal aid	1,932,329	-	-	-	-	1,932,329
Total revenues	2,004,813	1,120,687	6,866,577	875,979	8,370,597	19,238,653
EXPENDITURES:						
General government support	-	-	52,467	7,290	75,785	135,542
Transportation	-	602,097	-	-	-	602,097
Economic assistance and opportunity	163,000	-	-	-	-	163,000
Culture and recreation	10,000	-	-	-	-	10,000
Home and community services	1,787,737	-	3,563,832	2,405,148	2,610,391	10,367,108
Employee benefits	-	-	1,119,068	1,117,123	404,227	2,640,418
Debt Service - principal	-	360,349	1,475,972	18,000	3,782,710	5,637,031
Debt Service - interest	-	142,652	597,033	4,050	1,393,029	2,136,764
Total expenditures	1,960,737	1,105,098	6,808,372	3,551,611	8,266,142	21,691,960
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	44,076	15,589	58,205	(2,675,632)	104,455	(2,453,307)
OTHER FINANCING SOURCES (USES):						
Premiums on debt issuances	-	109,177	104,738	3,814	28,791	246,520
Interfund transfers in	-	-	-	2,555,000	-	2,555,000
Interfund transfers out	-	(5,000)	(350,500)	(2,000)	(409,000)	(766,500)
Total other financing sources (uses) - net	-	104,177	(245,762)	2,556,814	(380,209)	2,035,020
CHANGE IN FUND BALANCE	44,076	119,766	(187,557)	(118,818)	(275,754)	(418,287)
FUND BALANCES AT BEGINNING OF YEAR - as previously reported	424,094	(390,466)	3,045,618	455,114	4,693,733	8,228,093
PRIOR PERIOD ADJUSTMENT (Note 1)	-	-	-	609,494	294,657	904,151
FUND BALANCES AT BEGINNING OF YEAR - as restated	424,094	(390,466)	3,045,618	1,064,608	4,988,390	9,132,244
FUND BALANCES AT END OF YEAR	\$ 468,170	\$ (270,700)	\$ 2,858,061	\$ 945,790	\$ 4,712,636	\$ 8,713,957

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

September 27, 2019

To the City Council of
City of Binghamton, New York

We have audited, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Binghamton, New York (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 27, 2019. Our report includes a reference to other auditors who audited the financial statements of Binghamton Local Development Corporation (BLDC) as described in our report on the City of Binghamton, New York's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item number 2018-001, that we consider to be a material weakness.

Compliance and Other Matters

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

City of Binghamton, New York's Response to Finding

The City of Binghamton, New York's response to the finding identified in our audit is described in the schedule of findings and questioned costs. The City of Binghamton, New York's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

September 27, 2019

To the City Council of
City of Binghamton, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Binghamton, New York's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

City of Binghamton, New York

Schedule of Expenditures of Federal Awards
For the year ended December 31, 2018

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Agency or Pass-Through Number	Federal Expenditures	Provided to Subrecipients
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.218	N/A	\$ 1,250,397	\$ 267,000
Community Development Block Grant - Section 108 Loan	14.218	N/A	180,560	
Total Community Development Block Grant			1,430,957	
Emergency Shelter Grants Program	14.231	N/A	157,608	145,567
HOME Investment Partnership Program	14.239	N/A	372,172	
Total U.S. Department of Housing and Urban Development			1,960,737	
U.S. Department of Justice				
Organized Crime Drug Enforcement Task Force Grant	16.111	N/A	44,863	
Equitable Sharing Program	16.922	N/A	2,997	
Bryne Justice Assistance Grant	16.738	N/A	58,302	
Total U.S. Department of Justice			106,162	
U.S. Department of Transportation				
Passed-through NYS Department of Transportation:				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	D032021	2,817,931	
Highway Planning and Construction	20.205	D035014	18,115	
Highway Planning and Construction	20.205	D035470	105,897	
Highway Planning and Construction	20.205	D035913	53,701	
Total Passed-through NYS Department of Transportation			2,995,644	
Total U.S. Department of Transportation			2,995,644	
U.S. Department of Homeland Security				
Passed-through NYS Division of Homeland Security:				
Hazard Mitigation Grant	97.039	N/A	1,555,641	
Homeland Security Grant Program	97.067	CP17-106-E00	38,761	
Homeland Security Grant Program	97.067	C172479	64,002	
Total Homeland Security Grant Program			102,763	
Total Passed-through NYS Department of Homeland Security			1,658,404	
Total U.S. Department Homeland Security			1,658,404	
Total Expenditures of Federal Awards			\$ 6,720,947	

The accompanying notes are an integral part of this schedule.

