

CITY OF BINGHAMTON

Binghamton, New York

FINANCIAL REPORT

December 31, 2017



CITY OF BINGHAMTON

TABLE OF CONTENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Independent Auditor's Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis	4-4p
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	5-5a
Statement of Activities	6-6a
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9-9a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	10
Statement of Net Position - Proprietary Funds	11
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	12
Statement of Cash Flows - Proprietary Funds	13
Statement of Fiduciary Net Position - Fiduciary Fund	14
Notes to Financial Statements	15-49
Required Supplementary Information	
Budgetary Comparison Schedule (Non-GAAP) - General Fund	50
Schedule of City's Contributions - NYSLRS Pension Plan	51-51a
Schedule of City's Proportionate Share of the Net Pension Liability - NYSLRS Pension Plan....	52
Schedule of Changes in the City's Total OPEB Liability and Related Ratios	53-53a
Notes to Required Supplementary Information	54-55
Supplementary Information	
Combining Balance Sheet - Non-Major Governmental Funds	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	57

CITY OF BINGHAMTON

TABLE OF CONTENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Reports Required Under *Government Auditing Standards*

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 <i>Government Auditing Standards</i>	58-59
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Reports Required Under the Single Audit Act (Uniform Guidance)

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	60-61
Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	63
Schedule of Findings and Questioned Costs	64-65

INDEPENDENT AUDITOR'S REPORT

City Council
City of Binghamton
Binghamton, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of a Matter

During the year ended December 31, 2017 the City adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pension." Our opinion is 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 Schedule, Schedule of City's Contributions; NYSLRS Pension Plan, the Schedule of the City's Proportionate Share of the Net Pension Liability - NYSLRS Pension Plans, the Schedule of Changes in the City's Total OPEB Liability and Related Ratios, and related notes on pages 4-4p and 50-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The Combining Non-major 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the 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 14, 2018 on our consideration of the City of Binghamton’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Binghamton’s internal control over financial reporting and compliance.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 14, 2018

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. Please read it in conjunction with the City's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

- During the year ended December 31, 2017, the City adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As a result, beginning net position was reduced by \$57,407,028. GASB Statement No. 75 requires the City to record its total OPEB liability, as well as deferred outflows and deferred inflows related to the OPEB plan. The net effect of this new accounting standard increased employee benefits expense in the City-wide financial statements by \$781,279 for the year ended December 31, 2017. See Note 9 for more detailed information.
- 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 \$135,142,427 (net position). The year end net position was composed of \$142,538,795 in net investment in capital assets, \$12,823,555 in restricted net position, and \$(20,219,923) in unrestricted net position (deficit). The unrestricted net (deficit) at December 31, 2017 is primarily attributable to recognition of the accumulated OPEB liability of \$102,233,292. Liabilities of the City's Business-type Activities exceeded assets by \$(1,621,643).
- The City's expenses were \$21,671,026 less than the \$150,289,815 generated in tax and other revenues for all governmental program activities. Expenses of the Business-type Activities were \$6,760 and there were no revenues.
- The City records its proportionate share of net pension (asset) liability along with deferred inflows and deferred outflows related to pensions in accordance with the parameters of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Current year recognition resulted in an additional \$2,786,006 of employee benefits expense.
- The General Fund recorded an operating increase of \$2,419,060 in 2017 and had a fund balance of \$22,300,963 at year-end.
- The City's long-term liabilities decreased by \$(1,056,057). Bond anticipation notes increased by \$22,502,332, bonds decreased by \$(7,920,714), the City's proportionate share of the NYSLRS net pension liability decreased by \$(9,672,383), and the City's OPEB liability decreased by \$(5,222,727).

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and Statement of Activities (pages 5-6a) provide information about the City as a whole and present a longer-term view of the City's finances. Governmental Fund financial statements start on page 7. These statements, for Governmental Activities, tell how services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the City's operations in more detail than the Government-wide financial statements by providing information about the City's most significant funds. The remaining statements provide financial information about the hotel the City operated as a business before selling the property, and for which the City acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information essential to a full understanding of the data provided in the financial statements.

In addition to basic financial statements, the annual report contains other information in the form of budgetary comparison schedules for the General Fund and Sewer Fund, as well as combining statements for funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 5, with the Government-wide financial statements. The Statement of Net Position and Statement of Activities report information about the City and its activities in a way that helps answer the question of whether the City, as a whole, is better or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position, the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. One needs to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and Statement of Activities, all of the City's activities which are governmental in nature are reported in one column including general governmental support, public safety, transportation, economic assistance and opportunity, culture and recreation, home and community services and interest on long-term debt. Business-type Activities are reported in a separate column in these statements. Property and sales taxes, and state and federal grants finance most of the governmental activities.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Reporting the City's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the City's Major Funds begins on page 7. The Governmental Fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: All of the City's services are reported in the Governmental Funds, which focus on how money flows in and out of those funds, and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund financial statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. The relationship (or differences) between Governmental Activities (reported in the Government-wide financial statements) and Governmental Funds is explained in a reconciliation following the Governmental Fund financial statements.

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 we report in the Government-wide financial statements but provide more detail and additional information, such as cash flows, for Proprietary Funds.

The City as Trustee: The City is the trustee, or fiduciary, for other assets held on behalf of others. All of the City's Fiduciary Activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring the assets reported in this fund are used for their intended purposes.

THE CITY AS A WHOLE

A portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position represents resources subject to external restrictions on how they may be used and are reported as restricted. The remaining category of net position is unrestricted net position (deficit). Included in unrestricted resources is the City's equity interest in two joint ventures. The remaining portion of unrestricted resources may be used to meet the City's ongoing obligations and services to creditors and citizens.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Our analysis below focuses on net position (Figure 1) and changes in net position (Figure 2) of the City's Governmental Activities.

Figure 1
Net Position

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016-2017</i>	<i>2016-2017</i>
<i>Current assets</i>	\$ 82,636,831	\$ 80,552,391	\$ (2,084,440)	(3%)
<i>Noncurrent assets</i>	22,992,602	75,957,069	52,964,467	230%
<i>Capital assets, net</i>	309,283,322	308,486,097	(797,225)	-0%
<i>Total Assets</i>	414,912,755	464,995,557	50,082,802	12%
<i>Pensions</i>	29,502,293	16,341,340	(13,160,953)	(45%)
<i>Other postemployment benefits</i>	-	6,847,204	6,847,204	100%
<i>Total Deferred Outflows of Resources</i>	29,502,293	23,188,544	(6,313,749)	(21%)
<i>Current liabilities</i>	70,663,554	103,238,725	32,575,171	7%
<i>Noncurrent liabilities</i>	255,933,870	233,308,080	(22,625,790)	(9%)
<i>Total Liabilities</i>	326,597,424	336,546,805	9,949,381	3%
<i>Pensions</i>	4,346,223	3,643,659	(702,564)	(16%)
<i>Other postemployment benefits</i>	-	12,851,210	12,851,210	100%
<i>Total Deferred Inflows of Resources</i>	4,346,223	16,494,869	12,148,646	280%
<i>Net investment in capital assets</i>	174,321,981	142,538,795	(31,783,186)	(18%)
<i>Restricted</i>	9,008,180	12,823,555	3,815,375	42%
<i>Unrestricted</i>	(69,858,760)	(20,219,923)	49,638,837	71%
<i>Total Net Position</i>	\$ 113,471,401	\$ 135,142,427	\$ 21,671,026	19%

Current assets consist largely of \$22,633,411 in cash and cash equivalents, \$31,303,175 in restricted cash, and \$12,927,737 in due from other governments. Noncurrent assets consist of the long-term portion of loans receivable of \$6,359,155, the noncurrent receivable from the Joint Sewage Treatment Plant of \$68,131,048, and the City's equity interest in joint ventures of \$1,466,866. Current assets decreased as a result of a decrease in cash held with the City's fiscal agent of \$(14,793,771), partially offset by an increase in due from other governments and due from state and federal governments. Noncurrent assets increased primarily as a result of a large increase of the Joint Sewage Treatment Plant receivable of \$40,433,779 combined with an increase of joint venture equity. Capital assets, net of accumulated depreciation, decreased as a result of depreciation and retirements exceeding capital outlay. Increases in due from other governments relate to the Joint Sewer Projects.

Included in current liabilities are bond anticipation notes (BANs) payable of \$68,833,754, the current portion of long-term liabilities of \$7,228,813, and various payables. Noncurrent liabilities consist of bonds payable of \$110,804,999, compensated absences of \$4,142,201, other postemployment benefits payable of \$102,233,292, lease obligations of \$160,743, and the City's proportionate share of the net pension liability of \$15,966,845. The increase in current liabilities is primarily due to an increase in BANs payable balances of \$22,502,332 and an increase in accrued liabilities of \$13,562,741 related to the joint sewer project. Noncurrent liabilities decreased as a result of a decrease in debt of \$7,014,123, a decrease in retainage payable of \$585,399, and a decrease of \$9,672,383 in the City's proportionate share of net pension liability.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The net amount invested in capital assets decreased overall based on changes in capital assets and the change in debt incurred to fund capital projects. This amount decreased due to a increase in bond anticipation notes, as well as the spending of previously unspent debt proceeds. Restricted net position consists of \$884,087 for debt service, \$1,464,252 for retirement contributions and benefits, \$500,480 for insurance reserve, \$180,779 for employee benefits reserve, \$1,800,000 for capital reserve, \$500,000 for tax stabilization reserve, and \$7,493,957 for economic development activities.

Changes in deferred outflows of resources - OPEB and deferred inflows of resources - OPEB are primarily due to current year implementation and recognition of GASB Statement No. 75 and changes from the prior year as restated, based on an actuarial valuation of the City's OPEB plan.

Figure 2 demonstrates the operations of the City's activities.

Figure 2
Changes in Net Position

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Government</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2016</i>	<i>2017</i>	<i>2016-2017</i>	<i>2016-2017</i>
REVENUES				
<i>Program Revenues:</i>				
<i>Charges for services</i>	\$ 20,537,959	\$ 20,797,096	\$ 259,137	1%
<i>Operating grants and contributions</i>	4,529,798	3,467,548	(1,062,250)	(23%)
<i>Capital grants</i>	24,701,225	39,971,341	15,270,116	62%
<i>General Revenues:</i>				
<i>Real property taxes</i>	37,405,828	37,409,232	3,404	-0-%
<i>Nonproperty tax items</i>	11,257,741	12,163,195	905,454	8%
<i>State sources</i>	9,949,384	9,718,814	(230,570)	(2%)
<i>Use of money and property</i>	186,271	199,688	13,417	7%
<i>Change in equity interest in joint venture</i>	(4,175,918)	12,540,153	16,716,071	400%
<i>Other general revenues</i>	13,479,534	14,022,748	543,214	4%
Total Revenues	\$ 117,871,822	\$ 150,289,815	\$ 32,417,993	28%
PROGRAM EXPENSES				
<i>General support</i>	\$ 16,360,120	\$ 20,545,637	\$ 4,185,517	26%
<i>Public safety</i>	41,543,296	38,126,983	(3,416,313)	(8%)
<i>Public health</i>	1,022,840	989,867	(32,973)	(3%)
<i>Transportation</i>	6,087,710	3,149,866	(2,937,844)	(48%)
<i>Economic assistance and opportunity</i>	634,472	454,777	(179,695)	(28%)
<i>Culture and recreation</i>	5,027,512	4,882,562	(144,950)	(3%)
<i>Home and community services</i>	53,484,268	55,735,798	2,251,530	4%
<i>Interest on debt</i>	3,193,183	4,733,299	1,540,116	48%
Total Expenses	\$ 127,353,401	\$ 128,618,789	\$ 1,265,388	1%
(DECREASE) INCREASE IN NET POSITION	\$ (9,481,579)	\$ 21,671,026	\$ 31,152,605	329%

