

CITY OF BINGHAMTON

Binghamton, New York

FINANCIAL REPORT

December 31, 2016



CITY OF BINGHAMTON

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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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended December 31, 2016, the City adopted Government Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures." 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, Schedule of City's Contributions, the Schedule of the City's Proportionate Share of the Net Pension Liability, Budgetary Comparison Schedules, the Schedule of Funding Progress, and related notes on pages 4-4o and 48-54 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 25, 2017 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,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 25, 2017

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016. Please read it in conjunction with the City's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

- The City follows Governmental Accounting Standards Board (GASB) Statement No. 45, which requires the reporting of the liability for other postemployment health benefits. The liability at December 31, 2016 is \$50,048,991, which increased from \$44,332,365 at December 31, 2015. This liability is expected to grow each year as there is no legal mechanism in New York State to fund it. Changes to accounting standards are expected to change the way this liability is reported in 2018.
- 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 \$170,878,429 (net position). Of this amount, \$(12,451,732) is unrestricted (deficit). Liabilities of the City's Business-type Activities exceeded assets by \$(1,614,883).
- The City's expenses were \$9,481,579 less than the \$117,871,822 generated in tax and other revenues for all governmental program activities, primarily due to other postemployment benefits. Expenses of the Business-type Activities were \$5,705 and there were no revenues.
- The General Fund recorded an operating increase of \$1,983,649 in 2016 and had a fund balance of \$19,881,903 at year-end.
- The City's long-term liabilities increased by \$55,651,461. Bond anticipation notes decreased by \$(5,011,254), bonds increased by \$33,338,580, the City's proportionate share of the NYSLRS net pension liability increased by \$22,220,661, and the City's OPEB liability increased by \$5,716,626.

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 hotel activities which 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.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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.

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.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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.

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

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

*Figure 1
Net Position*

	<i>Governmental Activities</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2015</i>	<i>2016</i>	<i>2015-2016</i>	<i>2015-2016</i>
<i>Current assets</i>	\$ 63,049,714	\$ 82,636,831	\$ 19,587,117	31%
<i>Noncurrent assets</i>	(360,507)	22,992,602	23,353,109	6478%
<i>Capital assets, net</i>	327,554,782	309,283,322	(18,271,460)	-6%
<i>Total Assets</i>	390,243,989	414,912,755	24,668,766	6%
<i>Pensions</i>	6,158,339	29,502,293	23,343,954	379%
<i>Total Deferred Outflows of Resources</i>	6,158,339	29,502,293	23,343,954	379%
<i>Current liabilities</i>	76,252,677	70,663,554	(5,589,123)	(7%)
<i>Noncurrent liabilities</i>	139,507,754	198,526,842	59,019,088	42%
<i>Total Liabilities</i>	215,760,431	269,190,396	53,429,965	25%
<i>Pensions</i>	281,889	4,346,223	4,064,334	1442%
<i>Total Deferred Inflows of Resources</i>	281,889	4,346,223	4,064,334	1442%
<i>Net investment in capital assets</i>	206,983,998	174,321,981	(32,662,017)	-16%
<i>Restricted</i>	8,863,700	9,008,180	144,480	2%
<i>Unrestricted</i>	(35,487,690)	(12,451,732)	23,035,958	65%
<i>Total Net Position</i>	\$ 180,360,008	\$ 170,878,429	\$ (9,481,579)	-5%

Current assets consist largely of \$53,703,356 in restricted cash. Noncurrent assets consist of the long-term portion of loans receivable of \$6,368,620, the noncurrent receivable from the Joint Sewage Treatment Plant of \$27,697,269, and the City's equity interest in joint ventures of \$(11,073,287). Current assets increased as a result of increases in cash related to issuance of new debt resulting in an increase in cash with the City's fiscal agent of \$14,801,586, as well as increases in state and federal receivables of \$1,592,953, and amounts due from other governments of \$2,834,610. Noncurrent assets increased as a result of the recording of the Joint Sewage Treatment Plant receivable offset by a significant decline of joint venture equity. Capital assets, net of accumulated depreciation, increased as a result of capital outlay exceeding depreciation. Increases in the state and federal receivable and the due from other governments relate to the Joint Sewer Projects.

Included in current liabilities are bond anticipation notes (BANs) payable of \$46,331,422, and the current portion of long-term liabilities of \$8,746,811 and various payables. Noncurrent liabilities consist of bonds payable of \$117,819,122, compensated absences of \$4,060,323, other postemployment benefits payable of \$50,048,991, lease obligations of \$373,779 and the City's proportionate share of the net pension liability of \$25,639,228. The decrease in current liabilities is primarily due to a decrease in BANs payable balances of \$(5,011,254). Noncurrent liabilities decreased as a result of an increase in debt of \$33,338,580, and an increase of \$22,220,061 in the City's proportionate share of net pension liability.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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. Restricted net position consists of \$360,969 for debt service, \$1,143,591 for retirement contributions and benefits, and \$7,503,620 for economic development activities.

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

Figure 2
Changes in Net Position

Condensed Statement of Net Position	Governmental Activities and Government		Dollar Change	Percent Change
	2015	2016	2015-2016	2015-2016
REVENUES				
<i>Program revenues:</i>				
<i>Charges for services</i>	\$ 19,829,339	\$ 20,537,959	\$ 708,620	4%
<i>Operating grants and contributions</i>	3,474,292	4,529,798	1,055,506	30%
<i>Capital grants</i>	10,616,574	24,701,225	14,084,651	133%
<i>General revenues:</i>				
<i>Real Property taxes</i>	36,987,803	37,405,828	418,025	1%
<i>Nonproperty tax items</i>	11,193,215	11,257,741	64,526	1%
<i>State sources</i>	9,627,394	9,949,384	321,990	3%
<i>Use of money and property</i>	762,183	186,271	(575,912)	-76%
<i>Change in equity interest in joint venture</i>	(5,444,954)	(4,175,918)	1,269,036	23%
<i>Other general revenues</i>	10,500,969	13,479,534	2,978,565	28%
Total Revenues	\$ 97,546,815	\$ 117,871,822	\$ 20,325,007	21%
PROGRAM EXPENSES				
<i>General support</i>	11,718,550	16,360,120	4,641,570	40%
<i>Public safety</i>	38,441,514	41,543,296	3,101,782	8%
<i>Public health</i>	1,000,546	1,022,840	22,294	2%
<i>Transportation</i>	6,190,445	6,087,710	(102,735)	-2%
<i>Economic assistance and opportunity</i>	790,753	634,472	(156,281)	-20%
<i>Culture and recreation</i>	4,894,484	5,027,512	133,028	3%
<i>Home and community services</i>	32,944,393	53,484,268	20,539,875	62%
<i>Interest on debt</i>	3,701,233	3,193,183	(508,050)	-14%
Total Expenses	\$ 99,681,918	\$ 127,353,401	\$ 27,671,483	28%
(DECREASE) INCREASE IN NET POSITION	\$ (2,135,103)	\$ (9,481,579)	\$ (7,346,476)	-344%

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

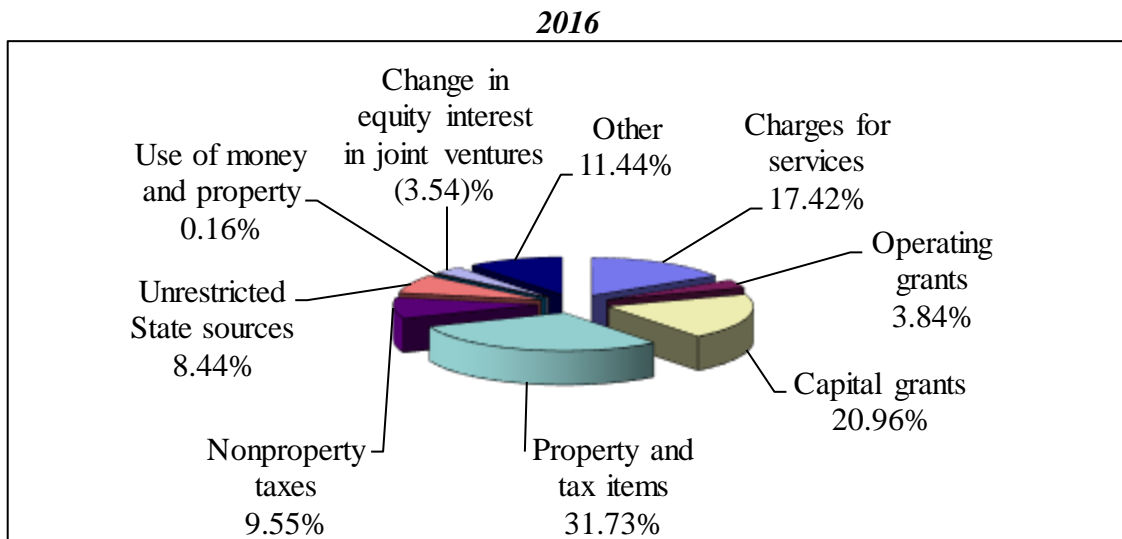
Governmental Activities

Net position of the City's activities decreased primarily due to spending on the Joint Sewage Treatment Plant offset by an increase in Capital Grant revenue. Operating grants increased as a result of increases in CDBG grant revenue. Capital grants increased significantly as a result of reimbursements related to the Joint Sewer Project totaling \$18,327,614, as opposed to \$4,853,599 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 increased just over 1% in 2016. Nonproperty taxes were up less than 1% in 2016, as compared to 2015. Other revenue increased primarily due to payments from the Village of Johnson City on joint venture debt, and reimbursement of prior year expenses for health insurance. 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 capital project expenditures related to the Joint Sewer Project offset by a decrease in interest expense.