**Notes to Schedule of Expenditures of Federal Awards
For the year ended December 31, 2018**

1. BASIS OF PRESENTATION

Pass-Through Programs

Where the City of Binghamton, New York (the City) receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number when advised by the pass-through grantor. Identifying numbers, other than CFDA numbers, which may be assigned by pass-through grantors, are not maintained in the City's financial management system. City management has identified certain pass-through identifying numbers and included them in the schedule of expenditures of federal awards (SEFA).

2. BASIS OF ACCOUNTING

The SEFA is presented in accordance with accounting principles generally accepted in the United States of America and is derived from the City's general ledger. Federal expenditures are recorded when an allowable cost is incurred under the applicable program and is due and payable. For programs with funding ceilings and caps, federal expenditures are only recorded and presented in the SEFA up to such amounts.

3. LOANS RECEIVABLE

Community Development Block Grant (CFDA 14.218)

The City of Binghamton provides low-interest microenterprise, facade and revolving fund loans to support your business growth through property acquisition, start-up and expansion. The program is funded through the City's Federal Community Development Block Grant. The various loans awarded range from \$5,000 to \$100,000. The loans are to be repaid in monthly installments over 5 to 10 years at an interest rate of 4.75%. The interest received is considered to be program income and is used to pay administrative costs associated with the program as well as for subsequent loans. At December 31, 2018 the outstanding principal balance of those loans were \$1,963,429.

HOME Investment Partnership Program (CFDA 14.239)

The City of Binghamton provides deferred renovation loans to eligible owner-occupants of single unit structures. The program is funded through the City's Federal HOME Investment Partnerships Program. The various loans awarded in amounts up to \$25,000 plus additional funds needed for the mitigation of lead hazards. The loans are to be repaid based upon the post renovation period of owner-occupancy. At December 31, 2018 the outstanding principal balance of those loans were \$4,701,512.

4. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented. The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

5. MATCHING COSTS

Matching costs, i.e., the City's share of certain program costs, are not included in the reported expenditures.

Schedule of Findings and Questioned Costs
For the year ended December 31, 2018

Part 1 Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the City's financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Yes No

Significant deficiencies identified?

Yes None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR Section 200.516(a)?

Yes No

The dollar threshold to distinguish between Type A and B programs was \$750,000.

The major federal programs of the City for the year ended December 31, 2018 were as follows:

U.S. Department of Housing and Urban Development

Community Development Block Grant (14.218)

U.S. Department of Homeland Security

Hazard Mitigation Grant (97.039)

The City was considered a low-risk auditee for the year ended December 31, 2018.

City of Binghamton, New York

**Schedule of Findings and Questioned Costs
For the year ended December 31, 2018**

Part II Financial Statement Findings

Reference: 2018-001

Financial Reporting

Criteria:

Internal controls over financial reporting should be properly designed, documented and implemented to ensure all material transactions are recorded properly in accordance with Generally Accepted Accounting Principles (GAAP).

Cause/Condition:

Binghamton Urban Renewal Agency (BURA) and Binghamton Local Development Corporation (BLDC) were improperly reported as discretely presented component units instead of blended component units. In addition, deferred inflows of resources and other liabilities were overstated in the Refuse and Garbage Fund. Lastly, there was improper cutoff over revenue in the Capital Project Funds related to a failure to match grant revenues with expenditures. Errors were detected as a result of audit procedures performed.

Effect:

Material audit adjustments were necessary to present the financial statement in accordance with GAAP.

Discretely Presented Component Units & Business-type Activities / Proprietary Funds

Net Position - Discretely Presented			
Component Units	\$	4,177,421	
Net Position - BURA / Business-type Activities			\$ 464,439
Net Position - BLDC / Business-type Activities			3,712,982

Refuse and Garbage Fund

Deferred Inflows	\$	441,424	
Other Liabilities		102,468	
Departmental Income		65,602	
Fund Balance			\$ 609,494

Capital Projects Fund

Due from State and Federal Governments	\$	813,717	
Federal Aid			\$ 813,717

Governmental Activities Opinion Unit

Other Liabilities	\$	102,468	
Charges for Services		65,602	
Due from State and Federal Governments		813,717	
Net Position			\$ 168,070
Operating Grants and Contributions			813,717

**Schedule of Findings and Questioned Costs
For the year ended December 31, 2018**

Recommendation:

We recommend management develop and document policies and procedures that require all activity and transactions be recorded in the correct fiscal year in accordance with GAAP. Management should review the processes related to grant accounting to ensure revenue is recorded at the time of expenditures.

Management's Response:

The City will update internal procedures to ensure transactions are recorded and financial statements are presented in accordance with current accounting standards. As we have done in the past, the City will seek guidance from the external auditors in interpreting generally accepted accounting principles.

The corrective action for recording grant revenue will include requesting a full time grant administrator to do the proper invoicing and recording the revenue. This activity takes place throughout the city outside of finance office. Centralizing this procedure will minimize the potential of this error occurring again.

Part III Federal Award Findings and Questioned Costs

None noted.

Part IV Status of Prior Year Findings

None noted.