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Governmental Activities

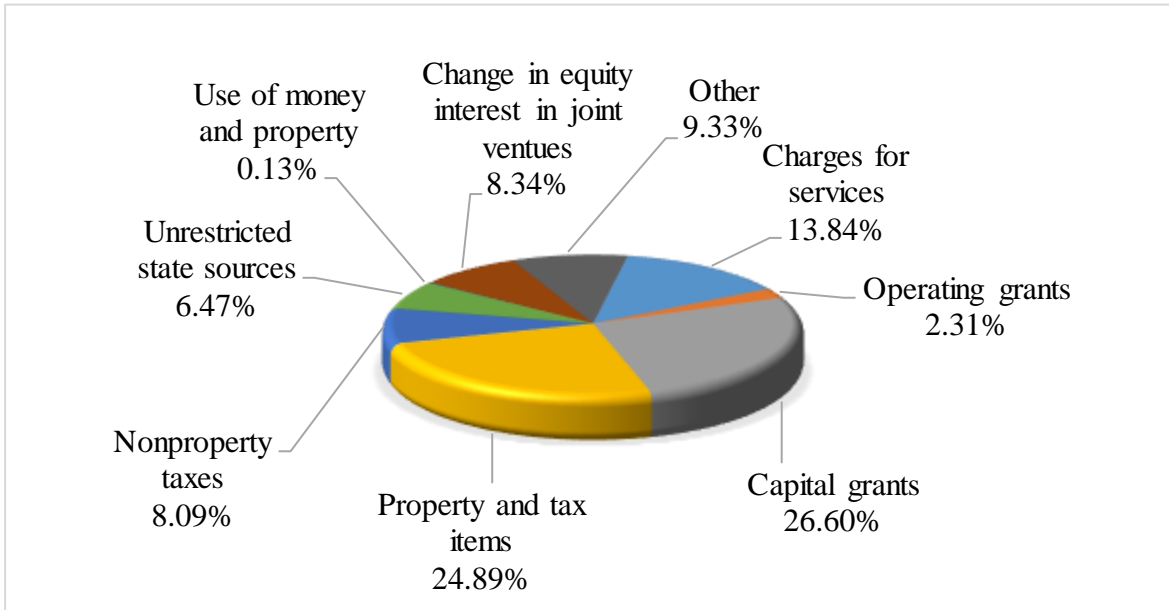
Net position of the City's activities increased primarily due to increases in charges for services and capital grants, slightly offset by a decrease in operating grants. Operating grants decreased as a result of decreases in CDBG grant revenue. Capital grants increased significantly as a result of reimbursements related to the Joint Sewer Project totaling \$35,325,754, as opposed to \$18,327,614 in the prior year. 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 8% in 2017, as compared to 2016. 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. The change in the City's equity interest in joint ventures is dependent on those entity's yearly operating results. See Note 12 for more information about the City's joint ventures.

Expenses increased primarily due to an increase in interest expense.

Figure 3
Revenue by Source

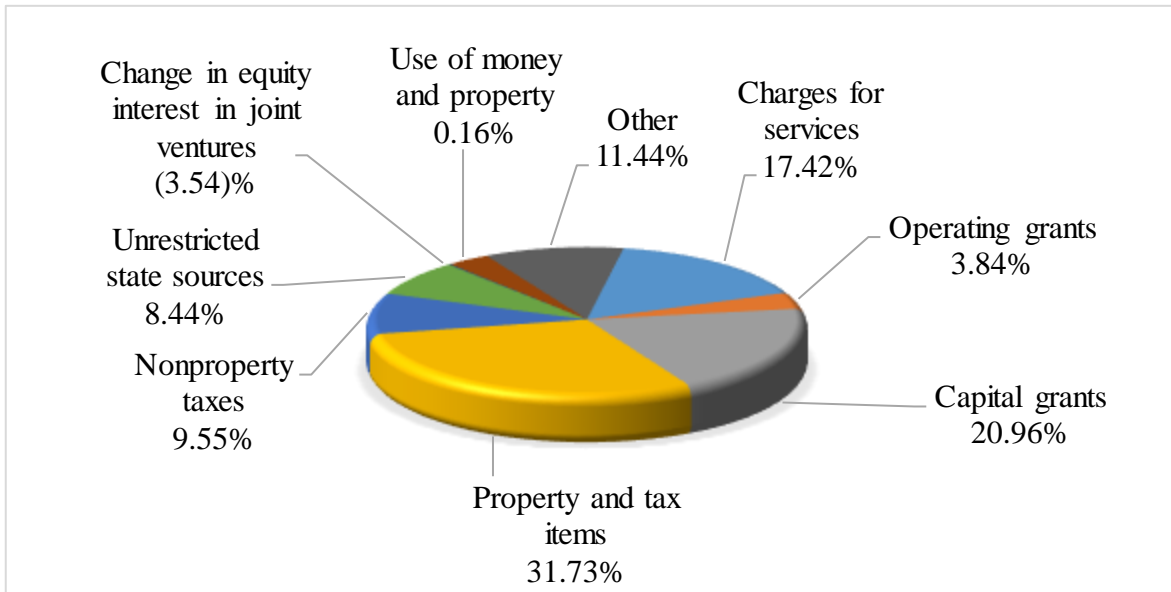
2017



CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

2016



The cost of all Governmental Activities in 2017 was \$128,618,789. However, as shown in the Statement of Activities the amount ultimately financed for these activities through City property and payments in lieu of taxes was \$64,382,804, because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Overall, City governmental program revenues, including fees for services and grants, were \$64,235,985. The City paid for the remaining “public benefit” portion of Governmental Activities with \$86,053,830 in taxes and other revenues, such as interest and general entitlements.

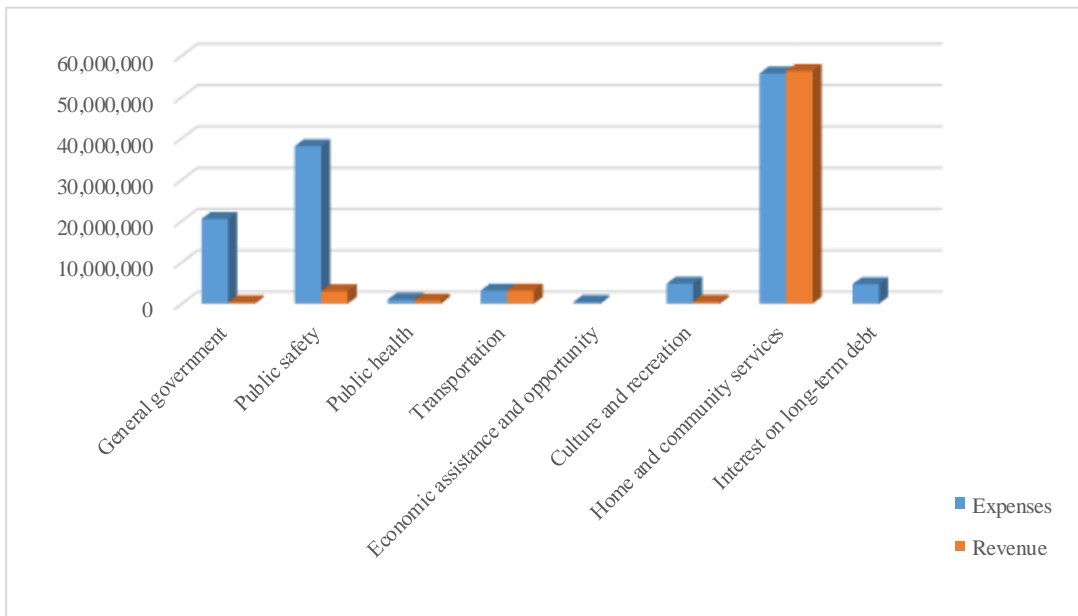
Total cost and revenue comparison of the Governmental Activities for each of the City’s largest programs follows. Note that the City’s home and community service activities which provide water and sewer services include debt service costs in their fee structures. Because debt service costs are not expenses of this function, excess revenue generated by these activities is used to make debt principal and interest payments.

CITY OF BINGHAMTON

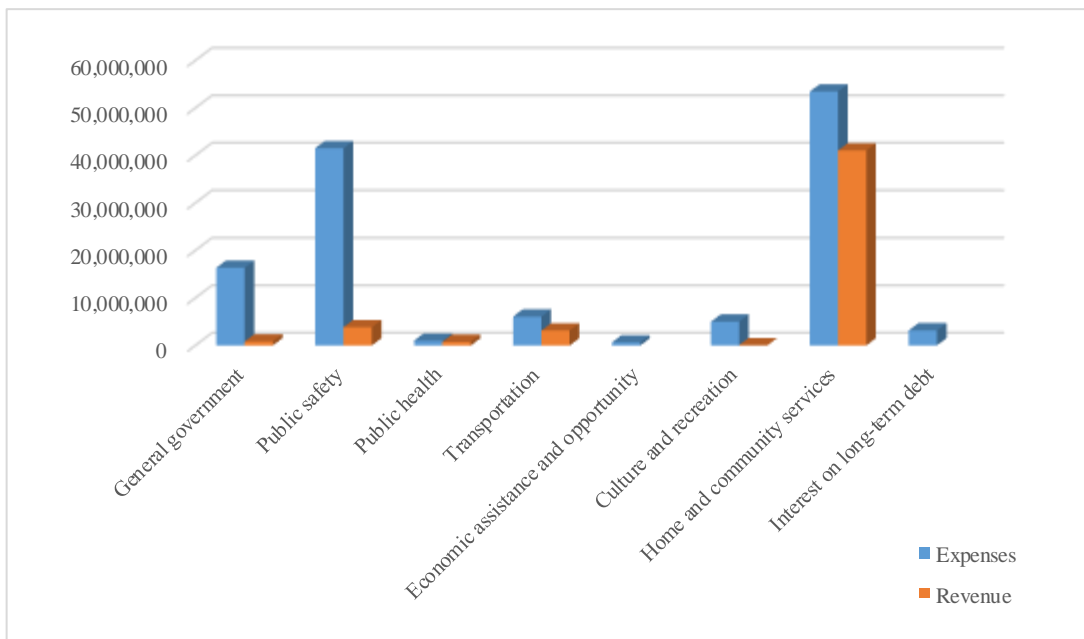
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Figure 4
Program Cost and Revenue Comparison
Governmental Activities

2017



2016



CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

BUSINESS-TYPE ACTIVITIES

The City's Business-type Activities represent the remaining activity of the Binghamton Regency Hotel. The Hotel was sold in December 2010, and the City received final payment from the buyer in December 2012. The City continues to pay outstanding loans to the U.S. Department of Housing and Urban Development (HUD), and received approval from HUD to extend final payment until August 2019.

Figure 5 shows the assets, liabilities, and net deficit of the Business-type Activities:

*Figure 5
Business-Type Activities
Net Position*

			<i>Dollar</i>	<i>Perecent</i>
	<i>2016</i>	<i>2017</i>	<i>Change</i>	<i>Change</i>
			<i>2016-2017</i>	<i>2016-2017</i>
<i>Current assets</i>	\$ -	\$ -	\$ -	-0-%
<i>Total Assets</i>	-	-	-	-0-%
<i>Current liabilities</i>	1,269,008	1,448,768	179,760	14%
<i>Noncurrent liabilities</i>	345,875	172,875	(173,000)	(50%)
<i>Total Liabilities</i>	1,614,883	1,621,643	6,760	-0-%
<i>Unrestricted</i>	(1,614,883)	(1,621,643)	(6,760)	-0-%
<i>Total Net (Deficit)</i>	\$ (1,614,883)	\$ (1,621,643)	\$ (6,760)	-0-%

Changes in liabilities reflect the payment by the City to HUD, offset by funds borrowed from governmental activities. Net position changed by the interest expense recorded during the year.