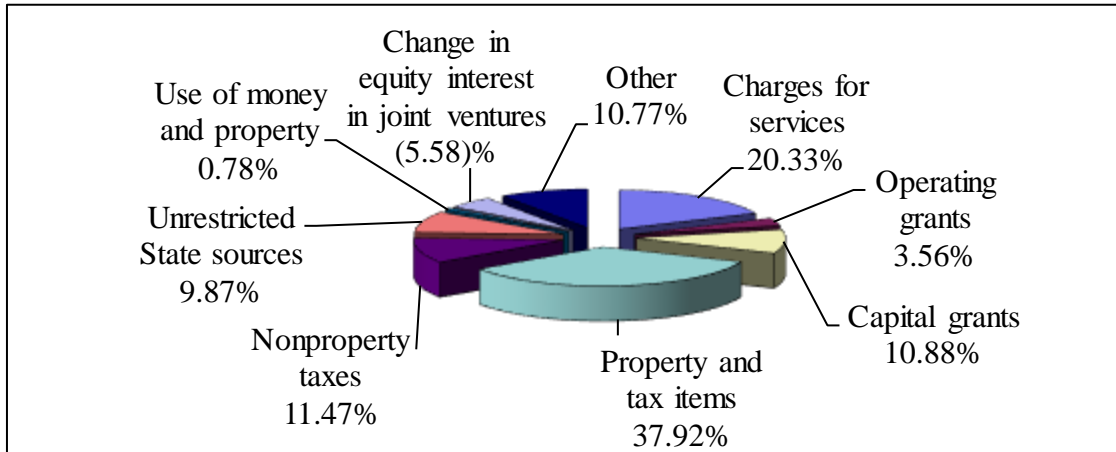
Figure 3
Revenue by Source



CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

2015



The cost of all Governmental Activities in 2016 was \$127,353,401. 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 \$77,584,419, because some of the cost was paid by those who directly benefited from the programs \$(20,537,959) or by other governments and organizations that subsidized certain programs with grants and contributions \$(29,231,023). Overall, City governmental program revenues, including fees for services and grants, were \$49,768,982. The City paid for the remaining “public benefit” portion of Governmental Activities with \$68,102,840 in taxes and other revenues, such as interest and general entitlements.

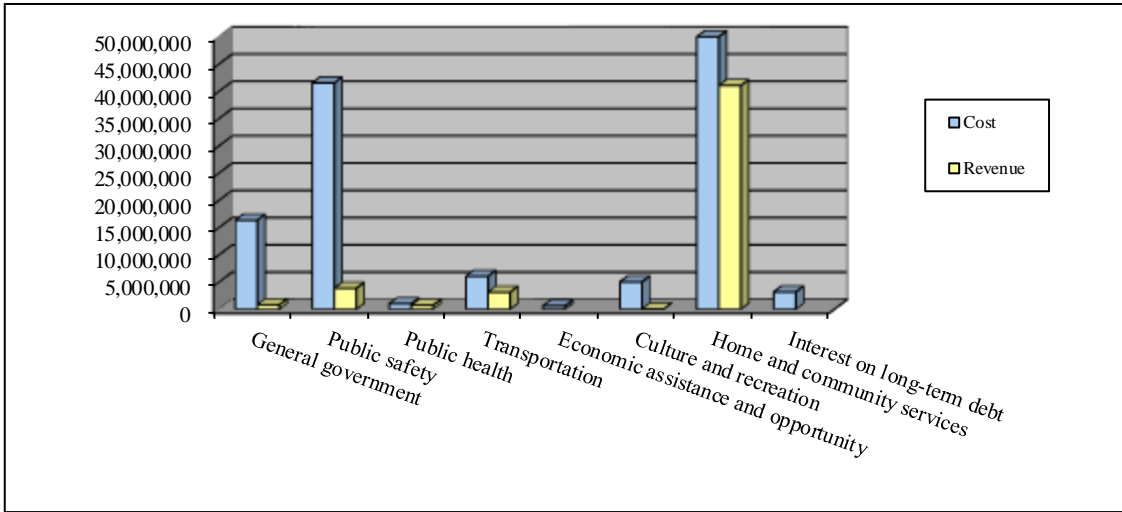
Total cost and revenue comparison of the Governmental Activities for each of the City’s largest programs follows. Note that the City’s home and community service activities which provide water and sewer services include debt service costs in their fee structures. Because debt service costs are not expenses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

CITY OF BINGHAMTON

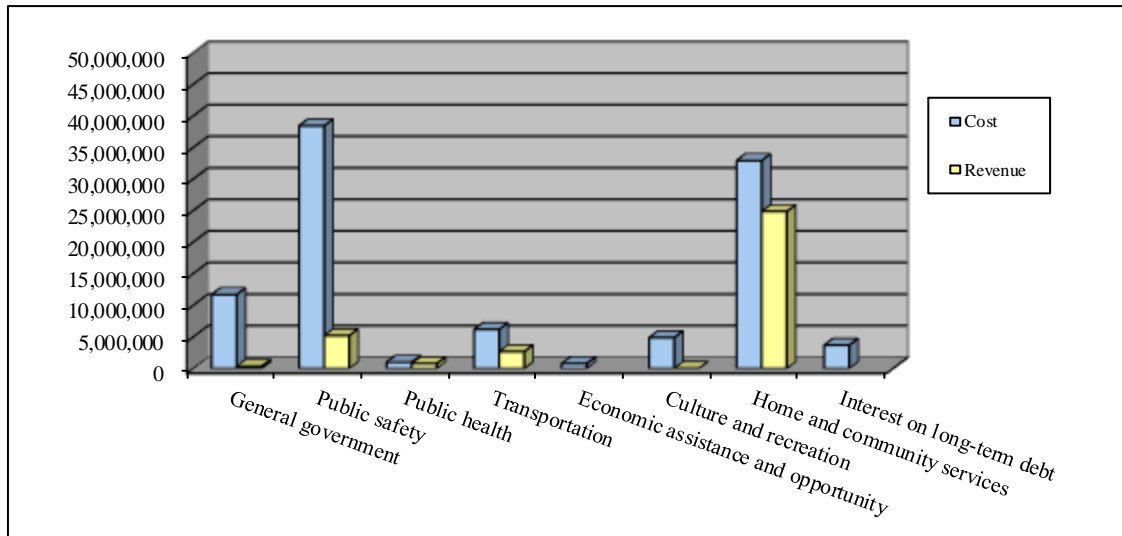
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

Figure 4
Program Cost and Revenue Comparison
Governmental Activities

2016



2015



CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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 Change</i>	<i>Perecent Change</i>
	<i>2015</i>	<i>2016</i>	<i>2015-2016</i>	<i>2015-2016</i>
<i>Current assets</i>	\$ -	\$ -	\$ -	0%
<i>Total Assets</i>	-	-	-	0%
<i>Current liabilities</i>	1,092,303	1,269,008	176,705	16%
<i>Noncurrent liabilities</i>	516,875	345,875	(171,000)	-33%
<i>Total Liabilities</i>	1,609,178	1,614,883	5,705	0%
<i>Unrestricted</i>	(1,609,178)	(1,614,883)	(5,705)	0%
<i>Total Net (Deficit)</i>	\$ (1,609,178)	\$ (1,614,883)	\$ (5,705)	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 of \$19,393,454, an increase from last year's (deficit) of \$(5,221,337). The General Fund showed a \$1,983,649 increase in fund balance, and ended the year with an overall fund balance of \$19,881,903. The Sewer Fund reported an increase of \$3,662,701; primarily due to capital recovery of funds related to projects funded at the Joint Sewage Treatment Plant but not recorded. These projects were incorporated into the larger project being constructed today.

The Capital Projects Fund experienced an \$18,149,011 increase in fund balance; 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, 2016

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	2015	2016	Dollar Change 2015-2016	Percent Change 2015-2016
<i>General Fund</i>	\$ 17,898,254	\$ 19,881,903	\$ 1,983,649	11%
<i>Sewer Fund</i>	354,935	4,017,636	3,662,701	1,032%
<i>Special Grant Fund</i>	95,309	430,037	334,728	351%
<i>Capital Projects Fund</i>	(26,316,663)	(8,167,652)	18,149,011	69%
<i>Non-Major Funds:</i>				
<i>Refuse and Garbage Fund</i>	383,516	433,834	50,318	13%
<i>Water Fund</i>	2,848,883	3,191,035	342,152	12%
<i>Parking Ramp Fund</i>	(485,571)	(393,339)	92,232	19%
Total Governmental Funds	\$ (5,221,337)	\$ 19,393,454	\$ 24,614,791	471%

The General Fund increase was mainly the result of a decrease in transfers to other funds and an increase in state aid. The Special Grant Fund increased due to additional Community Development Block Grant revenue. Capital Projects Fund increased due to short term financing being converted to long term. The Water Fund increased primarily due to decreases in home and community service and employee benefit expenditures. 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 below the final budgeted amount by \$123,377. The actual charges to appropriations (expenditures and encumbrances) were below the final budget amounts by \$1,922,274. Refer to page 49 for detailed information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2016, the City had \$309,283,322, net of accumulated depreciation of \$263,676,488, 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 \$18,271,460 over 2015.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

*Figure 7
Capital Assets, Net of Depreciation*

<i>Capital Assets</i>	<i>Governmental Activities</i>		<i>Dollar Change 2015-2016</i>	<i>Percent Change 2015-2016</i>
	<i>2015</i>	<i>2016</i>		
<i>Land</i>	\$ 4,279,869	\$ 4,279,869	\$ -	0%
<i>Construction in progress</i>	29,840,861	15,256,471	(14,584,390)	-49%
<i>Buildings, net</i>	13,245,317	12,825,999	(419,318)	-3%
<i>Equipment, net</i>	10,505,634	7,631,411	(2,874,223)	-27%
<i>Infrastructure, net</i>	269,683,101	269,289,572	(393,529)	0%
<i>Total</i>	\$ 327,554,782	\$ 309,283,322	\$ (18,271,460)	-6%

Debt and Long-Term Liabilities

Debt (bonds, BANs, and lease obligations payable), considered a liability of Governmental Activities, increased overall by \$55,651,461. BANs decreased by \$(5,011,254), and compensated absences increased by \$185,860 while the liability for other postemployment benefits increased \$5,716,626, bringing total debt and long-term liabilities to \$253,019,676 as of December 31, 2016, as shown in Figure 8. Of the amount of bonds and BANs outstanding, \$54,984,881 is subject to the constitutional debt limit and represented 66% 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 2015-2016</i>	<i>Percent Change 2015-2016</i>
	<i>2015</i>	<i>2016</i>		
<i>Bond anticipation notes</i>	\$ 51,342,676	\$ 46,331,422	\$ (5,011,254)	-10%
<i>Serial bonds</i>	92,401,256	125,739,836	33,338,580	36%
<i>Installment purchase debt</i>	1,852,865	1,053,853	(799,012)	-43%
<i>Compensated absences</i>	4,020,486	4,206,346	185,860	5%
<i>Other postemployment benefits</i>	44,332,365	50,048,991	5,716,626	13%
<i>Net pension liability - Proportionate share</i>	3,418,567	25,639,228	22,220,661	650%
<i>Total</i>	\$ 197,368,215	\$ 253,019,676	\$ 55,651,461	28%

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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 Bank.