THE CITY'S FUNDS

As the City completed the year, its Governmental Funds, as presented in the balance sheets on pages 7-7a, reported a combined fund balance deficit of \$(17,360,413), a decrease from last year of \$(36,753,867). The General Fund showed a \$2,419,060 increase in fund balance, and ended the year with an overall fund balance of \$22,300,963.

The Capital Projects Fund experienced a \$(39,721,817) decrease in fund balance due to the issuance of BANs totaling \$55,488,822; the remaining (deficit) will be eliminated as short-term debt is converted to long-term financing.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Figure 6 shows changes in fund balance for the year for the City's funds.

Figure 6
Governmental Funds
Fund Balance at Year Ending December 31,

Governmental Fund Balances	2016	2017	Dollar Change 2016-2017	Percent Change 2016-2017
<i>General Fund</i>	\$ 19,881,903	\$ 22,300,963	\$ 2,419,060	12%
<i>Special Grant Fund</i>	430,037	424,094	(5,943)	(1%)
<i>Capital Projects Fund</i>	(8,167,652)	(47,889,469)	(39,721,817)	(486%)
<i>Non-Major Funds:</i>				
<i>Refuse and Garbage Fund</i>	433,834	455,114	21,280	5%
<i>Water Fund</i>	3,191,035	3,045,618	(145,417)	(5%)
<i>Parking Ramp Fund</i>	(393,339)	(390,466)	2,873	1%
<i>Sewer Fund</i>	4,017,636	4,693,733	676,097	17%
Total Governmental Funds	\$ 19,393,454	\$ (17,360,413)	\$ (36,753,867)	190%

The General Fund increase was mainly the result of an increase in refunds of prior year expenditures, offset by transfers to other funds. The Special Grant Fund decreased slightly due to a decrease in Community Development Block Grant revenue. Capital Projects Fund decreased based on issuance of bond anticipation notes that have not been converted to long term debt. The Water Fund decreased primarily due to increases in debt service principal payments and an increase in transfers to other funds. The Sewer Fund increased \$676,097 from 2016, compared to an increase of \$3,662,701 from 2015 to 2016 due to a significant decrease in refunds of prior year's expenditures and increases debt service principal and interest payments. See Note 2 regarding funds with deficit fund balances.

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.

Resources available for appropriation were above the final budgeted amount by \$286,516. The actual charges to appropriations (expenditures and encumbrances) were below the final budget amounts by \$2,400,020. Refer to page 50 for detailed information.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2017, the City had \$308,486,097, net of accumulated depreciation of \$278,220,737, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. This amount represents a net decrease (including additions; net of disposals and depreciation expense) of \$(797,225) from 2016.

*Figure 7
Capital Assets, Net of Depreciation*

<i>Capital Assets</i>	<i>Governmental Activities</i>		<i>Dollar Change 2016-2017</i>	<i>Percent Change 2016-2017</i>
	<i>2016</i>	<i>2017</i>		
<i>Land</i>	\$ 4,279,869	\$ 4,308,146	\$ 28,277	1%
<i>Construction in progress</i>	15,256,471	9,355,650	(5,900,821)	(39%)
<i>Buildings, net</i>	12,825,999	15,434,013	2,608,014	20%
<i>Equipment, net</i>	7,631,411	7,433,585	(197,826)	(3%)
<i>Infrastructure, net</i>	269,289,572	271,954,703	2,665,131	1%
<i>Total</i>	\$ 309,283,322	\$ 308,486,097	\$ (797,225)	0%

Debt

Debt (bonds, BANs, and lease obligations payable), considered a liability of Governmental Activities, increased \$13,766,476, bringing total debt to \$186,891,587 as of December 31, 2017, as shown in Figure 8. During the year, the City issued new BANs in the amount of \$55,488,822, which were partially offset by the maturity of BANs in the amount of \$32,986,490. Of the amount of bonds and BANs outstanding, \$74,477,407 is subject to the constitutional debt limit and represented 73% 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 Notes 6 through 9 to the financial statements.

*Figure 8
Outstanding Debt and Long-term Liabilities at Year Ending December 31,*

<i>Outstanding Debt</i>	<i>Governmental Activities and Total Government</i>		<i>Dollar Change 2016-2017</i>	<i>Percent Change 2016-2017</i>
	<i>2016</i>	<i>2017</i>		
<i>Bond anticipation notes</i>	\$ 46,331,422	\$ 68,833,754	\$ 22,502,332	49%
<i>Serial bonds</i>	125,739,836	117,819,122	(7,920,714)	(6%)
<i>Installment purchase debt</i>	1,053,853	238,711	(815,142)	(77%)
<i>Total</i>	\$ 173,125,111	\$ 186,891,587	\$ 13,766,476	8%

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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.

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.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

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.

SUNY Broome has proposed to take over the former Carnegie Library recently acquired by the Development Agency to develop a downtown campus for its gaming and hospitality programs. SUNY Broome has received funding for this project and is advancing the project, particularly in light of New York State's approval of a Casino at Tioga Downs Raceway.

Over the last three years over 3,000 new upscale student housing units have been built and opened in the City's downtown. These multiple residential and mixed use projects have brought both a renewed optimism and economic vitality to the City's downtown. The projects resulted in millions of dollars being invested into the downtown core, while bringing a new life to downtown. Commercial and service business storefronts along Court and Washington Street attract and serve the new residents. William H. Lane Incorporated, a construction company, returned to the City after a 40-year absence, and Ellis Brothers Furniture is investing an estimated \$3.5 million to renovate a currently vacant building downtown into a modern furniture and gift shop. Several new restaurants, taverns and shops have opened downtown, as well.

The trend of converting commercial buildings into urban homes and lofts has gained momentum and has quickly spread to multiple areas downtown. In addition to the loft living that is taking place downtown, an "Arts District" is also being formed. Many artists continue to purchase buildings to use as residences, personal studios and art galleries. Area residents recognize the significant artistic talent that exists in the community and the "First Friday Art Walk", which highlights a range of quality artistic shops, galleries, and live entertainment has continued to grow and increase traffic for local businesses. These artists could locate anywhere in the world, but have all chosen the City as a base for their artistic venues. With strong City support and a prime funder, Visions FCU, artists and technical experts merged their talents to bring 20,000 attendees to the first annual LUMA Projection Arts Festival in 2015. The festival has grown rapidly in the two years since, drawing more than 60,000 people combined.

The City's economic development success is not limited to downtown, but is taking place Citywide as businesses continue to take advantage of positive economic momentum and an increased customer base. Across the railroad tracks from the downtown area a developer has proposed a mixed use-market rate development at One North Depot, which is expected to include over 70 moderately priced units, mostly studio apartments for recent graduates, graduate students, and professors. The BLDC has approved a \$200,000 loan to be used to stabilize the property and make the structure more attractive to commercial lenders. The developers have also received a \$1.5 million grant through the State Consolidated Funding Application. A second mixed market rate apartment project is being proposed on Eldredge Street across the Viaduct, and is expected to provide moderately priced apartment units.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Loan programs of the BLDC have made loans in the aggregate amount of \$701,000 over the last two years to seven different businesses. The loans are designed to supplement private investment in the projects of \$616,950, which resulted in local banks investing an additional \$1,155,000 for the loans, for a total investment of \$2,472,950. The BLDC just closed its most recent NYS Office of Community Renewal (OCR) Main Street grant for \$500,000, to improve the area entering downtown.

New businesses continue to open throughout the City. The City recently worked with ScottTech, LLC, a warehouse management technology company, to relocate its corporate headquarters to the westerly end of the Court Street Corridor near downtown, bringing 14 engineering and manufacturing jobs to the City. In 2015, the City sold a former senior center located one block from the Court Street Corridor to Red Barn Computer, Inc. which has opened a high tech data service and storage center including ancillary businesses and established 15 new jobs. In 2016, I3, a high Tech Electronic Manufacturer moved part of its operation to the City, bringing high paying jobs into the downtown area.

Since 2014, several new restaurants and breweries have opened downtown, including Galaxy Brewing, Social on State, The Shop, Citrea Restaurant and Bar, The Colonial, and The Garage, which opened on the site of a closed-down gas station. In 2018 there have three more opening in the downtown area, Craft, 205, and Dos Rios Cantina. These establishments and others have helped to fill previously empty storefronts in Binghamton's Urban Core. Buffy's Burritos, for example, returned to Washington Street on 2016 after closing nine years earlier. In 2017 alone, several eateries arrived downtown, including Parlor City Pizza, Parlor City Pub, Peterson's Tavern, and Oakdale Pizza, which opened a second location on Court Street. Strange Brew, a coffee shop and eatery opened on Washington Street in 2016, decided to open a second downtown location a year later. Downtown has attracted other types of businesses in recent years as well, including HUE Advertising, Tesorina Boutique, Parlor City Market, and Old Barn Hollow, which relocated from the south side. On the outskirts of downtown, the Lackawanna Train Station was renovated with multiple new commercial and professional office spaces. The City has four recently approved BOA's (Brownfield Opportunity Area) and hopes to leverage these designations into new developments in the BOAs.

The City will be a major beneficiary of the State of New York Upstate Revitalization Initiative (URI). The City received a \$3.45 million grant to help defray the cost of a new mixed use parking facility, a grant for the construction of a connecting bike/pedestrian way from the campus of the University to the City's downtown, grants for rehabilitation of parks and a Local Waterfront Revitalization Plan (LWRP) study. The City, as one of the three urban core areas of the \$20,000,000 Greater Binghamton Economic Ecosystem, should benefit from the proposed multi-million dollar improvements expected to be made as part of the URI. In addition, a \$3.0 million grant has been provided for a \$15.0 million mixed use market rate housing at 50 Front Street and a \$500,000 grant has been awarded for the construction of a mixed use building at 70-72 State Street. The BLDC has loaned \$350,000 to Fortress Development Group (FDG) Housing, LLC for an ultra-modern rehabilitation of a largely vacant building at 73 Court Street; it also has received a \$245,000 New York State Consolidated Funding Application (CFA) grant for energy efficiency. The City does not guarantee any debt on behalf of BLDC.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

In 2015, Lourdes Hospital completed the third phase of a five phase, \$70 million construction project to update and expand its medical complex in the City. The project consisted of an expanded emergency department, a new open MRI facility, two new surgical suites, a flood wall, an ambulatory care building, a two-story main entrance connecting the ambulatory building to the main hospital, an expanded radiology department, and a multi-story parking garage.

The City government continues to improve infrastructure by investing in roads, bridges, gateways, and water and sewer projects. Additional projects to upgrade and rehabilitate the City's Front Street gateways and bridges are currently underway in the amount of \$5 million. These projects are the direct result of the City's successful partnership with the State Department of Transportation, which is contributing 95% of the costs of each of these projects. Over the last ten years this partnership has resulted in a combined \$85 million being spent on a diverse range of local roadway and bridge projects. Since 2014, the City has milled and paved over one-third of all the City streets. Several bridges have undergone major rehabilitation projects, included the historic East Clinton Bridge, where a \$1.9 million project was completed in 2017. In 2016 the City completed its \$4 million multi-year project of changing the street lighting to LED's, which has shown a reduction of electric usage by more than 50%.

The City has also advanced an aggressive demolition program in recent years, identifying and tearing down dozens of commercial and residential eyesores, expanding the redevelopment potential of certain parcels and simply seeking to eradicate blight and boost the property values of surrounding parcels with other demolitions. The City demolished a vacant former Big Lots on the North Side in 2017, for example, making room for an affordable housing project the Binghamton Housing Authority has proposed to build. In 2017, the City broke ground on a \$500,000 project to triple the size of the Lee Barta Community Center on the North Side.

The City has received a \$3.0 million dollar FEMA grant to clean up flood damaged areas and another \$3.0 million in New York Rising Grants. With assistance from the City, Binghamton's First Ward Action Council received a \$6.9 million grant to improve housing stock located in the First Ward and visible as one enters the City from Front Street. A separate \$14.0 million affordable housing project of the First Ward Action and the City, announced in 2017, will rehabilitate 11 severely dilapidated multi-family properties on Crandall Street in a high-poverty area of the City's First Ward. The project will also rehabilitate a vacant historic North Street building, a portion of which will be transformed into a community center.

Also in the First Ward, a \$20 million mixed-use development project is planned for a historic four-story building on Emma St. The former Ansco Camera Factory building will be rehabilitated into two floors of commercial space and 97 market-rate lofts above.

Over the last five years, the City has invested nearly \$4.8 million in federal and state grants to help more than 100 homeowners achieve safer, healthier and more energy efficient homes. This has been made possible through the City's two key housing programs, Single Family Repair Program and the First Time Homebuyer Program.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

Over the last three years, the City has helped a dozen residents become first-time homeowners through its First Time Homebuyer Program. The City currently offers a purchase assistance loan of up to \$10,000 to income-eligible, first-time homebuyers who have graduated from the Binghamton Homeownership Academy. The deferred loan requires no payments so long as the owner maintains residency and ownership, and the full amount of the loan is completely forgiven after 5 years.

Recent Budget Results

The City Council and Mayor adopted and approved the 2018 budget which included a decrease in residential tax rate of 1.97% thus complying with the statutory tax cap; however, a total appropriation of \$1,881,833 from General Fund reserves is expected to be used to pay the cost of certain capital projects funded as part of the operating budget and provide \$818,997 in debt reduction.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

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

STATEMENT OF NET POSITION DECEMBER 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 22,633,411	\$	\$ 22,633,411	\$ 2,574,063
Restricted cash and cash equivalents	31,303,175		31,303,175	
Due from state and federal governments	3,833,526		3,833,526	
Due from other governments	12,927,737		12,927,737	
Other receivables, net	6,275,235		6,275,235	127,250
Loans receivable, short-term portion	710,708		710,708	276,905
Inventories	364,667		364,667	
Prepaid expenses	2,503,932		2,503,932	
Total Current Assets	80,552,391		80,552,391	2,978,218
Noncurrent Assets				
Noncurrent receivable	68,131,048		68,131,048	
Restricted investments				136,954
Loans receivable, long-term portion	6,359,155		6,359,155	735,973
Equity interest in joint ventures	1,466,866		1,466,866	
Capital Assets:				
Land and construction in progress	13,663,796		13,663,796	439,432
Depreciable capital assets, net	294,822,301		294,822,301	
Total Noncurrent Assets	384,443,166		384,443,166	1,312,359
Total Assets	464,995,557		464,995,557	4,290,577
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	16,341,340		16,341,340	
Other postemployment benefits	6,847,204		6,847,204	
Total Deferred Outflows of Resources	23,188,544	-	23,188,544	-
LIABILITIES				
Current Liabilities				
Accounts payable	4,103,956		4,103,956	113,156
Accrued liabilities	19,753,688		19,753,688	
Due to other governments	2,054,485		2,054,485	
Due to fiduciary funds		1,276,768	1,276,768	
Bond anticipation notes payable	68,833,754		68,833,754	
Accrued interest payable	1,146,465		1,146,465	
Other	117,564		117,564	
Current Portion of Long-term Liabilities				
Bonds payable	7,014,123	172,000	7,186,123	
Lease obligations payable	77,968		77,968	
Compensated absences	136,722		136,722	
Total Current Liabilities	103,238,725	1,448,768	104,687,493	113,156
Noncurrent Liabilities				
Bonds payable	110,804,999	172,875	110,977,874	
Lease obligations payable	160,743		160,743	
Other postemployment benefits payable	102,233,292		102,233,292	
Compensated absences	4,142,201		4,142,201	
Net pension liability - Proportionate share	15,966,845		15,966,845	
Total Noncurrent Liabilities	233,308,080	172,875	233,480,955	
Total Liabilities	336,546,805	1,621,643	338,168,448	113,156

See Independent Auditor's Report and Notes to Financial Statements

	Primary Government	Business-Type Activities	Total	Component Units
DEFERRED INFLOWS OF RESOURCES				
Pensions	3,643,659		3,643,659	
Other postemployment benefits	12,851,210		12,851,210	
Total Deferred Inflows of Resources	16,494,869	-	16,494,869	-
NET POSITION				
Net investment in capital assets	142,538,795		142,538,795	439,432
Restricted	12,823,555		12,823,555	3,697,403
Unrestricted (Deficit)	(20,219,923)	(1,621,643)	(21,841,566)	40,586
Total Net Position (Deficit)	\$ 135,142,427	\$ (1,621,643)	\$ 133,520,784	\$ 4,177,421

CITY OF BINGHAMTON

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General governmental support	\$ 20,545,637	\$ 162,900	\$ 213,617	\$ 1,894,420
Public safety	38,126,983	905,231	266,209	1,723,741
Public health	989,867	747,478		
Transportation	3,149,866	1,469,961		
Economic assistance and opportunity	454,777			
Culture and recreation	4,882,562	22,677	500,000	
Home and community services	55,735,798	17,488,849	2,487,722	36,353,180
Interest on debt	4,733,299			
Total Governmental Activities	128,618,789	20,797,096	3,467,548	39,971,341
Business-type Activities				
Proprietary funds	6,760			
Total Primary Government	\$ 128,625,549	\$ 20,797,096	\$ 3,467,548	\$ 39,971,341
Component Units				
Binghamton Local Development Corp.	\$ 333,116	\$ 219,372	220,320	-
Binghamton Urban Renewal Agency	\$ 82,737	\$ 24,200	63,417	-

GENERAL REVENUES

Real property taxes
Real property tax items
Nonproperty tax items
Use of money and property
Sale of property and compensation for loss
Miscellaneous local sources
State sources
Change in equity interest in joint ventures

Total General Revenues

Change in Net Position

Net Position (Deficit) - Beginning

Net Position (Deficit) - Ending

See Independent Auditor's Report and Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (20,169,120)	\$	\$ (20,169,120)	\$
(35,061,123)		(35,061,123)	
(242,389)		(242,389)	
43,836		43,836	
(454,777)		(454,777)	
(4,359,885)		(4,359,885)	
593,953		593,953	
(4,733,299)		(4,733,299)	
(64,382,804)	-	(64,382,804)	-
	(6,760)	(6,760)	
(64,382,804)	(6,760)	(64,389,564)	
			106,576
			4,880
36,621,564		36,621,564	
787,668		787,668	
12,163,195		12,163,195	
199,688		199,688	
6,962,591		6,962,591	
7,060,157		7,060,157	6,461
9,718,814		9,718,814	
12,540,153		12,540,153	
86,053,830	-	86,053,830	6,461
21,671,026	(6,760)	21,664,266	117,917
113,471,401	(1,614,883)	111,856,518	4,059,504
\$ 135,142,427	\$ (1,621,643)	\$ 133,520,784	\$ 4,177,421

CITY OF BINGHAMTON

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2017

	Major Funds	
	General Fund	Special Revenue Fund Special Grant Fund
ASSETS		
Cash and cash equivalents - Unrestricted	\$ 13,301,150	\$ 23,735
Cash and cash equivalents - Restricted	5,101,532	424,094
Due from other funds	1,231,828	
Due from state and federal governments	141,837	311,189
Due from other governments	3,106,049	
Other receivables, net	1,353,049	94
Inventory	14,307	
Prepaid expenses	1,691,246	
Cash with fiscal agent		
Loans receivable, net		7,069,863
Total Assets	\$ 25,940,998	\$ 7,828,975
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 527,179	\$ 335,018
Accrued liabilities	2,187,994	
Due to other funds	752,911	
Due to other governments		
Bond anticipation notes payable		
Compensated absences	122,234	
Other liabilities		
Total Liabilities	3,590,318	335,018
Deferred Inflows of Resources		
Unavailable revenue	49,717	7,069,863
Fund Balances		
Nonspendable	1,705,553	
Restricted	5,101,532	424,094
Assigned	2,488,041	
Unassigned	13,005,837	
Total Fund Balances (Deficit)	22,300,963	424,094
Total Liabilities and Fund Balances	\$ 25,940,998	\$ 7,828,975

See Independent Auditor's Report and Notes to Financial Statements

<u>Major Funds</u>	<u>Total</u>	
<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 7,244,352	\$ 2,064,165	\$ 22,633,402
20,944,285	228,066	26,697,977
700,779	763,401	2,696,008
3,380,500		3,833,526
9,069,779	751,909	12,927,737
	4,922,092	6,275,235
	350,360	364,667
	420,328	2,111,574
7,815		7,815
		7,069,863
\$ 41,347,510	\$ 9,500,321	\$ 84,617,804

\$ 2,942,275	\$ 243,857	\$ 4,048,329
14,984,941	282,890	17,455,825
1,414,662	528,435	2,696,008
1,060,987		1,060,987
68,833,754		68,833,754
	14,488	136,722
	117,564	117,564
89,236,619	1,187,234	94,349,189
360	509,088	7,629,028
	770,688	2,476,241
	228,066	5,753,692
	7,195,771	9,683,812
(47,889,469)	(390,526)	(35,274,158)
(47,889,469)	7,803,999	(17,360,413)
\$ 41,347,510	\$ 9,500,321	\$ 84,617,804

CITY OF BINGHAMTON

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2017

Total Governmental Fund Balances (Deficit) **\$ (17,360,413)**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 586,706,834	
Accumulated depreciation	<u>(278,220,737)</u>	308,486,097

The City's proportion of the collective net pension liability is not reported in the funds.

ERS net pension liability - Proportionate share	\$ (4,233,966)	
PFRS net pension liability - Proportionate share	<u>(11,732,879)</u>	(15,966,845)

Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources. 1,466,866

Funds borrowed for construction at the Joint Sewer Treatment Plant are obligations of the City; however, the Plant will adjust its rate structure and provide the funds necessary for repayment. This is the total borrowings provided to the Plant. 68,131,048

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 7,629,028

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. 1,642,762

Certain accrued expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable	\$ (1,146,465)	
Other postemployment benefits payable	(102,233,292)	
Compensated absences	<u>(4,142,201)</u>	(107,521,958)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (117,819,122)

Lease obligations payable are not due and payable in the current period and, therefore, are not reported in the funds. (238,711)

Deferred outflows of resources represent a consumption of net position that applies to future periods and, therefore, is not reported in the Governmental Funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.