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.

Binghamton University ("University") and SUNY Broome have completed construction of the Southern Tier High Technology Incubator in downtown Binghamton. The \$22 million project is expected to generate construction jobs followed by new businesses related to research and development being carried out at the University. The new incubator project is a welcome addition for the region, which currently has fundamental research being carried out at the University, job training initiatives, SUNY Broome initiatives and great manufacturing facilities. The incubator will also include wrap-around services including financial, legal, and regulatory resources designed to help developing companies succeed. With such support, new firms increase their likelihood of success. Rather than two or three of ten firms succeeding beyond three years; with the support available through an incubator, the success rate typically jumps to eight of ten thriving. The University has announced it expects to help create more than 900 jobs within the next nine years.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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 in downtown 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 renewed optimism and economic vitality to the City's downtown. The projects resulted in millions of dollars being invested into the downtown core, and bringing 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.

The trend of converting commercial buildings into urban homes and lofts has gained momentum which quickly spread to multiple areas downtown. In addition to loft living, 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.

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. With the help of a BLDC loan of \$200,000, Mountain Fresh Dairy has revived the Crowley Dairy plant on Conklin Avenue and expects to create approximately 90 jobs. As of January 1, 2017, said facility is operational. 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, 2016

Loan programs of the BLDC have encumbered \$796,500 in loans over the last two years resulting in additional private investment. 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 also 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, as well as ancillary businesses and established 15 new jobs. In 2016, I3, a high Tech Electronic Manufacturer moved part of its operation to Binghamton bringing high paying jobs into the downtown area.

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 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 towards a \$15.0 million mixed use market rate housing project at 50 Front Street and a \$500,000 grant has been awarded for construction of a mixed use building at 70-72 State Street. The BLDC has loaned \$350,000 to FDG Housing, LLC for an ultra-modern rehabilitation of a largely vacant building at 73 Court Street; this in addition to a \$245,000 CFA grant for energy efficiency.

The City government continues to improve its infrastructure by investing in roads, bridges, gateways, water, and sewer projects over the past few years. 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 multiple of local roadway and bridge projects. In 2016 the City completed its \$4 million multi-year project of changing the street lighting to LED's, which has this far shown a reduction in electric usage of more than 50%.

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 which is visible as one enters the City from Front Street.

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, 2016

Over the last three years, the City has also 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. The loan is completely forgiven after 5 years.

Recent Budget Results

The City budgeted a 1.83% increase in the property tax levy for Fiscal Year ending 2012, complying with the statutory tax cap without requiring appropriation of General Fund reserves.

The City budgeted a 3.3% increase in the property tax levy for Fiscal Year ending 2013, complying with the statutory tax cap; though an appropriation of \$500,000 in fund balance from the General Fund was used.

The City budgeted a 0.96% increase in the property tax levy for Fiscal Year ending 2014, complying with the statutory tax cap without requiring appropriation of General Fund reserves.

The City budgeted a 0.48% increase in the property tax levy for Fiscal Year ending 2015, complying with the statutory tax cap though an appropriation of \$1,506,013 General Fund reserves.

The City Council and Mayor adopted and approved the 2016 budget which included a decrease in residential tax rate by 0.48%, thus complying with the statutory tax cap; however, an appropriation of \$486,928 of General Fund reserves was used to pay the cost of certain capital projects funded through the operating budget.

The City Council and Mayor adopted and approved the 2017 budget which includes a decrease in residential tax rate by 0.23%, thus complying with the statutory tax cap; however, an appropriation of \$424,000 of General Fund reserves are being used to pay the cost of certain capital projects funded as part of the operating budget.

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 and the Thomas J. Watson School of Engineering & Applied Sciences. Binghamton University had an enrollment of 13,632 undergraduates and 3,660 graduate students for the 2015 fall semester.

The University is nationally recognized as a world-class institution, and offers students a broad, interdisciplinary education with an international perspective and the reputation of being one of the most elite research institutions in the nation. For 16 straight years, U.S. News & World Report has ranked Binghamton as one of the nation's top 50 public universities, and it has been rated a best buy, one of the premier public universities in the Northeast, and "with a four-year graduation rate that is among the highest of any public university, Binghamton has a reputation for an excellence education at a reasonable price," by Fiske Guide to Colleges, 2014.

CITY OF BINGHAMTON

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

Broome County Community College, recently 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.

SUNY Broome had an enrollment of 4,278 full-time and 2,973 part-time students for the fall 2015 semester. The college offers 54 degree programs and various certificate programs designed to prepare graduates for immediate employment or transfer to four-year colleges and universities.

The expansion of Binghamton University and SUNY Broome has led to increased demand for off-campus student housing; a total of 367 units with 1,445 beds are planned. A \$17.5 million waterfront housing project, (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, 2016

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 11,771,092	\$	\$ 11,771,092	\$ 2,306,157
Restricted cash and cash equivalents	53,703,356		53,703,356	
Due from state and federal governments	3,080,496		3,080,496	
Due from other governments	4,425,892		4,425,892	
Other receivables, net	6,530,007		6,530,007	
Loans receivable, short-term portion	704,962		704,962	349,516
Inventories	327,532		327,532	
Prepaid expenses	2,093,494		2,093,494	
Total Current Assets	82,636,831		82,636,831	2,655,673
Noncurrent Assets				
Noncurrent receivable	27,697,269		27,697,269	
Restricted investments			-	136,954
Loans receivable, long-term portion	6,368,620		6,368,620	876,832
Equity interest in joint ventures	(11,073,287)		(11,073,287)	
Capital Assets:				
Land and construction in progress	19,536,340		19,536,340	439,432
Depreciable capital assets, net	289,746,982		289,746,982	
Total Noncurrent Assets	332,275,924	-	332,275,924	1,453,218
Total Assets	414,912,755		414,912,755	4,108,891
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	29,502,293		29,502,293	
LIABILITIES				
Current Liabilities				
Accounts payable	8,514,275		8,514,275	49,387
Accrued liabilities	6,201,147		6,201,147	
Due to fiduciary funds		1,098,008	1,098,008	
Bond anticipation notes payable	46,331,422		46,331,422	
Accrued interest payable	751,813		751,813	
Other	118,086		118,086	
Current Portion of Long-term Liabilities				
Bonds payable	7,920,714	171,000	8,091,714	
Lease obligations payable	680,074		680,074	
Compensated absences	146,023		146,023	
Total Current Liabilities	70,663,554	1,269,008	71,932,562	49,387
Noncurrent Liabilities				
Bonds payable	117,819,122	345,875	118,164,997	
Lease obligations payable	373,779		373,779	
Other postemployment benefits payable	50,048,991		50,048,991	
Compensated absences	4,060,323		4,060,323	
Retainage payable	585,399		585,399	
Net pension liability - proportionate share	25,639,228		25,639,228	
Total Noncurrent Liabilities	198,526,842	345,875	198,872,717	-
Total Liabilities	269,190,396	1,614,883	270,805,279	49,387
DEFERRED INFLOWS OF RESOURCES				
Pensions	4,346,223		4,346,223	

See Independent Auditor's Report and Notes to Financial Statements

	<u>Primary Government</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
NET POSITION				
Net investment in capital assets	174,321,981		174,321,981	439,432
Restricted	9,008,180		9,008,180	3,592,800
Unrestricted (Deficit)	(12,451,732)	(1,614,883)	(14,066,615)	27,272
Total Net Position (Deficit)	\$ 170,878,429	\$ (1,614,883)	\$ 169,263,546	\$ 4,059,504

CITY OF BINGHAMTON

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General governmental support	\$ 16,360,120	\$ 245,493	\$ 606,952	\$ -
Public safety	41,543,296	1,024,151	785,607	2,053,170
Public health	1,022,840	767,504		
Transportation	6,087,710	1,214,865		1,929,657
Economic assistance and opportunity	634,472			
Culture and recreation	5,027,512	25,739	37,698	
Home and community services	53,484,268	17,260,207	3,099,541	20,718,398
Interest on debt	3,193,183			
Total Governmental Activities	127,353,401	20,537,959	4,529,798	24,701,225
Business-type Activities				
Proprietary funds	5,705			
Total Primary Government	\$ 127,359,106	\$ 20,537,959	\$ 4,529,798	\$ 24,701,225
Component Units				
Binghamton Local Development Corp.	\$ 293,624	\$ 125,645	222,910	\$ -
Binghamton Urban Renewal Agency	\$ 60,679	\$ 24,200	36,584	\$ -