Other postemployment benefits deferred outflows of resources	\$ 6,847,204	
Other postemployment benefits deferred inflows of resources	(12,851,210)	
ERS deferred outflows - Pensions	3,684,047	
ERS deferred inflows - Pensions	(864,095)	
PFRS deferred outflows - Pensions	12,657,293	
PFRS deferred inflows - Pensions	<u>(2,779,564)</u>	<u>6,693,675</u>

Net Position of Governmental Activities **\$ 135,142,427**

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Major Funds		
	General Fund	Special Revenue Fund Special Grant Fund	Capital Projects Fund
REVENUES			
Real property taxes	\$ 36,621,564	\$	\$
Real property tax items	787,668		
Nonproperty tax items	12,163,195		
Departmental income	1,778,205		
Intergovernmental charges	262,357	66,730	35,325,754
Use of money and property	141,349		1,414
Licenses and permits	325,594		
Fines and forfeitures	613,377		
Sale of property and compensation for loss	134,048		7,100,347
Miscellaneous local sources	1,131,314		602,595
Interfund revenues	1,591,373		
State sources	10,018,335		2,773,242
Federal sources	52,805	2,436,538	1,926,261
Total Revenues	65,621,184	2,503,268	47,729,613
EXPENDITURES			
General governmental support	6,661,623		1,213,019
Public safety	22,031,204		1,098,089
Public health	47,260		
Transportation	1,845,410		7,857,592
Economic assistance and opportunity	296,112		
Culture and recreation	2,922,219		3,934,787
Home and community services	943,128	2,509,211	77,942,297
Employee benefits	17,099,921		
Debt Service:			
Principal	5,402,560		
Interest	1,496,105		
Total Expenditures	58,745,542	2,509,211	92,045,784
Excess of Revenues (Expenditures)	6,875,642	(5,943)	(44,316,171)
OTHER FINANCING SOURCES (USES)			
Interfund transfers in			2,363,582
Interfund transfers (out)	(4,456,582)		
BANs redeemed from appropriations			2,230,772
Total Other Financing (Uses) Sources	(4,456,582)	-	4,594,354
Net Changes in Fund Balances	2,419,060	(5,943)	(39,721,817)
Fund Balances, (Deficit) Beginning	19,881,903	430,037	(8,167,652)
Fund Balances, (Deficit) Ending	\$ 22,300,963	\$ 424,094	\$ (47,889,469)

See Independent Auditor's Report and Notes to Financial Statements

Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 36,621,564
	787,668
	12,163,195
16,968,917	18,747,122
878,702	36,533,543
56,925	199,688
	325,594
	613,377
148,816	7,383,211
1,084,932	2,818,841
	1,591,373
	12,791,577
	4,415,604
19,138,292	134,992,357
122,549	7,997,191
	23,129,293
	47,260
586,951	10,289,953
	296,112
	6,857,006
8,722,495	90,117,131
2,837,854	19,937,775
5,564,068	10,966,628
2,842,542	4,338,647
20,676,459	173,976,996
(1,538,167)	(38,984,639)
2,598,000	4,961,582
(505,000)	(4,961,582)
	2,230,772
2,093,000	2,230,772
554,833	(36,753,867)
7,249,166	19,393,454
\$ 7,803,999	\$ (17,360,413)

CITY OF BINGHAMTON

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ (36,753,867)**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and disposals in the current period. In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the sale of capital assets increase financial resources. The net effect is loss on sale of capital assets on the Government-wide Statement of Activities vs. proceeds from the sale of capital assets on the Governmental Fund financial statements.

Capital outlay	\$ 15,355,515	
Depreciation expense	(15,732,120)	
Net book value of disposed assets	<u>(420,620)</u>	(797,225)

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. 85,727

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. 12,540,153

Funds provided to the Joint Sewer Treatment Plant for construction in 2017 are not considered capital outlay above, but are reflected in total debt obligations. This is the amount provided in 2017. 40,433,779

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which the issuance of new debt and BANs redeemed exceeded repayment of debt principal.

BANs redeemed	\$ (2,230,772)	
Principal payments	<u>10,966,628</u>	8,735,856

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Change in accrued interest payable	\$ (394,652)	
Change in noncurrent compensated absences	(81,878)	
Change in retainage payable	585,399	
Change in other postemployment benefits payable	<u>(781,279)</u>	(672,410)

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. 885,019

Changes in the County's proportionate share of net pension liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the County's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$ (720,478)	
PFRS	<u>(2,065,528)</u>	<u>(2,786,006)</u>

Change in Net Position of Governmental Activities **\$ 21,671,026**

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2017

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
ASSETS		
Current Assets		
Cash and cash equivalents - Unrestricted	\$ _____	\$ _____ 9
Cash and cash equivalents - Restricted	_____	4,597,383
Prepaid expenses	_____	392,358
Total Assets	-	4,989,750
LIABILITIES		
Current Liabilities		
Accounts payable	_____	55,627
Accrued liabilities	_____	2,297,863
Due to other governments	_____	993,498
Due to fiduciary funds	1,276,768	_____
Loans payable, current	172,000	_____
Total Current Liabilities	1,448,768	3,346,988
Noncurrent Liabilities		
Loans payable, long-term portion	172,875	_____
Total Liabilities	1,621,643	3,346,988
NET POSITION		
Unrestricted (Deficit)	(1,621,643)	1,642,762
Total Net (Deficit) Position	\$ (1,621,643)	\$ 1,642,762

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Interfund transfers	\$	\$ 2,792,019
Other operating revenues		262,218
Total Operating Revenues	-	3,054,237
OPERATING EXPENSES		
Salaries and benefits		129,135
Contractual services		364,476
Workers compensation claims		1,683,368
Total Operating Expenses	-	2,176,979
Income from Operations	-	877,258
NONOPERATING (EXPENSES) REVENUES		
Interest income		7,761
Interest expense	(6,760)	
Total Nonoperating (Expenses)	(6,760)	7,761
Change in Net Position	(6,760)	885,019
Total Net (Deficit), Beginning	(1,614,883)	757,743
Total Net (Deficit) Position, Ending	\$ (1,621,643)	\$ 1,642,762

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities		
Cash received from other funds	\$	\$ 2,792,019
Cash payments - Employees		(129,135)
Cash payments - Suppliers		(688,924)
Cash payments - Judgments and claims		(153,802)
Refund of prior year expenditures		262,218
Net Cash Provided by Operating Activities	-	2,082,376
Cash Flows from Non-capital Financing Activities		
Loan from fiduciary fund	178,760	
Net Cash Provided by Non-Capital Financing Activities	178,760	-
Cash Flows from Capital and Related Financing Activities		
Bond payments	(172,000)	
Interest expense	(6,760)	
Net Cash (Used) by Capital and Related Financing Activities	(178,760)	-
Cash Flows from Investing Activities		
Interest income received		7,761
Net Cash Provided by Investing Activities	-	7,761
NET CHANGE IN CASH EQUIVALENTS	-	2,090,137
Cash and Cash Equivalents, January 1, 2017	-	2,507,255
Cash and Cash Equivalents, December 31, 2017	\$ -	\$ 4,597,392
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$	\$ 877,258
(Increase) in prepaid expenses		(324,448)
Decrease in due from governmental activities		897,743
(Decrease) in accounts payable		(13,720)
(Decrease) in accrued liabilities		(347,955)
Increase in due to other governments		993,498
Net Cash Provided by Operating Activities	\$ -	\$ 2,082,376

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND DECEMBER 31, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents - Unrestricted	\$ 1,049,842
Accounts receivable	26,212
Due from proprietary funds	<u>1,276,768</u>
Total Assets	\$ <u>2,352,822</u>
 LIABILITIES	
Agency liabilities	\$ <u>2,352,822</u>
Total Liabilities	\$ <u>2,352,822</u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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, 2017.

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.

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 are classified as Business-Type Activities.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

Governmental Fund Financial Statements

The financial transactions of the City are reported in individual funds in the Governmental 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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

The City records its transactions in the funds described below:

Governmental Funds

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.

The City reports the following Major Funds:

- General Fund - Principal operating fund; includes all operations not required to be recorded in other funds.
- Special Revenue Funds
 - Special Grant Fund - Accounts for Community Development Block Grant activities and other federal revenue sources.
- Capital Projects Fund - Accounts for financial resources to be used for the acquisition, construction, or renovation of major capital facilities or equipment.

The City reports the following Non-Major Funds:

- Special Revenue Funds
 - 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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

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:

- Enterprise 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.
- 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.

Basis of Accounting/Measurement Focus

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

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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, as described in Note 6 and 9, respectively.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Deferred Outflows and Deferred Inflows of Resources - Continued

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, as described in Note 6 and 9, respectively.

Inventory

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

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.

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.

Cash and Cash Equivalents

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

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

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.

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.

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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

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. See Note 9 for additional information.

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.

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.

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."

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classification - 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, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- 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 funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- 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.

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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards

- GASB has issued Statement No. 83, “Certain Asset Retirement Obligations,” effective for the year ending December 31, 2019.
- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending December 31, 2019.
- GASB has issued Statement No. 85, “Omnibus 2017,” effective for the year ending December 31, 2018.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ending December 31, 2018.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending December 31, 2020.

The City will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

***Note 2* Stewardship, Compliance, Accountability**

Deficit Fund Balances

The Capital Projects Fund had a deficit fund balance of \$(47,889,469), as the City’s bond anticipation notes are accounted for as short-term debt in the Fund. The deficit fund balance will be eliminated as bond anticipation notes are converted to long-term debt.

The Parking Ramps Fund had a deficit fund balance of \$(390,466), due to previous years’ excess of expenditures over revenues. Revenue increases were instituted in 2011 and 2012. Other methods of subsidizing the parking ramps to offset costs are being explored.

The Enterprise Fund had a deficit fund balance of \$(1,621,643), resulting from the sale of the applicable property (Regency Hotel). The City has received approval from HUD to extend repayment of the remaining loan balance until August 1, 2019.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 3 Cash and Investments

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 the state and its municipalities and school districts.

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, 2017, per the banks, were \$55,132,790, which were insured, and collateral, where required, was held by the City's agent in the City's name.

Restricted cash at December 31, 2017 is as follows:

Unspent debt proceeds	\$	20,944,285
General Fund		5,101,532
Special grant Fund		424,094
Sewer Fund		130,446
Water Fund		94,051
Refuse and Garbage Fund		3,569
Cash with fiscal agent		7,815
Subtotal		<u>26,705,792</u>
Internal Service Fund		<u>4,597,383</u>
Total	\$	<u>31,303,175</u>

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 4 Other Receivables

Other receivables at December 31, 2017 are as follows:

Major Funds

General Fund:

MBBA tax liens	\$	956,894
Franchise fees		142,272
Health insurance		11,296
Due from fiduciary		993,498
Other		205,983
Total General Fund		<u>2,309,943</u>
Allowance for doubtful accounts		<u>(956,894)</u>
Total General Fund		1,353,049

Special Revenue Funds

Special Grant Fund - Other receivable		<u>94</u>
Total Special Revenue Funds		94

Non-Major Funds

Special Revenue Funds:

Sewer Fund - Sewer rents receivable		2,649,430
Allowance for doubtful accounts		(100,000)
Parking Ramps Fund - Accounts receivable		2,637
Water Fund - Water rents receivable		1,984,722
Allowance for doubtful accounts		(96,736)
Refuse and Garbage Fund - Fees		614,414
Allowance for doubtful accounts		<u>(132,375)</u>
Total Non-Major Funds		<u>4,922,092</u>

Total Other Receivables - Governmental Activities \$ **6,275,235**

In addition to the above, the City has recorded a noncurrent receivable of \$68,131,048, reflecting amounts provided for construction of the Joint Sewer Treatment Plant.

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 2017, payments from the County to the City aggregated \$11,191,524.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 5 Net Capital Assets

A summary of changes in capital assets for the year ended December 31, 2017 follows:

<u>Governmental Activities</u>	<u>Balance at 12/31/2016</u>	<u>Additions</u>	<u>Deletions and Reclassifications</u>	<u>Balance at 12/31/2017</u>
Non-depreciable Capital Assets:				
Land	\$ 4,279,869	\$ 28,277	\$	\$ 4,308,146
Construction in progress - City	15,256,471	11,654,127	(17,554,948)	9,355,650
Total Non-depreciable Capital Assets	<u>19,536,340</u>	<u>11,682,404</u>	<u>(17,554,948)</u>	<u>13,663,796</u>
Depreciable Capital Assets:				
Buildings and improvements	34,533,640	156,487	3,127,929	37,818,056
Machinery and equipment	21,851,908	1,249,664	(858,491)	22,243,081
Infrastructure - City	478,943,073	2,266,960	13,677,019	494,887,052
Infrastructure - Joint Sewer	18,094,849			18,094,849
Total Depreciable Capital Assets	<u>553,423,470</u>	<u>3,673,111</u>	<u>15,946,457</u>	<u>573,043,038</u>
Total Historical Cost	<u>572,959,810</u>	<u>15,355,515</u>	<u>(1,608,491)</u>	<u>586,706,834</u>
Less Accumulated Depreciation:				
Buildings and improvements	(21,707,641)	(676,402)		(22,384,043)
Machinery and equipment	(14,220,497)	(1,383,120)	794,121	(14,809,496)
Infrastructure - City	(211,795,971)	(13,310,701)	393,750	(224,712,922)
Infrastructure - Joint Sewer	(15,952,379)	(361,897)		(16,314,276)
Total Accumulated Depreciation	<u>(263,676,488)</u>	<u>(15,732,120)</u>	<u>1,187,871</u>	<u>(278,220,737)</u>
Governmental Activities Capital Assets, Net	\$ <u>309,283,322</u>	\$ <u>(376,605)</u>	\$ <u>(420,620)</u>	\$ <u>308,486,097</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government support	\$ 9,689,260
Public safety	526,035
Transportation	119,156
Culture and recreation	454,216
Home and community	<u>4,943,453</u>
Total	\$ <u>15,732,120</u>

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 6* Pension Obligations - New York State and Local Employees' Retirement System (ERS and PFRS) (the Systems)**

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.

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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS and PFRS) (the Systems) - Continued

Contributions

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

	2017	2016	2015
ERS	\$ 1,737,859	\$ 2,101,209	\$ 2,470,316
PFRS	4,558,458	4,209,210	4,944,560

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

At December 31, 2017, 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, 2017. 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.

	ERS	PFRS
Actuarial valuation date	April 1, 2016	April 1, 2016
Net pension liability	\$ 9,396,223,126	\$ 2,072,651,958
City's proportionate share of the Plan's total net pension liability	4,233,966	11,732,879
City's share of the net pension liability	0.0450603%	0.5660805%

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS and PFRS) (the Systems) - Continued

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

For the year ended December 31, 2017, the City recognized pension expense of \$2,351,467 for ERS and \$6,738,727 for PFRS in the financial statements. At December 31, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	ERS	PFRS
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 106,099	\$ 1,539,152
Changes of assumptions	1,446,478	5,780,296
Net differences between projected and actual earnings on pension plan investments	845,694	1,752,288
Changes in proportion and differences between the City's contributions and proportionate share of contributions	17,745	51,972
City's contributions subsequent to the measurement date	1,268,031	3,533,585
Total	\$ 3,684,047	\$ 12,657,293
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 642,952	\$ 2,027,182
Changes in proportion and differences between the City's contributions and proportionate share of contributions	221,143	752,382
Total	\$ 864,095	\$ 2,779,564

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS and PFRS) (the Systems) - Continued

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

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, 2018. 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>
2018	\$ 727,559	\$ 2,163,860
2019	727,559	2,163,860
2020	694,445	2,033,076
2021	(597,642)	(240,781)
2022		224,129
Thereafter		

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>PFRS</u>
Measurement date	March 31, 2017	March 31, 2017
Actuarial valuation date	April 1, 2016	April 1, 2016
Interest rate of return	7.0%	7.0%
Salary increases	3.8%	4.5%
Cost of living adjustments	1.3%	1.3%
Inflation rate	2.5%	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

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

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS and PFRS) (the Systems) - Continued

Actuarial Assumptions

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

	<u>ERS and PFRS</u>
Measurement date	March 31, 2017
Asset Type:	
Domestic equities	4.6%
International equities	6.4%
Real estate	5.8%
Private equity/Alternative investments	7.8%
Absolute return strategies	4.0%
Opportunistic portfolio	5.9%
Real assets	5.5%
Cash	-0.3%
Inflation-indexed bonds	1.5%
Mortgages and bonds	1.3%

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 contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS and PFRS) (the Systems) - Continued

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

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$ 15,914,017	\$ 4,233,966	\$ (4,259,558)

PFRS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$ 33,262,032	\$ 11,732,879	\$ (6,324,810)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective valuation dates were as follows:

	Dollars in Thousands ERS	Dollars in Thousands PFRS
Measurement date	March 31, 2017	March 31, 2017
Employers' total pension liability	\$ 177,400,586	31,670,483
Plan net position	(168,004,363)	(29,597,831)
Employers' Net Pension Liability	\$ 9,396,223	2,072,652
Ratio of Plan Net Position to the Employers' Total Pension Liability	94.7%	93.5%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2017 represent the projected employer contribution for the period of April 1, 2017 through December 31, 2017 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2017 amounted to \$-0-.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 6 Pension Obligations - New York State and Local Employees' Retirement System (ERS and PFRS) (the Systems) - Continued

Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended December 31, 2017 resulted in the following effect on net position:

ERS	Beginning Balance	Change	Ending Balance
Net pension liability	\$ 7,645,586	\$ (3,411,620)	\$ 4,233,966
Deferred outflows of resources	(8,016,117)	4,332,070	(3,684,047)
Deferred inflows of resources	1,064,067	(199,972)	864,095
Sub Total	693,536	720,478	\$ 1,414,014
PFRS	Beginning Balance	Change	Ending Balance
Net pension liability	17,993,642	(6,260,763)	11,732,879
Deferred outflows of resources	(21,486,176)	8,828,883	(12,657,293)
Deferred inflows of resources	3,282,156	(502,592)	2,779,564
Sub Total	(210,378)	2,065,528	1,855,150
Total	\$ 483,158	\$ 2,786,006	\$ 3,269,164

Note 7 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 drawdown as needed, and converted to long-term debt at conclusion of the project.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 7 Short-term Debt - Continued

BANs payable at December 31, 2017 in the Capital Projects Fund consisted of the following:

Description	Date Issued	Maturity Date	Amount
Joint Sewer Project	2014	01/30/2019	\$ 26,362,659
Various projects	2017	04/20/2018	39,347,617
Various projects	2017	01/26/2018	3,123,478
			\$ 68,833,754

Interest on short-term debt for the year ended December 31, 2017 was as follows:

Interest paid	\$	347,927
Less: Interest accrued in the prior year		(237,039)
Plus: Interest accrued in the current year		676,454
Total	\$	787,342

Note 8 Long-term Debt

At December 31, 2017, total outstanding indebtedness of the City aggregated \$186,891,587. Of this amount, \$74,477,407 was subject to the constitutional debt limit and represented approximately 73% of its debt limit.

Serial Bonds

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Statement of Net Position. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others, for the liquidation of the long-term liabilities.

Other Long-term Debt and Liabilities

In addition to the above long-term debt, the City had the following non-current liabilities:

- **Compensated Absences** - Represents the unfunded value of the liability for compensated absences and is liquidated in the General, Parking Ramps, Water, Sewer, and Refuse and Garbage Funds.
- **Other Postemployment Benefits Payable** - Represents the liability for future health insurance benefits. See Note 9 for more information.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 8 Long-term Debt - Continued

- Lease Obligations Payable - Represents the amount outstanding on a capital lease for energy improvements. The gross amount of assets in the Statement of Net Position recorded under capital leases is \$3,120,195, which is recorded under buildings. The associated accumulated depreciation of these assets is \$2,714,974. The lease obligation is liquidated in the General, Parking Ramps, Water, and Sewer Funds.

Changes in Indebtedness and Other Long-term Liabilities

The following is a summary of changes in the City's indebtedness and long-term liabilities for the period ended December 31, 2017:

Description	Balance at 12/31/2016	New Issues/ Additions	Maturities/ Deletions	Balance at 12/31/2017	Due Within One Year
General obligation debt	\$ 125,739,836	\$	\$ 7,920,714	\$ 117,819,122	\$ 7,014,123
Bond anticipation notes	46,331,422	55,488,822	32,986,490	68,833,754	68,833,754
Lease obligations payable	1,053,853		815,142	238,711	77,968
Liability for other					
postemployment benefits	107,456,019		5,222,727	102,233,292	
Compensated absences	4,060,323	81,878		4,142,201	
Total Governmental Activities	<u>284,641,453</u>	<u>55,570,700</u>	<u>46,945,073</u>	<u>293,267,080</u>	<u>75,925,845</u>
Regency Hotel -					
Business Type Activities	<u>516,875</u>		<u>172,000</u>	<u>344,875</u>	<u>172,000</u>
Total	<u>\$ 285,158,328</u>	<u>\$ 55,570,700</u>	<u>\$ 47,117,073</u>	<u>\$ 293,611,955</u>	<u>\$ 76,097,845</u>

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

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 8 Long-term Debt - Continued

Debt Maturity Schedule

The following is a statement of serial bonds with corresponding maturity schedules.

Governmental Activities Description	Date of Issue	Interest	Maturity Date	Outstanding
Wastewater projects	2000	3.8%	2019	\$ 410,000
Water projects	2000	4.6%	2022	3,860,000
Combined sewer overflow	2003	4.5%	2031	3,230,000
Wastewater projects	2005	3.0%	2034	12,490,000
Wastewater projects	2010	4.1%	2039	4,055,000
Refunding bonds - 2004 & 2005	2012	3.0%	2026	9,060,000
Various projects	2012	2.0%	2029	7,335,328
Various projects	2012	2.0%	2029	2,674,672
General capital improvements	2014	3.8%	2034	4,044,535
Water and sewer improvements	2014	3.8%	2034	4,810,465
Refunding bonds	2014	2.6%	2029	15,370,000
Refunding bonds	2014	3.9%	2029	885,000
Various projects	2015	3.0%	2040	11,500,000
Environmental facilities corporation	2016	0.6-3.5%	2046	28,324,122
Public improvement	2016	2.0-3.0%	2036	9,770,000
Total				\$ 117,819,122

Business-type Activities Description	Date of Issue	Interest	Maturity Date	Outstanding
Regency Hotel	1993	1.3%	2019	\$ 344,875

The following table summarizes the City's future debt service requirements as of December 31, 2017:

Year Ending December 31,	Governmental Activities		Installment Purchase		Business-type	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 7,014,123	\$ 3,700,403	\$ 77,968	\$ 4,872	\$ 172,000	\$ 1,135
2019	7,170,001	3,500,628	79,560	3,281	172,875	570
2020	7,125,001	3,300,317	81,183	1,657		
2021	7,280,000	3,092,655				
2022	7,450,000	2,873,864				
2023-2027	32,755,001	11,040,794				
2028-2032	23,120,001	6,293,133				
2033-2037	13,204,995	3,224,573				
2038-2042	7,930,000	1,505,041				
2043-2046	4,770,000	403,796				
Total	\$ 117,819,122	\$ 38,935,204	\$ 238,711	\$ 9,810	\$ 344,875	\$ 1,705

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 8 Long-term Debt - Continued

Debt Maturity Schedule - Continued

Interest on long-term debt for the year ended December 31, 2017 (including installment purchase agreements) is as follows:

Interest paid	\$	3,990,720
Less: Interest accrued in the prior year		(514,774)
Plus: Interest accrued in the current year		<u>470,011</u>
Total	\$	<u><u>3,945,957</u></u>

Note 9 Postemployment Benefits Other Than Pensions (OPEB)

During the year ended December 31, 2017 the City implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ending December 31, 2017. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

General Information about the OPEB Plan

Plan Description - The City's defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. 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.

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

Employees Covered by Benefit Terms - At December 31, 2017, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	357
Inactive employees entitled to but not yet receiving benefit payments	
Active Employees	<u>511</u>
	<u><u>868</u></u>

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 9* Postemployment Benefits Other Than Pensions (OPEB) - Continued**

Total OPEB Liability

The City's total OPEB liability of \$102,233,292 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

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%
Salary Scale	2.0%
Inflation Rate	3.0%
Healthcare Cost Trend Rates	9.0% for 2018, decreasing to an ultimate rate of 4.5% for 2027 and later years

The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date (or the nearest business day thereto).