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
\$ (15,507,675)	\$ _____	\$ (15,507,675)	\$ _____
(37,680,368)	_____	(37,680,368)	_____
(255,336)	_____	(255,336)	_____
(2,943,188)	_____	(2,943,188)	_____
(634,472)	_____	(634,472)	_____
(4,964,075)	_____	(4,964,075)	_____
(12,406,122)	_____	(12,406,122)	_____
(3,193,183)	_____	(3,193,183)	_____
(77,584,419)	-	(77,584,419)	-
_____	(5,705)	(5,705)	_____
(77,584,419)	(5,705)	(77,590,124)	_____
_____	_____	_____	54,931
_____	_____	_____	105
36,678,283	_____	36,678,283	_____
727,545	_____	727,545	_____
11,257,741	_____	11,257,741	_____
186,271	_____	186,271	_____
2,505,409	_____	2,505,409	_____
10,974,125	_____	10,974,125	18,075
9,949,384	_____	9,949,384	_____
(4,175,918)	_____	(4,175,918)	_____
68,102,840	-	68,102,840	18,075
(9,481,579)	(5,705)	(9,487,284)	73,111
180,360,008	(1,609,178)	178,750,830	3,986,393
\$ 170,878,429	\$ (1,614,883)	\$ 169,263,546	\$ 4,059,504

CITY OF BINGHAMTON

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2016

	Major Funds		
	General Fund	Special Grant Fund	Special Revenue Funds Sewer Fund
ASSETS			
Cash and cash equivalents - Unrestricted	\$ 7,800,267	\$ 5,418	\$ 7,768
Cash and cash equivalents - Restricted	12,521,204	430,037	80,000
Due from other funds	38,670		1,236,018
Due from state and federal governments	509,398	230,822	
Due from other governments	2,628,327		181,796
Other receivables, net	973,276		2,438,464
Inventory	10,000		99,266
Prepaid expenses	1,586,263		140,322
Cash with fiscal agent			
Loans receivable, net		7,073,582	
Total Assets	\$ 26,067,405	\$ 7,739,859	\$ 4,183,634
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,671,448	\$ 166,962	\$ 31,039
Accrued liabilities	1,908,130	69,277	35,633
Due to other funds	2,413,344		96,538
Bond anticipation notes payable			
Compensated absences	126,399		2,788
Other liabilities			
Total Liabilities	6,119,321	236,239	165,998
Deferred Inflows of Resources			
Unavailable revenue	66,181	7,073,583	
Fund Balances			
Nonspendable	1,596,263		239,588
Restricted	1,423,470	430,037	80,000
Assigned	1,334,046		3,698,048
Unassigned	15,528,124		
Total Fund Balances (Deficit)	19,881,903	430,037	4,017,636
Total Liabilities and Fund Balances	\$ 26,067,405	\$ 7,739,859	\$ 4,183,634

See Independent Auditor's Report and Notes to Financial Statements

Major Funds Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
\$ 3,763,852	\$ 193,787	\$ 11,771,092
23,302,184	1,090	36,334,515
	1,677,602	2,952,290
2,340,276		3,080,496
1,615,769		4,425,892
	2,220,524	5,632,264
	218,266	327,532
	298,999	2,025,584
14,861,586		14,861,586
		7,073,582
\$ 45,883,667	\$ 4,610,268	\$ 88,484,833

\$ 6,361,260	\$ 214,219	\$ 8,444,928
1,350,262	192,027	3,555,329
8,375	434,033	2,952,290
46,331,422		46,331,422
	16,836	146,023
	118,086	118,086
54,051,319	975,201	61,548,078
	403,537	7,543,301
	517,265	2,353,116
	1,090	1,934,597
	3,106,514	8,138,608
(8,167,652)	(393,339)	6,967,133
(8,167,652)	3,231,530	19,393,454
\$ 45,883,667	\$ 4,610,268	\$ 88,484,833

CITY OF BINGHAMTON

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION DECEMBER 31, 2016

Total Governmental Fund Balances		\$ 19,393,454
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	\$ 572,959,810	
Accumulated depreciation	<u>(263,676,488)</u>	309,283,322
The City's proportion of the collective net pension liability is not reported in the funds.		
ERS net pension liability - Proportionate share	\$ (7,645,586)	
PFRS net pension liability - Proportionate share	<u>(17,993,642)</u>	(25,639,228)
Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources. These are the investments in the City's joint ventures.		
		(11,073,287)
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.		
		27,697,269
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		7,543,301
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.		
		757,743
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	\$ (751,813)	
Other postemployment benefits payable	(50,048,991)	
Retainage payable	(585,399)	
Compensated absences	<u>(4,060,323)</u>	(55,446,526)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		
		(125,739,836)
Lease obligations payable are not due and payable in the current period and, therefore, are not reported in the funds.		
		(1,053,853)
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.		
ERS deferred outflows - Pensions	\$ 8,016,117	
ERS deferred inflows - Pensions	(1,064,067)	
PFRS deferred outflows - Pensions	21,486,176	
PFRS deferred inflows - Pensions	<u>(3,282,156)</u>	<u>25,156,070</u>
Net Position of Governmental Activities		<u>\$ 170,878,429</u>

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, 2016

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Grant Fund	Sewer Fund
REVENUES			
Real property taxes	\$ 36,678,283	\$	\$
Real property tax items	727,545		
Nonproperty tax items	11,257,741		
Departmental income	1,505,204	18,459	8,304,575
Intergovernmental charges	600,910	61,783	579,157
Use of money and property	114,477		100
Licenses and permits	268,903		
Fines and forfeitures	603,087		
Sale of property and compensation for loss	288,433		
Miscellaneous local sources	222,575	4,000	3,417,964
Interfund revenues	1,555,180		
State sources	10,280,479		
Federal sources	560,734	3,037,758	
Total Revenues	64,663,551	3,122,000	12,301,796
EXPENDITURES			
Current:			
General governmental support	6,562,759		64,402
Public safety	22,108,300		
Public health	43,793		
Transportation	1,877,861		
Economic assistance and opportunity	272,850		
Culture and recreation	2,901,921		
Home and community services	1,989,249	2,787,272	4,178,968
Employee benefits	17,660,971		460,549
Debt Service:			
Principal	4,047,031		2,158,014
Interest	1,622,321		1,657,162
Capital outlay			
Total Expenditures	59,087,056	2,787,272	8,519,095
Excess of Revenues (Expenditures)	5,576,495	334,728	3,782,701
OTHER FINANCING SOURCES (USES)			
Interfund transfers in			
Interfund transfers (out)	(3,592,846)		(120,000)
BANs redeemed from appropriations			
Proceeds of obligations			
Total Other Financing (Uses) Sources	(3,592,846)	-	(120,000)
Net Changes in Fund Balances	1,983,649	334,728	3,662,701
Fund Balances, Beginning	17,898,254	95,309	354,935
Fund Balances, Ending	\$ 19,881,903	\$ 430,037	\$ 4,017,636

See Independent Auditor's Report and Notes to Financial Statements

<u>Major Funds</u>		
<u>Capital Projects</u>	<u>Non-Major</u>	<u>Total</u>
<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Funds</u>	<u>Funds</u>
\$ _____	\$ _____	\$ 36,678,283
_____	_____	727,545
_____	_____	11,257,741
_____	8,631,444	18,459,682
18,327,614	_____	19,569,464
9,444	62,250	186,271
_____	_____	268,903
_____	_____	603,087
2,400,805	78,903	2,768,141
1,735,823	161,122	5,541,484
_____	_____	1,555,180
4,519,863	_____	14,800,342
2,316,519	_____	5,915,011
_____	_____	_____
29,310,068	8,933,719	118,331,134
_____	_____	_____
_____	50,779	6,677,940
_____	_____	22,108,300
_____	_____	43,793
_____	547,517	2,425,378
_____	_____	272,850
_____	_____	2,901,921
_____	5,277,667	14,233,156
_____	2,286,945	20,408,465
_____	_____	_____
_____	1,746,698	7,951,743
_____	706,772	3,986,255
53,197,853	_____	53,197,853
_____	_____	_____
53,197,853	10,616,378	134,207,654
(23,887,785)	(1,682,659)	(15,876,520)
_____	_____	_____
1,545,485	2,440,361	3,985,846
_____	(273,000)	(3,985,846)
986,475	_____	986,475
39,504,836	_____	39,504,836
_____	_____	_____
42,036,796	2,167,361	40,491,311
_____	_____	_____
18,149,011	484,702	24,614,791
_____	_____	_____
(26,316,663)	2,746,828	(5,221,337)
<u>\$ (8,167,652)</u>	<u>\$ 3,231,530</u>	<u>\$ 19,393,454</u>

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, 2016

Net Change in Fund Balances - Total Governmental Funds **\$ 24,614,791**

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	\$ 10,634,529	
Depreciation expense	(15,594,542)	
Net book value of disposed assets	<u>(262,732)</u>	(5,222,745)

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. (200,921)

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. (4,175,918)

Funds provided to the Joint Sewer Treatment Plant for construction in 2016 are not considered capital outlay above, but are reflected in total debt obligations. This is the amount provided in 2016. 14,648,554

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.