The single discount rate reflects a blending of the investment rate of return and the long-term bond rate using expected plan benefit payments.

The salary scale reflects the rate at which payroll amounts are expected to increase over time for purposes of attributing liabilities under the Entry Age Normal, Level Percent of Pay actuarial cost method.

Mortality rates were based on the RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.

Termination Rates were based on assumptions used in the NYS ERS actuarial valuation as of April 1, 2016.

Retirement rates are based on assumptions used in the NYS ERS actuarial valuation as of April 1, 2016.

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical CPI information.

The actuarial assumptions used in the December 31, 2017 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 9 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2016	\$ 107,456,019
 Changes for the year	
Service cost	4,538,756
Interest cost	4,207,633
Changes of benefit terms	(3,818,625)
Differences between expected and actual experience	(14,993,078)
Changes in assumptions or other inputs	7,988,405
Benefit payments	<u>(3,145,818)</u>
Net change	<u>(5,222,727)</u>
 Balance at December 31, 2017	 <u>\$ 102,233,292</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.34% percent in 2016 to 3.8% in 2017.

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.8%) or 1-percentage-point higher (4.8%) than the current discount rate:

	1% Decrease (2.6%)	Discount Rate (3.6%)	1% Increase (4.6%)
Total OPEB liability	\$ 119,056,397	\$ 102,233,292	\$ 88,664,608

Changes of assumptions and other inputs reflect a change in the healthcare cost trend rate from 5.2% percent in 2016 to 5.3% percent in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (4.3 to 3.2%) or 1 percentage point higher (6.3 to 5.2%) than the current healthcare cost trend rate:

	1% Decrease (8.0% to 3.5%)	Healthcare Cost Trend Rate (5.3% to 4.2%)	1% Increase (10.0% to 5.5%)
Total OPEB liability	\$ 86,820,977	\$ 102,233,292	\$ 122,059,948

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 9 Postemployment Benefits Other Than Pensions (OPEB) - Continued

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

For the year ended December 31, 2017, the City recognized OPEB expense of \$2,089,292.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,847,204	\$ -
Changes in assumptions or other inputs	-	12,851,210
Contributions subsequent to measurement date	-	-
Total	\$ 6,847,204	\$ 12,851,210

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

Fiscal year ending December 31,	Amount
2018	\$ (1,000,667)
2019	(1,000,667)
2020	(1,000,667)
2021	(1,000,667)
2022	(1,000,667)
Thereafter	(1,000,671)

Effect on Net Position

Changes in the OPEB liability and deferred outflows and inflows of resources for the year ended December 31, 2017 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
OPEB liability	\$ 107,456,019	\$ (5,222,727)	\$ 102,233,292
Deferred outflows of resources	-	(6,847,204)	(6,847,204)
Deferred inflows of resources	-	12,851,210	12,851,210
Total	\$ 107,456,019	\$ 781,279	\$ 108,237,298

Note 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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 10 Interfund Balances and Activity - Continued

Interfund balances and activity at December 31, 2017 were as follows:

	Interfund Receivable	Interfund Payables	Interfund Revenue	Interfund Expenditures
General Fund	\$ 1,231,828	\$ 752,911		\$ 4,456,582
Capital Projects Fund	700,779	1,414,662	2,363,582	
Non-Major Funds	763,401	528,435	2,598,000	505,000
Total Governmental Funds	2,696,008	2,696,008	4,961,582	4,961,582
Enterprise Fund		1,276,768		
Agency Fund	1,276,768			
Total	\$ 3,972,776	\$ 3,972,776	\$ 4,961,582	\$ 4,961,582

Note 11 Fund Equity

Nonspendable Fund Balance

Nonspendable fund balance includes the following:

Purpose	Balance December 31, 2017
General Fund:	
Inventory	\$ 14,307
Prepaid expenses	1,691,246
Sewer Fund:	
Inventory	106,881
Prepaid expenses	66,055
Water Fund:	
Inventory	243,479
Prepaid expenses	210,401
Parking Ramps Fund - prepaid expenses	60
Refuse and Garbage Fund - prepaid expenses	143,812
Total	\$ 2,476,241

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 11 Fund Equity - Continued

Restricted Fund Balance

Restricted fund balance includes the following:

Purpose	Balance December 31, 2017
General Fund:	
Retirement contribution	\$ 1,464,252
Insurance reserve	500,480
Employee benefits reserve	180,779
Capital reserve	1,800,000
Tax stabilization reserve	500,000
Debt	656,021
Sewer Fund:	
Debt	130,446
Water Fund:	
Debt	94,051
Refuse and Garbage Fund:	
Debt	3,569
Special Grant Fund:	
Grant activities	424,094
Total	\$ 5,753,692

Assigned Fund Balance

Assigned fund balance includes the following:

Purpose	Balance December 31, 2017
General Fund	
Appropriated for the 2018 budget	\$ 1,581,997
Encumbrances	906,044
Water Fund	
Encumbrances	151,881
Remaining fund balance	2,345,806
Sewer Fund	
Remaining fund balance	4,390,351
Refuse and Garbage Fund	
Remaining fund balance	307,733
Total Assigned Fund Balance	\$ 9,683,812

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 12 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 an unaudited summary of financial information included in financial statements for the joint venture:

	Year Ending 12/31/2017
Total Assets and Deferred Outflows of Resources	\$ 167,301,853
Total Liabilities and Deferred Inflows of Resources	164,625,090
Joint Venture Equity	2,676,763
Total Revenues	44,168,782
Total Expenses	31,239,997

Note 13 Component Units

Condensed financial information for component units are as follows:

	BURA	BLDC August 31, 2017	Total
Current assets	\$ 25,007	\$ 2,953,211	\$ 2,978,218
Noncurrent assets	439,432	872,927	1,312,359
Total Assets	464,439	3,826,138	4,290,577
Current liabilities		113,156	113,156
Noncurrent liabilities			
Total Liabilities	-	113,156	113,156
Net invested in capital assets	439,432		439,432
Restricted	20,000	3,677,403	3,697,403
Unrestricted	5007	35,579	40,586
Total Net Position	\$ 464,439	\$ 3,712,982	\$ 4,177,421

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 13 **Component Units - Continued**

Operating revenues and expenses are presented in the Statement of Activities; nonoperating revenues are as follows:

	BLDC	
<u>BURA</u>	<u>August 31, 2017</u>	<u>Total</u>
\$ <u>14</u>	\$ <u>6,447</u>	\$ <u>6,461</u>

Note 14 **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.

Note 15 **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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 15* Summary of Significant Commitments and Contingencies - Continued**

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, 2017 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.

Hotel

In 1993 the City utilized a Section 108 loan to provide permanent financing to a local hotel. The hotel was sold in December 1998. The collateral for the loan is secured by the personal guarantees of the former owners. The term of this loan is 20 years, and principal payments began in 1999. In 2008 the City refinanced its agreement with the U.S. Department of Housing and Urban Development (HUD) and has been paying interest at variable rates.

The City was required to pledge its full faith and credit. The required security is limited to future federal grants under the Housing & Community Development Act of 1974, proceeds from foreclosure sale of the property, and if necessary, certain other funds generated by Federal Grant Programs. The City has been granted an extension from HUD to complete repayment of the loan to August 1, 2019.

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 2017, payment of \$50,000 was made.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 16* **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 *respondeat 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. The appeal is fully submitted.

Note 17* **Tax Abatements*

For the year ended December 31, 2017, 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.

Information relevant to disclosure of the program for the year ended December 31, 2017 is as follows:

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 17 Tax Abatements - Continued

Tax Abatement Program	Amount of <u>Taxes Abated</u>
BURA	
Economic Development:	
Real property tax	\$ 32,771
BCIDA	
Economic Development:	
Real property tax	1,063,518
BHA	
Economic Development:	
Real property tax	<u>1,084,176</u>
Total	\$ <u><u>2,180,465</u></u>

Note 18 Subsequent Events

On March 21, 2018, the City authorized the issuance of bonds in the amount not to exceed \$8,800,000. The proceeds of the bonds will finance the construction of a new parking garage.

Note 19 Restatement

The City's December 31, 2017 net position has been restated to reflect the following:

Net Position Beginning of Year, as Originally Reported	\$ 170,878,429
 GASB Statement No. 75 Implementation	
Beginning OPEB plan liability	<u>(57,407,028)</u>
Net Position Beginning of Year, as Restated	\$ <u><u>113,471,401</u></u>

CITY OF BINGHAMTON

BUDGETARY COMPARISON SCHEDULE GENERAL FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Fav./(Unfav.)</u>
REVENUES					
Real property taxes	\$ 36,670,786	\$ 36,670,786	\$ 36,621,564	\$	\$ (49,222)
Real property tax items	711,848	711,848	787,668		75,820
Nonproperty tax items	11,558,787	11,558,787	12,163,195		604,408
Departmental income	1,708,660	1,841,160	1,778,205		(62,955)
Intergovernmental charges	309,276	324,576	262,357		(62,219)
Use of money and property	120,446	120,446	141,349		20,903
Licenses and permits	265,600	265,600	325,594		59,994
Fines and forfeitures	696,500	696,500	613,377		(83,123)
Sale of property and compensation for loss	126,000	163,726	134,048		(29,678)
Miscellaneous local sources	174,500	993,500	1,131,314		137,814
Interfund revenues	1,621,917	1,621,917	1,591,373		(30,544)
State sources	9,980,768	10,274,728	10,018,335		(256,393)
Federal sources	70,107	91,094	52,805		(38,289)
Total Revenues	<u>64,015,195</u>	<u>65,334,668</u>	<u>65,621,184</u>	<u>-</u>	<u>286,516</u>
EXPENDITURES					
Current					
General governmental support	6,492,368	7,557,657	6,661,623	675,478	220,556
Public safety	22,252,668	22,404,745	22,031,204	159,159	214,382
Public health	46,228	47,832	47,260	43	529
Transportation	2,005,980	1,968,632	1,845,410	39,300	83,922
Economic assistance and opportunity	298,204	305,676	296,112	2,532	7,032
Culture and recreation	3,028,055	3,018,917	2,922,219	29,532	67,166
Home and community services	1,034,394	1,055,691	943,128		112,563
Employee benefits	19,209,095	18,790,101	17,099,921		1,690,180
Debt Service					
Principal and Interest	6,762,355	6,902,355	6,898,665		3,690
Total Expenditures	<u>61,129,347</u>	<u>62,051,606</u>	<u>58,745,542</u>	<u>906,044</u>	<u>2,400,020</u>
Excess of Revenues	<u>2,885,848</u>	<u>3,283,062</u>	<u>6,875,642</u>	<u>(906,044)</u>	<u>2,686,536</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers (out)	(3,309,848)	(4,617,955)	(4,456,582)		161,373
Total Other Financing (Uses)	<u>(3,309,848)</u>	<u>(4,617,955)</u>	<u>(4,456,582)</u>	<u>-</u>	<u>161,373</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>(424,000)</u>	<u>(1,334,893)</u>	<u>2,419,060</u>	<u>\$ (906,044)</u>	<u>\$ 2,847,909</u>
Appropriated Fund Balances	<u>424,000</u>	<u>1,334,893</u>			
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,419,060</u>		
Fund Balance, Beginning			<u>19,881,903</u>		
Fund Balance, Ending			<u>\$ 22,300,963</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF BINGHAMTON