Proceeds of debt	\$ (39,504,836)	
BANs redeemed	(986,475)	
Principal payments	<u>7,951,743</u>	(32,539,568)

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	\$ 793,072	
Change in noncurrent compensated absences	(168,126)	
Change in retainage payable	(9,658)	
Change in other postemployment benefits payable	<u>(5,716,626)</u>	(5,101,338)

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. 1,436,607

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	\$ (895,300)	
PFRS	<u>(2,045,741)</u>	<u>(2,941,041)</u>

Change in Net Position of Governmental Activities **\$ (9,481,579)**

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON

STATEMENT OF NET POSITION PROPRIETARY FUNDS DECEMBER 31, 2016

	<u>Business-Type Activities Enterprise Fund</u>	<u>Governmental Activities Internal Service Fund</u>
ASSETS		
Current Assets		
Cash and cash equivalents - Restricted	\$ _____	\$ 2,507,255
Prepaid expenses	_____	67,910
Due from governmental funds	_____	897,743
Total Assets	<u> -</u>	<u>3,472,908</u>
LIABILITIES		
Current Liabilities		
Accounts payable	_____	69,347
Accrued liabilities	_____	2,645,818
Due to fiduciary funds	1,098,008	_____
Loans payable, current	171,000	_____
Total Current Liabilities	<u>1,269,008</u>	<u>2,715,165</u>
Noncurrent Liabilities		
Loans payable, long-term portion	345,875	_____
Total Liabilities	<u>1,614,883</u>	<u>2,715,165</u>
NET POSITION		
Unrestricted (Deficit)	(1,614,883)	757,743
Total Net (Deficit) Position	<u>\$ (1,614,883)</u>	<u>\$ 757,743</u>

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, 2016

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Interfund transfers	\$	\$ 2,762,417
Other operating revenues		1,134,926
Total Operating Revenues	-	3,897,343
OPERATING EXPENSES		
Salaries and benefits		52,098
Contractual services		432,429
Workers compensation claims		1,981,236
Total Operating Expenses	-	2,465,763
Income from Operations	-	1,431,580
NONOPERATING (EXPENSES) REVENUES		
Interest income		5,027
Interest expense	(5,705)	
Total Nonoperating (Expenses)	(5,705)	5,027
Change in Net Position	(5,705)	1,436,607
Total Net (Deficit), Beginning	(1,609,178)	(678,864)
Total Net (Deficit) Position, Ending	\$ (1,614,883)	\$ 757,743

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, 2016

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities		
Cash received from other funds	\$	\$ 1,864,674
Cash payments - Employees		(52,098)
Cash payments - Suppliers		(423,175)
Cash payments - Judgments and claims		(2,667,319)
Refund of prior year expenditures		1,134,926
Net Cash Provided by Operating Activities	-	(142,992)
Cash Flows from Non-capital Financing Activities		
Interfund transfer	176,705	
Net Cash Provided by Non-Capital Financing Activities	176,705	-
Cash Flows from Capital and Related Financing Activities		
Bond payments	(171,000)	
Interest expense	(5,705)	
Net Cash (Used) by Capital and Related Financing Activities	(176,705)	-
Cash Flows from Investing Activities		
Interest income received		5,027
Net Cash Provided by Investing Activities	-	5,027
NET CHANGE IN CASH EQUIVALENTS	-	(137,965)
Cash and Cash Equivalents, January 1, 2016	-	2,645,220
Cash and Cash Equivalents, December 31, 2016	\$ -	\$ 2,507,255
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$	\$ 1,431,580
Decrease in prepaid expenses		9,254
(Increase) in due from governmental activities		(897,743)
Increase in accounts payable		57,225
(Decrease) in accrued liabilities		(743,308)
Net Cash Provided by Operating Activities	\$ -	\$ (142,992)

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND DECEMBER 31, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents - Unrestricted	\$ 1,539,321
Due from proprietary funds	<u>1,098,008</u>
Total Assets	\$ <u>2,637,329</u>
 LIABILITIES	
Agency liabilities	\$ <u>2,637,329</u>
Total Liabilities	\$ <u>2,637,329</u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***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, 2016

***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 the 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, 2015.

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, 2016

***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 are 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, 2016

***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.
- Capital Projects Fund - Accounts for financial resources to be used for the acquisition, construction, or renovation of major capital facilities or equipment.
- Special Revenue Funds
 - 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.
 - Special Grant Fund - Accounts for Community Development Block Grant activities and other federal revenue sources.

The City reports the following Non-Major Funds:

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

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***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, 2016

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

Basis of Accounting/Measurement Focus - 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 in the Statement of Net Position, as described in Note 6.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***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 receivable that remain uncollected collected after 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 in the Statement of Net Position, as described in Note 6.

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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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.

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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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.

Other Postretirement Benefits

In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with employment contracts. 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 and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The City recognizes the cost of providing benefits in accordance with GASB Statement No. 45, as discussed in Note 9.

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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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."

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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

Equity Classification - Governmental Fund Financial Statements - Continued

- 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.

Future Changes in Accounting Standards

- GASB has issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68," effective for the year ending December 31, 2017.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

Future Changes in Accounting Standards - Continued

- GASB has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” effective for the year ending December 31, 2018. 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.”
- GASB has issued Statement No. 80, “Blending Requirements for Certain Component Units - an amendments of GASB Statement No. 14,” effective for the year ending December 31, 2017.
- GASB has issued Statement No. 81, “Irrevocable Split-Interest Agreements,” effective for the year ending December 31, 2017.
- GASB has issued Statement No. 82, “Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73,” effective for the year ending December 31, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB 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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2 **Stewardship, Compliance, Accountability**

Deficit Fund Balances

The Capital Projects Fund had a deficit fund balance of \$(8,167,652), 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 \$(393,339), due to current and 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 \$(1,614,883), 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.

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, 2016, per the banks, were \$67,275,641, which were insured, and collateral, where required, was held by the City's agent in the City's name.

Restricted cash at December 31, 2016 is as follows:

Unspent debt proceeds	\$ 34,399,918
General fund	1,423,470
Special grant fund	430,037
Sewer funds	80,000
Water fund	1,090
Cash with fiscal agent	14,861,586
Subtotal	<u>51,196,101</u>
Internal service fund	<u>2,507,255</u>
Total	<u><u>\$ 53,703,356</u></u>

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 4 Other Receivables

Other receivables at December 31, 2016 are as follows:

Major Funds

General Fund:

MBBA tax liens	\$ 956,894
Franchise fees	147,841
Health insurance	63,140
Due from fiduciary	491,901
Other	270,394
Total General Fund	\$ 1,930,170

Allowance for doubtful accounts (956,894)

Total General Fund 973,276

Special Revenue Funds

Sewer Fund - Sewer rents receivable	2,553,244
Allowance for doubtful accounts	(114,780)
Total Special Revenue Funds	2,438,464

Non-Major Funds

Special Revenue Funds:

Parking Ramps Fund - Accounts receivable	514
Water Fund - Water rents receivable	1,967,903
Allowance for doubtful accounts	(120,991)
Refuse and Garbage Fund - Fees	505,473
Allowance for doubtful accounts	(132,375)

Total Non-Major Funds 2,220,524

Proprietary Funds

Internal Service Fund - Due from governmental funds 897,743

Total Proprietary Funds 897,743

Total Other Receivables - Governmental Activities \$ **6,530,007**

In addition to the above, the City has recorded a noncurrent receivable of \$27,687,629, 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 2016, payments from the County to the City aggregated \$10,369,368.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 5 Net Capital Assets

A summary of changes in capital assets at December 31, 2016 follows:

<u>Governmental Activities</u>	<u>Balance at 12/31/15</u>	<u>Additions</u>	<u>Deletions and Reclassification</u>	<u>Balance at 12/31/16</u>
Non-depreciable Capital Assets:				
Land	\$ 4,279,869	\$	\$	\$ 4,279,869
Construction in progress - City	16,792,146	7,333,190	(8,868,865)	15,256,471
Construction in progress - Joint Sewer	13,048,715		(13,048,715)	-
Total Non-depreciable Capital Assets	<u>34,120,730</u>	<u>7,333,190</u>	<u>(21,917,580)</u>	<u>19,536,340</u>
Depreciable Capital Assets:				
Buildings and improvements	36,157,153	389,043	(2,012,556)	34,533,640
Machinery and equipment	24,426,487	608,850	(3,183,429)	21,851,908
Infrastructure - City	464,744,374	11,172,311	3,026,388	478,943,073
Infrastructure - Joint Sewer	18,094,849			18,094,849
Total Depreciable Capital Assets	<u>543,422,863</u>	<u>12,170,204</u>	<u>(2,169,597)</u>	<u>553,423,470</u>
Total Historical Cost	<u>577,543,593</u>	<u>19,503,394</u>	<u>(24,087,177)</u>	<u>572,959,810</u>
Less Accumulated Depreciation:				
Buildings and improvements	(22,911,836)	(545,629)	1,749,824	(21,707,641)
Machinery and equipment	(13,920,853)	(2,783,709)	2,484,065	(14,220,497)
Infrastructure - City	(197,565,640)	(11,903,307)	(2,327,024)	(211,795,971)
Infrastructure - Joint sewer	(15,590,482)	(361,897)		(15,952,379)
Total Accumulated Depreciation	<u>(249,988,811)</u>	<u>(15,594,542)</u>	<u>1,906,865</u>	<u>(263,676,488)</u>
Governmental Activities Capital Assets, Net	\$ <u>327,554,782</u>	\$ <u>3,908,852</u>	\$ <u>(22,180,312)</u>	\$ <u>309,883,322</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General governmental support	\$ 6,919,802
Public safety	508,502
Transportation	119,156
Culture and recreation	380,250
Home and community services	7,666,832
Total	\$ <u>15,594,542</u>

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***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, 2016

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:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ERS	\$ 2,101,209	\$ 2,470,316	\$ 2,600,259
PFRS	4,209,210	4,944,560	5,111,965

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

At December 31, 2016, 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, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the System relative to the projected contributions of all participating members, as actuarially determined. This information was derived from the report provided to the City by each System.