SCHEDULE OF CITY'S CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2017	2016	2015
Employees' Retirement System			
Contractually required contribution	\$ 1,737,859	\$ 2,101,209	\$ 2,470,316
Contributions in relation to the contractually required contribution	(1,737,859)	(2,101,209)	(2,470,316)
Contribution deficiency (excess)	-	-	-
City's covered - employee payroll	11,924,746	11,778,203	13,490,397
Contributions as a percentage of covered - employee payroll	14.6%	17.8%	18.3%

SCHEDULE OF THE CITY'S CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2017	2016	2015
Police and Fire Retirement System			
Contractually required contribution	\$ 4,558,458	\$ 4,209,210	\$ 4,944,560
Contributions in relation to the contractually required contribution	(4,558,458)	(4,209,210)	(4,944,560)
Contribution deficiency (excess)	-	-	-
City's covered - employee payroll	19,911,823	19,028,870	18,004,243
Contributions as a percentage of covered - employee payroll	22.89%	22.12%	27.46%

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,600,259	\$ 2,590,272	\$ 1,960,555	\$ 1,472,183	\$ 859,580	\$ 1,032,795	\$ 1,057,717
(2,600,259)	(2,590,272)	(1,960,555)	(1,472,183)	(859,580)	(1,032,795)	(1,057,717)
-	-	-	-	-	-	-
13,575,922	13,602,297	13,427,145	12,838,879	13,042,977	12,772,033	12,415,322
19.2%	19.0%	14.6%	11.5%	6.6%	8.1%	8.5%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 5,111,965	\$ 4,013,150	\$ 4,952,773	\$ 2,812,440	\$ 2,649,611	\$ 2,707,510	\$ 3,171,007
(5,111,965)	(4,013,150)	(4,952,773)	(2,812,440)	(2,649,611)	(2,707,510)	(3,171,007)
-	-	-	-	-	-	-
17,463,543	18,177,672	18,957,845	16,543,613	17,597,841	17,597,841	17,860,873
28.10%	22.98%	27.25%	14.84%	16.02%	15.39%	17.75%

CITY OF BINGHAMTON

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY NYSLRS PENSION PLANS FOR THE YEARS ENDED DECEMBER 31,

	2017	2016	2015
Employees' Retirement System			
City's proportion of the net pension liability	0.0450603%	0.0548793%	0.0559201%
City's proportionate share of the net pension liability	\$ 4,233,966	\$ 7,645,586	\$ 1,889,118
City's covered-employee payroll during the measurement period	11,560,295	11,685,808	13,572,847
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.63%	65.43%	13.92%
Plan fiduciary net position as a percentage of the total pension liability	94.7%	90.7%	97.9%
 Police and Fire Retirement System			
City's proportion of the net pension liability	0.5660805%	0.6077317%	0.5556400%
City's proportionate share of the net pension liability	\$ 11,732,879	\$ 17,993,642	\$ 1,529,449
City's covered-employee payroll during the measurement period	19,420,231	17,854,786	18,452,614
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.42%	100.78%	8.29%
Plan fiduciary net position as a percentage of the total pension liability	93.5%	90.2%	99.0%

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF BINGHAMTON

SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	2017	2016
Total OPEB Liability		
Service Cost	\$ 4,538,756	\$ *
Interest Cost	4,207,633	*
Changes of benefit terms	(3,818,625)	*
Differences between expected and actual experience	(14,993,078)	*
Changes in assumptions	7,988,405	*
Benefit payments	(3,145,818)	*
	(5,222,727)	*
Total OPEB liability - beginning	107,456,019	*
Total OPEB liability - ending	\$ 102,233,292	\$ 107,456,019
Covered employee payroll	\$ 28,811,266	*

* Information is unavailable and will be present as information becomes available.

CITY OF BINGHAMTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

***Note 1* Budgeting Policies**

Budget policies are as follows:

- No later than September 15, the budget officer submits a tentative budget to the City Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- After public hearings are conducted to obtain taxpayer comments, no later than December 31, the governing board adopts the budget.
- All modifications of the budget must be approved by the governing board. (However, the Comptroller is authorized to transfer certain budgeted amounts within departments.)

***Note 2* Budget Basis of Accounting**

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

An annual legal budget is not adopted for the Special Grant Fund, which is one of the Special Revenue Funds. Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreements. Projects within the Special Grant Fund also cover periods other than the City's fiscal year.

***Note 3* Reconciliation of the General Fund Budget Basis to GAAP**

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at December 31, 2017.

***Note 4* Schedule of Changes in the City's Total OPEB Liability and Related Ratios**

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates in each period:

2017 - 3.8%

2016 - 3.4%

CITY OF BINGHAMTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017

Note 5 Schedule of City's Contributions and Proportionate Share of Net Pension Liability
The Schedules of the City's Contributions presents ten years of information as required by U.S. generally accepted accounting principles.

The Schedule of Proportionate Share of Net Pension Liability presents three years of information, and will present ten years of information as it becomes available.

Note 6 Schedules of City's Contributions - NYSLRS Pension Plan and Schedule of the City's Proportionate Share of the Net Pension Liability

NYSLRS:

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2016 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2016 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2016 actuarial valuation determines the employer rates for contributions payable in fiscal year 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary scale	3.8% in ERS, 4.5% in PFRS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

CITY OF BINGHAMTON

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2017

	Special Revenue Funds				Non-Major Governmental Funds
	Parking Ramps Fund	Water Fund	Refuse and Garbage Fund	Sewer Fund	
ASSETS					
Cash and cash equivalents - Unrestricted	\$ 70,279	\$ 698,102	\$	\$ 1,295,784	\$ 2,064,165
Cash and cash equivalents - Restricted		94,051	3,569	130,446	228,066
Due from other funds		150,302	606,901	6,198	763,401
Due from other governments				751,909	751,909
Other receivables, net	2,637	1,887,986	482,039	2,549,430	4,922,092
Inventories		243,479		106,881	350,360
Prepaid expenses	60	210,401	143,812	66,055	420,328
Total Assets	\$ 72,976	\$ 3,284,321	\$ 1,236,321	\$ 4,906,703	\$ 9,500,321
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 57,043	\$ 88,981	\$ 70,006	\$ 27,827	\$ 243,857
Accrued liabilities	14,587	138,185	95,871	34,247	282,890
Due to other funds	381,612			146,823	528,435
Compensated absences		5,403	5,836	3,249	14,488
Other liabilities	10,200		107,364		117,564
Total Liabilities	463,442	232,569	279,077	212,146	1,187,234
Deferred Inflows of Resources					
Unavailable revenues		6,134	502,130	824	509,088
Fund Balances					
Nonspendable	60	453,880	143,812	172,936	770,688
Restricted		94,051	3,569	130,446	228,066
Assigned		2,497,687	307,733	4,390,351	7,195,771
Unassigned	(390,526)				(390,526)
Total Fund Balances (Deficit)	(390,466)	3,045,618	455,114	4,693,733	7,803,999
Total Liabilities and Fund Balances	\$ 72,976	\$ 3,284,321	\$ 1,236,321	\$ 4,906,703	\$ 9,500,321

See Independent Auditor's Report

CITY OF BINGHAMTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue Funds				Total Non-Major Governmental Funds
	Parking Ramps Fund	Water Fund	Refuse and Garbage Fund	Sewer Fund	
REVENUES					
Departmental income	\$ 1,039,372	\$ 6,683,263	\$ 852,135	\$ 8,394,147	\$ 16,968,917
Intergovernmental charges				878,702	878,702
Use of money and property	64	56,312		549	56,925
Sale of property and other compensation for loss	8,375	7,529	132,912		148,816
Miscellaneous local sources	25,330	257,854		801,748	1,084,932
Total Revenues	<u>1,073,141</u>	<u>7,004,958</u>	<u>985,047</u>	<u>10,075,146</u>	<u>19,138,292</u>
EXPENDITURES					
Current					
General governmental support		47,208	7,150	68,191	122,549
Transportation	586,951				586,951
Home and community services		3,277,903	2,319,874	3,124,718	8,722,495
Employee benefits		1,207,333	1,212,979	417,542	2,837,854
Debt Service					
Principal	366,541	1,733,156	18,000	3,446,371	5,564,068
Interest	111,776	571,775	1,764	2,157,227	2,842,542
Total Expenditures	<u>1,065,268</u>	<u>6,837,375</u>	<u>3,559,767</u>	<u>9,214,049</u>	<u>20,676,459</u>
Excess of Revenues (Expenditures)	<u>7,873</u>	<u>167,583</u>	<u>(2,574,720)</u>	<u>861,097</u>	<u>(1,538,167)</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers in			2,598,000		2,598,000
Interfund transfers (out)	(5,000)	(313,000)	(2,000)	(185,000)	(505,000)
Total Other Financing (Uses) Sources	<u>(5,000)</u>	<u>(313,000)</u>	<u>2,596,000</u>	<u>(185,000)</u>	<u>2,093,000</u>
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	<u>2,873</u>	<u>(145,417)</u>	<u>21,280</u>	<u>676,097</u>	<u>554,833</u>
Fund Balances (Deficit), Beginning	(393,339)	3,191,035	433,834	4,017,636	7,249,166
Fund Balances (Deficit), Ending	<u>\$ (390,466)</u>	<u>\$ 3,045,618</u>	<u>\$ 455,114</u>	<u>\$ 4,693,733</u>	<u>\$ 7,803,999</u>

See Independent Auditor's Report

**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***

City Council
City of Binghamton
Binghamton, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Binghamton (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Binghamton’s basic financial statements, and have issued our report thereon dated September 14, 2018.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 14, 2018

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

City Council
City of Binghamton
Binghamton, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Binghamton (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended December 31, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’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 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.

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 each of its major federal programs for the year ended December 31, 2017.

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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 14, 2018

CITY OF BINGHAMTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Expenditures to Subrecipients	Expenditures
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	N/A	\$ 407,706	\$ 1,709,360
Community Development Block Grant - Section 108 Loan	14.218	N/A		178,760
Total Community Development Block Grant and CDBG Entitlement Grants Cluster			407,706	1,888,120
Home Investment Partnerships Program	14.239	N/A		405,752
Emergency Solutions Grants Program	14.231	N/A	231,924	231,924
Total U.S. Department of Housing and Urban Development			<u>639,630</u>	<u>2,525,796</u>
U.S. Department of Transportation				
Passed Through NYS Department of Transportation:				
Highway Planning Cluster:				
Highway Planning and Construction	20.205	D035450		50,209
Highway Planning and Construction	20.205	D035014		34,718
Highway Planning and Construction	20.205	D030377		16,077
Highway Planning and Construction	20.205	D032026		492,342
Highway Planning and Construction	20.205	D035470		98,668
Highway Planning and Construction	20.205	D034719		19,853
Highway Planning and Construction	20.205	D034256		1,516,383
Highway Planning and Construction	20.205	D032021		152,984
Total U.S. Department of Transportation and Highway Planning Cluster				<u>2,381,234</u>
U.S. Department of Homeland Security				
Homeland Security Grant	97.067	N/A		86,493
Total U.S. Department of Homeland Security				<u>86,493</u>
U.S. Environmental Protection Agency				
Chesapeake Bay Program	66.466	N/A		87,830
Total U.S. Environmental Protection Agency				<u>87,830</u>
Total Expenditures of Federal Awards			<u>\$ 639,630</u>	<u>\$ 5,081,353</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

CITY OF BINGHAMTON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2017

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the City, an entity as defined in Note 1 to the City's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the basic financial statements.

Note 3 **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The City has not elected to use the 10% de minimis cost rate.

Note 4 **Matching Costs**

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

CITY OF BINGHAMTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x 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 2 CFR 200.516(a)? _____ yes x no

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

20.205 Highway Planning and Construction

14.239 HOME Investment Partnerships Program

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

Auditee qualified as low-risk auditee x yes _____ no

CITY OF BINGHAMTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2017

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None