	<u>ERS</u>	<u>PFRS</u>
Actuarial valuation date	04/01/2015	04/01/2015
Net pension liability	\$ 16,050,279,000	\$ 2,960,782,000
City's proportionate share of the Plan's total net pension liability	7,645,586	17,993,642
City's proportion share of the Plan's total net pension liability	0.0548793%	0.6077317%

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016, the City recognized pension expense of \$2,686,415 for ERS and \$6,516,887 for PFRS in the financial statements. At December 31, 2016 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	\$ 38,635	\$ 161,387
Changes of assumptions	2,038,847	7,757,000
Net differences between projected and actual earnings on pension plan investments	4,535,781	10,083,981
Changes in proportion and differences between the City's contributions and proportionate share of contributions	24,169	64,965
City's contributions subsequent to the measurement date	1,378,685	3,418,843
Total	\$ 8,016,117	\$ 21,486,176
Deferred Inflows of Resources		
Differences between expected and actual experience	906,257	2,720,422
Changes in proportion and differences between the City's contributions and proportionate share of contributions	157,810	561,734
Total	\$ 1,064,067	\$ 3,282,156

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS		PFRS
Year ended:			
2017	\$ 1,402,495	\$	3,501,635
2018	1,402,495		3,501,635
2019	1,402,495		3,501,635
2020	1,365,880		3,361,228
2021			919,044
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:

	ERS	PFRS
Measurement date	March 31, 2016	March 31, 2016
Actuarial valuation date	April 1, 2015	April 1, 2015
Investment rate of return	7.0%	7.0%
Salary increases	3.8%	4.5%
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.3%	1.3%

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

The actuarial assumptions used in the April 1, 2015 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, 2016

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, 2016
Asset Type:	
Domestic equities	7.30%
International equities	8.55%
Real estate	8.25%
Private equity/Alternative investments	11.00%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Cash	2.25%
Inflation-indexed bonds	4.00%
Mortgages and bonds	4.00%

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, 2016

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	\$ 17,240,241	\$ 7,645,586	\$ (461,488)
PFRS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	\$ 40,190,692	\$ 17,993,642	\$ (612,297)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective April 1, 2015 valuation dates were as follows:

	Dollars in Thousands	
	ERS	PFRS
Employers' total pension liability	\$ 172,303,544	\$ 30,347,727
Plan net position	(156,253,265)	(27,386,940)
Employers' Net Pension Liability	\$ 16,050,279	\$ 2,960,787
Ratio of Plan Net Position to the Employers' Total Pension Liability	90.7%	90.2%

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, 2016 represent the projected employer contribution for the period of April 1, 2016 through December 31, 2016 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of December 31, 2016 amounted to \$-0-.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 resulted in the following effect on net position:

ERS	Beginning Balance	Change	Ending Balance
Net pension liability	\$ 1,889,118	\$ 5,756,468	\$ 7,645,586
Deferred outflows of resources	(2,303,503)	(5,712,614)	(8,016,117)
Deferred inflows of resources	212,621	851,446	1,064,067
Sub Total	(201,764)	895,300	693,536
PFRS	Beginning Balance	Change	Ending Balance
Net pension liability	1,529,449	16,464,193	17,993,642
Deferred outflows of resources	(3,854,836)	(17,631,340)	(21,486,176)
Deferred inflows of resources	69,268	3,212,888	3,282,156
Sub Total	(2,256,119)	2,045,741	(210,378)
Total	\$ (2,457,883)	\$ 2,941,041	\$ 483,158

Locally Sponsored Plan

Plan Description - All of the City's full time Police and Fire employees hired between 1912 and 1935 became participants in the Police and Fire Pension Fund (PFPF), a single-employer, defined benefit pension plan. There is no employee payroll for these plans. The remaining survivor died in 2015; plan contributions are no longer necessary.

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, 2016

Note 7 Short-term Debt - Continued

BANs payable at December 31, 2016 in the Capital Projects Fund consisted of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Amount</u>
Various projects	2016	01/27/2017	\$ 5,063,340
Various projects	2016	04/21/2017	27,923,150
Joint Sewer Project	2014	01/30/2019	13,344,932
Total			\$ <u>46,331,422</u>

Interest on short-term debt for the year ended December 31, 2016 was as follows:

Interest paid	\$ 588,139
Less: Interest accrued in the prior year	(404,998)
Plus: Interest accrued in the current year	<u>237,040</u>
Total	\$ <u>420,181</u>

Note 8 Long-term Debt

At December 31, 2016, total outstanding indebtedness of the City aggregated \$173,125,111. Of this amount, \$67,826,831 was subject to the constitutional debt limit and represented approximately 66% 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, 2016

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, 2016:

Description	Balance at 12/31/15	New Issues/ Additions	Maturities/ Payments	Balance at 12/31/16	Due Within One Year
General obligation debt	\$ 92,401,256	\$ 39,504,836	\$ 6,166,256	\$ 125,739,836	\$ 7,920,714
Bond anticipation notes	51,342,676	52,913,058	57,924,312	46,331,422	46,331,422
Lease obligations payable	1,852,865		799,012	1,053,853	680,074
Liability for other postemployment benefits	44,332,365	9,655,470	3,938,844	50,048,991	
Compensated absences	3,892,197	168,126		4,060,323	
Net pension liability - Proportionate share	3,418,567	22,220,661		25,639,228	
Total Governmental Activities	<u>197,239,926</u>	<u>124,462,151</u>	<u>68,828,424</u>	<u>252,873,653</u>	<u>54,932,210</u>
Regency Hotel - Business Type Activities	<u>687,875</u>		<u>171,000</u>	<u>516,875</u>	<u>171,000</u>
Total	<u>\$ 197,927,801</u>	<u>\$ 124,462,151</u>	<u>\$ 68,999,424</u>	<u>\$ 253,390,528</u>	<u>\$ 55,103,210</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, 2016

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	3.80%	2019	\$ 610,000
Water projects	2000	4.60%	2022	4,590,000
Combined sewer overflow	2003	4.54%	2031	3,415,000
Wastewater projects	2005	3.00%	2034	13,145,000
Wastewater projects	2010	4.11%	2039	4,205,000
Refunding bonds - 2004 & 2005	2012	3.00%	2026	9,950,000
Various projects	2012	2.00%	2029	7,838,439
Various projects	2012	2.00%	2029	2,856,561
General capital improvements	2014	3.79%	2034	4,259,215
Water and sewer improvements	2014	3.79%	2034	4,995,785
Refunding bonds	2014	2.63%	2029	16,390,000
Refunding bonds	2014	3.89%	2029	945,000
Various projects	2015	3.00%	2040	11,845,000
Refunding bonds	2015	3.00%	2017	1,190,000
Environmental facilities corporation	2016	0.61-3.53%	2046	29,179,122
Public improvement	2016	2.00-3.00%	2036	10,325,714
Total				<u>\$ 125,739,836</u>

Business-type Activities Description	Date of Issue	Interest	Maturity Date	Outstanding
Regency Hotel	1993	1.25%	2019	<u>\$ 516,875</u>

The following table summarizes the City's future debt service requirements as of December 31, 2016:

Year Ending December 31,	Governmental Activities		Installment Purchase		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 7,920,714	\$ 3,451,490	\$ 680,074	\$ 20,209	\$ 171,000	\$ 1,701
2018	7,014,123	3,414,902	213,036	7,290	172,000	1,135
2019	7,170,001	3,215,769	79,560	3,281	173,875	570
2020	7,125,001	3,016,329	81,183	1,657		
2021	7,280,000	2,809,869				
2022-2026	34,195,000	10,744,294				
2027-2031	25,725,002	5,865,918				
2032-2036	14,734,995	2,705,519				
2037-2041	8,675,000	1,131,745				
2041-2046	5,900,000	345,622				
Total	<u>\$ 125,739,836</u>	<u>\$ 36,701,457</u>	<u>\$ 1,053,853</u>	<u>\$ 32,437</u>	<u>\$ 516,875</u>	<u>\$ 3,406</u>

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 8 Long-term Debt - Continued

Debt Maturity Schedule - Continued

Interest on long-term debt for the year ended December 31, 2016 (including installment purchase agreements) is as follows:

Interest paid	\$ 3,398,116
Less: Interest accrued in the prior year	(1,139,888)
Plus: Interest accrued in the current year	<u>514,774</u>
Total	<u>\$ 2,773,002</u>

Note 9 Postemployment Benefits Other Than Pensions

In 2008, the City adopted GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” Prior to 2008, the City reported the cost of its retiree health care postretirement benefits on a “pay-as-you-go” basis. An actuarial valuation of the City Postretirement Health Care Plans (Plan) was performed as of January 1, 2015 for the years ended December 31, 2016 and 2015. The valuation of the Plan was performed using the entry age normal method.

Plan Description

The Plan is a single-employer, defined benefit healthcare plan administered by the City. The Plan consists of a traditional indemnity plan, a self-insured PPO plan, and a community rated Medicare supplemental plan to eligible retirees and dependents. The Plan provides medical and prescription drug benefits to eligible retirees, spouses, and their covered dependents. Benefit provisions are established through negotiations between the City and bargaining units and are renegotiated each three-year period. The City assigns the authority to establish and amend benefit provisions to the City Council for non-bargaining unit employees. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The City Council has negotiated several collective bargaining agreements, which include obligations of Plan members and the City. The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and accumulate sufficient total accruals for all postretirement benefits when due.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 9 **Postemployment Benefits Other Than Pensions - Continued**

Plan Description - Continued

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the City's Plan:

Annual required contribution	\$ 10,529,874
Interest on net OPEB obligation	1,773,295
Adjustment to annual required contribution	<u>(2,647,699)</u>
Total Annual OBEB Cost (Expense)	9,655,470
Contributions made (expected)	<u>(3,938,844)</u>
Increase in Net OPEB Obligation	5,716,626
Net OPEB Obligation - January 1, 2016	<u>44,332,365</u>
 Net OPEB Obligation - December 31, 2016	 <u>\$ 50,048,991</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016, 2015 and 2014 are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
12/31/2016	\$ 9,655,470	40.8%	\$ 50,048,991
12/31/2015	9,184,078	30.7%	44,332,365
12/31/2014	7,742,746	39.7%	37,968,352

Funded Status and Funding Progress - As of December 31, 2016 the Plan was not funded. Actuarial accrued liability for benefits was \$112,070,993; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by \$28,995,495 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 386.5%.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 9 **Postemployment Benefits Other Than Pensions - Continued**

Plan Description - Continued

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

In the January 1, 2015, Actuarial Valuation Report, the entry age normal method was used. The actuarial value of assets was determined as the accumulation of prior accruals, less benefits paid. Actuarial assumptions included an annual discount rate of 4%. Additional actuarial assumptions included an annual medical cost trend rate of 9% initially, decreased by decrements to a trend rate of 4.5% after 30 years.

Note 10 **Interfund Receivables and Payables**

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

Interfund receivables and payables at December 31, 2016 were as follows:

	Interfund Receivable	Interfund Payables	Interfund Revenue	Interfund Expenditures
General Fund	\$ 38,670	\$ 2,413,344	\$	\$ 3,592,846
Sewer Fund	1,236,018	96,538		120,000
Capital Projects Fund		8,375	1,545,485	
Non-Major Funds	1,677,602	434,033	2,440,361	273,000
Total Governmental Funds	2,952,290	2,952,290	3,985,846	3,985,846
Enterprise Fund		1,098,008		
Agency Fund	1,098,008			
Total	\$ 4,050,298	\$ 4,050,298	\$ 3,985,846	\$ 3,985,846

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11 Fund Equity

Nonspendable Fund Balance

Nonspendable fund balance includes the following:

Purpose	Balance December 31, 2016
General Fund:	
Inventory	\$ 10,000
Prepaid expenses	1,586,263
Sewer Fund:	
Inventory	99,266
Prepaid expenses	140,322
Water Fund:	
Inventory	218,266
Prepaid expenses	144,328
Refuse and Garbage Fund - prepaid expenses	154,671
Total	\$ <u><u>2,353,116</u></u>

Restricted Fund Balance

Restricted fund balance includes the following:

Purpose	Balance December 31, 2016
General Fund:	
Retirement contribution	\$ 963,037
Retirement benefits	180,554
Debt	279,879
Sewer Fund:	
Debt	80,000
Water Fund:	
Debt	1,090
Special Grant Fund:	
Grant activities	430,037
Total	\$ <u><u>1,934,597</u></u>

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11 Fund Equity - Continued

Assigned Fund Balance

Assigned fund balance includes the following:

Purpose	Balance December 31, 2016
General Fund	
Appropriated for the 2017 budget	\$ 424,000
Encumbrances	910,046
Water Fund	
Encumbrances	72,051
Remaining fund balance	2,755,300
Sewer Fund	
Remaining fund balance	3,698,048
Refuse and Garbage Fund	
Remaining fund balance	279,163
Total Assigned Fund Balance	\$ 8,138,608

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 12/31/2016
Total Assets and Deferred Outflows of Resources	\$ 93,211,008
Total Liabilities and Deferred Inflows of Resources	113,417,737
Joint Venture Equity	(20,206,729)
Total Revenues	11,033,121
Total Expenses	18,499,807

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Note 13 **Component Units**

Condensed financial information for component units are as follows:

	BURA	BLDC August 31, 2016	Total
Current assets	\$ 27,699	\$ 2,627,974	\$ 2,655,673
Noncurrent assets	439,432	1,013,786	1,453,218
Total Assets	\$ 467,131	\$ 3,641,760	\$ 1,453,218
Current liabilities	\$ 7,586	\$ 41,801	\$ 49,387
Noncurrent liabilities	-	-	-
Total Liabilities	7,586	41,801	49,387
Net invested in capital assets	439,432	-	439,432
Restricted	20,000	3,572,800	3,592,800
Unrestricted	113	27,159	27,272
Total Net Position	\$ 459,545	\$ 3,599,959	\$ 4,059,504

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

	BURA	BLDC August 31, 2016	Total
	\$ 8	\$ 18,067	\$ 18,075

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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***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.

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, 2016 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.

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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 2016, payment of \$50,000 was made.

***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. That motion is pending. An appeal is likely by the unsuccessful party.

***Note 17* Tax Abatements**

For the year ended December 31, 2016, property in the City was subject to property tax abatements negotiated by the Broome County Industrial Development Agency (BCIDA), the Binghamton Housing Authority (BHA), and the Binghamton Urban Renewal Agency (BURA).

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

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

CITY OF BINGHAMTON

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

***Note 17* Tax Abatements - Continued**

Information relevant to disclosure of the program for the year ended December 31, 2016 is as follows:

Tax Abatement Program	<u>Amount of Taxes Abated</u>
BURA	
Economic Development:	
Real property tax	\$ 34,440
BCIDA	
Economic Development:	
Real property tax	1,136,230
BHA	
Economic Development:	
Real property tax	<u>1,140,103</u>
Total	<u>\$ 2,310,773</u>

CITY OF BINGHAMTON

BUDGETARY COMPARISON SCHEDULE GENERAL FUND - NON-GAAP BUDGET BASIS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Fav./ (Unfav.)</u>
REVENUES					
Real property taxes	\$ 36,699,541	\$ 36,699,541	\$ 36,678,283	\$	\$ (21,258)
Real property tax items	620,917	620,917	727,545		106,628
Nonproperty tax items	11,223,787	11,223,787	11,257,741		33,954
Departmental income	1,356,660	1,418,263	1,505,204		86,941
Intergovernmental charges	521,230	521,230	600,910		79,680
Use of money and property	120,446	120,446	114,477		(5,969)
Licenses and permits	266,600	266,600	268,903		2,303
Fines and forfeitures	681,500	681,500	603,087		(78,413)
Sale of property and compensation for loss	146,000	253,578	288,433		34,855
Miscellaneous local sources	237,000	302,605	222,575		(80,030)
Interfund revenues	1,545,867	1,545,867	1,555,180		9,313
State sources	9,888,183	10,231,180	10,280,479		49,299
Federal sources	353,755	901,414	560,734		(340,680)
Total Revenues	<u>63,661,486</u>	<u>64,786,928</u>	<u>64,663,551</u>	-	<u>(123,377)</u>
EXPENDITURES					
Current					
General governmental support	6,826,707	7,307,889	6,562,759	570,736	174,394
Public safety	22,357,674	22,852,709	22,108,300	228,937	515,472
Public health	46,184	46,287	43,793	898	1,596
Transportation	2,215,319	1,977,069	1,877,861	50,539	48,669
Economic assistance and opportunity	296,667	291,204	272,850	2,401	15,953
Culture and recreation	2,994,988	3,002,164	2,901,921	6,123	94,120
Home and community services	1,166,447	2,319,944	1,989,249	16,835	313,860
Employee benefits	18,853,298	18,448,617	17,660,971	33,577	754,069
Debt Service					
Principal and Interest	5,673,493	5,673,493	5,669,352		4,141
Total Expenditures	<u>60,430,777</u>	<u>61,919,376</u>	<u>59,087,056</u>	910,046	<u>1,922,274</u>
Excess of Revenues	<u>3,230,709</u>	<u>2,867,552</u>	<u>5,576,495</u>	(910,046)	<u>1,798,897</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers (out)	(3,717,637)	(4,085,318)	(3,592,846)		492,472
Total Other Financing (Uses)	<u>(3,717,637)</u>	<u>(4,085,318)</u>	<u>(3,592,846)</u>	-	<u>492,472</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>(486,928)</u>	<u>(1,217,766)</u>	<u>1,983,649</u>	<u>\$ (910,046)</u>	<u>\$ 2,291,369</u>
Appropriated Fund Balances	<u>486,928</u>	<u>1,217,766</u>			
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,983,649</u>		
Fund Balance, Beginning			<u>17,898,254</u>		
Fund Balance, Ending			<u>\$ 19,881,903</u>		

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

CITY OF BINGHAMTON

BUDGETARY COMPARISON SCHEDULE BUDGETED MAJOR SPECIAL REVENUE FUNDS - NON-GAAP BUDGET BASIS SEWER FUND FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Fav./Unfav.)</u>
REVENUES					
Departmental income	\$ 8,460,000	\$ 8,460,000	\$ 8,304,575	\$	\$ (155,425)
Use of money and property	554,717	554,717	100		(554,617)
Miscellaneous local sources	20,000	20,000	3,417,964		3,397,964
Interfund revenues	187,328	187,328	579,157		391,829
Total Revenues	<u>9,222,045</u>	<u>9,222,045</u>	<u>12,301,796</u>	<u>-</u>	<u>3,079,751</u>
EXPENDITURES					
Current:					
General governmental support	64,402	65,583	64,402		1,181
Home and community services	4,689,934	4,714,430	4,178,968	164,044	371,418
Employee benefits	543,221	543,221	460,549		82,672
Debt Service:					
Principal and interest	3,804,488	3,815,500	3,815,176		324
Total Expenditures	<u>9,102,045</u>	<u>9,138,734</u>	<u>8,519,095</u>	<u>164,044</u>	<u>455,595</u>
Excess of Revenues (Expenditures)	<u>120,000</u>	<u>83,311</u>	<u>3,782,701</u>	<u>(164,044)</u>	<u>3,535,346</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers (out)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>		-
Total Other Financing (Uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>	<u>-</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>-</u>	<u>(36,689)</u>	<u>3,662,701</u>	<u>\$ (164,044)</u>	<u>\$ 3,535,346</u>
Appropriated Fund Balances		<u>36,689</u>			
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,662,701</u>		
Fund Balance (Deficit), Beginning			<u>354,935</u>		
Fund Balance, Ending			<u>\$ 4,017,636</u>		

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

CITY OF BINGHAMTON

SCHEDULE OF FUNDING PROGRESS AND ACTUARIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Year Ended</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
POLICE FUND				
12/31/2016	\$ -	\$ -	\$ -	
12/31/2015	-	-	-	
12/31/2014	18,908	18,908	-	100.00%
12/31/2013	18,124	18,124	-	100.00%
12/31/2012	29,758	94,095	64,337	46.25%
12/31/2011	18,834	83,171	64,337	29.27%
12/31/2010	(609)	63,728	64,337	(0.95)%
12/31/2009	(22,457)	41,880	64,337	(34.91)%
12/31/2008	(38,287)	26,050	64,337	(59.51)%
12/31/2007	(22,368)	41,969	64,337	(34.77)%
FIRE FUND				
12/31/2016	\$ -	\$ -	\$ -	
12/31/2015	-	-	-	
12/31/2014	-	-	-	
12/31/2013	-	-	-	
12/31/2012	(17,344)	(22,822)	(5,478)	(316.61)%
12/31/2011	(9,307)	(14,785)	(5,478)	(169.90)%
12/31/2010	2,537	(2,941)	(5,478)	46.31%
12/31/2009	17,765	12,287	(5,478)	144.58%
12/31/2008	32,993	27,515	(5,478)	119.91%
12/31/2007	48,222	42,744	(5,478)	112.82%

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

CITY OF BINGHAMTON

SCHEDULE OF FUNDING PROGRESS FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2016	1/1/2015	\$ -	\$ 112,070,993	\$ 112,070,993	0.0%	\$ 28,995,495	386.5%
12/31/2015	1/1/2015	-	99,418,849	99,418,849	0.0%	28,426,956	349.7%
12/31/2014	1/1/2013	-	83,374,986	83,374,986	0.0%	31,003,710	268.9%
12/31/2013	1/1/2013	-	79,119,248	79,119,248	0.0%	25,775,259	307.0%
12/31/2012	1/1/2010	-	82,452,268	82,452,268	0.0%	29,549,822	279.0%
12/31/2011	1/1/2010	-	82,452,268	82,452,268	0.0%	31,137,684	264.8%
12/31/2010	1/1/2010	-	130,997,882	130,997,882	0.0%	24,923,657	525.6%

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

	2016	2015	2014
Employees' Retirement System			
Contractually required contribution	\$ 2,101,209	\$ 2,470,316	\$ 2,600,259
Contributions in relation to the contractually required contribution	(2,101,209)	(2,470,316)	(2,600,259)
Contribution deficiency (excess)	-	-	-
City's covered - employee payroll	11,778,203	13,490,397	13,575,922
Contributions as a percentage of covered - employee payroll	17.8%	18.3%	19.2%

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

	2016	2015	2014
Police and Fire Retirement System			
Contractually required contribution	\$ 4,209,210	\$ 4,944,560	\$ 5,111,965
Contributions in relation to the contractually required contribution	(4,209,210)	(4,944,560)	(5,111,965)
Contribution deficiency (excess)	-	-	-
City's covered - employee payroll	19,028,870	18,004,243	17,463,543
Contributions as a percentage of covered - employee payroll	22.12%	27.46%	28.10%

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	2,590,272	\$ 1,960,555	\$ 1,472,183	\$ 859,580	\$ 1,032,795	\$ 1,057,717	\$ 1,172,232
	(2,590,272)	(1,960,555)	(1,472,183)	(859,580)	(1,032,795)	(1,057,717)	(1,172,232)
	-	-	-	-	-	-	-
	13,602,297	13,427,145	12,838,879	13,042,977	12,772,033	12,415,322	11,838,428
	19.0%	14.6%	11.5%	6.6%	8.1%	8.5%	9.9%

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$	4,013,150	\$ 4,952,773	\$ 2,812,440	\$ 2,649,611	\$ 2,707,510	\$ 3,171,007	\$ 2,872,474
	(4,013,150)	(4,952,773)	(2,812,440)	(2,649,611)	(2,707,510)	(3,171,007)	(2,872,474)
	-	-	-	-	-	-	-
	18,177,672	18,957,845	16,543,613	17,597,841	17,597,841	17,860,873	17,974,263
	22.98%	27.25%	14.84%	16.02%	15.39%	17.75%	15.98%

CITY OF BINGHAMTON

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

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

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

CITY OF BINGHAMTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

***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, 2016.

***Note 4* Schedule of Funding Progress - Other Postemployment Benefits**

The Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and the information presented is intended to approximate the funding progress of the Plan.

CITY OF BINGHAMTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

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 two 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, 2014 actuarial valuation.

Changes of Assumptions

There was a change in assumption for the pensioner mortality improvement in the April 1, 2014 actuarial valuation from the Society of Actuaries' Scale AA to Scale MP - 2014.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2014 actuarial valuation determines the employer rates for contributions payable in fiscal year 2016. 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	2.7%
Salary scale	4.9% in ERS, 6.0% in PFRS, indexed by service.
Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.4% annually

CITY OF BINGHAMTON

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2016

	Special Revenue Funds			Non-Major Governmental Funds
	Parking Ramps Fund	Water Fund	Refuse and Garbage Fund	
ASSETS				
Cash and cash equivalents - Unrestricted	\$ 122,967	\$ 70,820	\$	\$ 193,787
Cash and cash equivalents - Restricted	-	1,090		1,090
Due from other funds	8,374	1,134,264	534,964	1,677,602
Other receivables, net	514	1,846,912	373,098	2,220,524
Inventories		218,266		218,266
Prepaid expenses		144,328	154,671	298,999
Total Assets	\$ 131,855	\$ 3,415,680	\$ 1,062,733	\$ 4,610,268
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 56,727	\$ 101,612	\$ 55,880	\$ 214,219
Accrued liabilities	26,059	108,588	57,380	192,027
Due to other funds	434,033			434,033
Compensated absences		6,670	10,166	16,836
Other liabilities			118,086	118,086
Total Liabilities	516,819	216,870	241,512	975,201
Deferred Inflows of Resources				
Unavailable revenues	8,375	7,775	387,387	403,537
Fund Balances				
Nonspendable		362,594	154,671	517,265
Restricted		1,090		1,090
Assigned		2,827,351	279,163	3,106,514
Unassigned	(393,339)			(393,339)
Total Fund Balances (Deficit)	(393,339)	3,191,035	433,834	3,231,530
Total Liabilities and Fund Balances	\$ 131,855	\$ 3,415,680	\$ 1,062,733	\$ 4,610,268

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, 2016

	Special Revenue Funds			Total Non-Major Governmental Funds
	Parking Ramps Fund	Water Fund	Refuse and Garbage Fund	
REVENUES				
Departmental income	\$ 892,201	\$ 6,687,256	\$ 1,051,987	\$ 8,631,444
Use of money and property	13	62,237		62,250
Sale of property and other compensation for loss		1,804	77,099	78,903
Miscellaneous local sources		168,497	(7,375)	161,122
Total Revenues	892,214	6,919,794	1,121,711	8,933,719
EXPENDITURES				
Current				
General governmental support		44,586	6,193	50,779
Transportation	547,517			547,517
Home and community services		3,213,377	2,064,290	5,277,667
Employee benefits		1,073,879	1,213,066	2,286,945
Debt Service				
Principal	332,646	1,389,052	25,000	1,746,698
Interest	115,180	588,748	2,844	706,772
Total Expenditures	995,343	6,309,642	3,311,393	10,616,378
Excess of (Expenditures) Revenues	(103,129)	610,152	(2,189,682)	(1,682,659)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	200,361		2,240,000	2,440,361
Interfund transfers (out)	(5,000)	(268,000)		(273,000)
Total Other Financing Sources (Uses)	195,361	(268,000)	2,240,000	2,167,361
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	92,232	342,152	50,318	484,702
Fund Balances (Deficit), Beginning	(485,571)	2,848,883	383,516	2,746,828
Fund Balances (Deficit), Ending	\$ (393,339)	\$ 3,191,035	\$ 433,834	\$ 3,231,530

**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, 2016, 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 25, 2017.

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,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 25, 2017

**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, 2016. 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, 2016.

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 25, 2017

CITY OF BINGHAMTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016

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	\$	\$ 2,086,299
Community Development Block Grant - Section 108 Loan	14.218	N/A		<u>175,557</u>
Total Community Development Block Grant and CDBG Entitlement Grants Cluster				2,261,856
Home Investment Partnerships Program	14.239	N/A		377,971
Emergency Shelter Grants Program	14.231	N/A		<u>147,444</u>
Total U.S. Department of Housing and Urban Development				<u>2,787,271</u>
U.S. Department of Transportation				
Passed Through NYS Department of Transportation:				
Highway Planning Cluster:				
Highway Planning and Construction	20.205	D032038		2,840
Highway Planning and Construction	20.205	D035014		52,992
Highway Planning and Construction	20.205	D030377		37,708
Highway Planning and Construction	20.205	D032026		39,571
Highway Planning and Construction	20.205	D034740		40,723
Highway Planning and Construction	20.205	D034719		1,389,445
Highway Planning and Construction	20.205	D034256		96,379
Highway Planning and Construction	20.205	D017713		396,937
Highway Planning and Construction	20.205	D032021		<u>85,565</u>
Total U.S. Department of Transportation and Highway Planning Cluster				<u>2,142,160</u>
U.S. Department of Justice				
Organized Crime Drug Enforcement Task Force Grant	16.111	N/A		49,326
Byrne Justice Assistance Grant	16.738	N/A		<u>15,055</u>
Total U.S. Department of Justice				<u>64,381</u>
U.S. Department of Homeland Security				
Staffing for Adequate Fire and Emergency Response	97.083	N/A		487,378
Passed through New York State Division and Homeland Security and Emergency Services:				
FEMA Hazard Mitigation Grants	97.039	4031DR NY		42,540
FEMA Public Assistance Grants	97.036	PA-02-NY-4031		62,644
FEMA Public Assistance Grants	97.036	4031DRNY		4,360
FEMA Public Assistance Grants	97.036	LPDM-PJ-02-NY-		41,674
Total FEMA Public Assistance Grants				<u>108,678</u>
Total U.S. Department of Homeland Security				<u>638,596</u>
U.S. Environmental Protection Agency				
Chesapeake Bay Program	66.466	N/A		<u>112,130</u>
Total U.S. Environmental Protection Agency				<u>112,130</u>
Total Expenditures of Federal Awards			\$	<u>5,744,538</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, 2016

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, 2016

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

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, 2016**

Section II - Financial Statement Findings:

None

Section III - Federal Award Findings and Questioned Costs:

None