

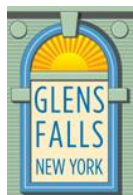
PRELIMINARY OFFICIAL STATEMENT

RENEWAL ISSUE

BOND ANTICIPATION NOTES

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.



\$7,175,000
CITY OF GLENS FALLS
WARREN COUNTY, NEW YORK

GENERAL OBLIGATIONS
CUSIP BASE #: 378820

\$7,175,000 Bond Anticipation Notes, 2019 (Renewals)
(referred to herein as the "Notes")

Dated: June 6, 2019

Due: June 5, 2020*

(*Subject to redemption prior to maturity, in whole or in part, on or after August 15, 2019, upon 20 days prior written notice)

The Notes are general obligations of the City of Glens Falls, Warren County, New York (the "City"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "THE NOTES - Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

At the option of the Purchaser(s), the Notes will be issued as registered notes registered in the name of the purchaser. If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of \$5,000 or multiples thereof, as may be determined by such successful bidder(s). Paying agent fees, if any, will be paid by the successful bidder(s).

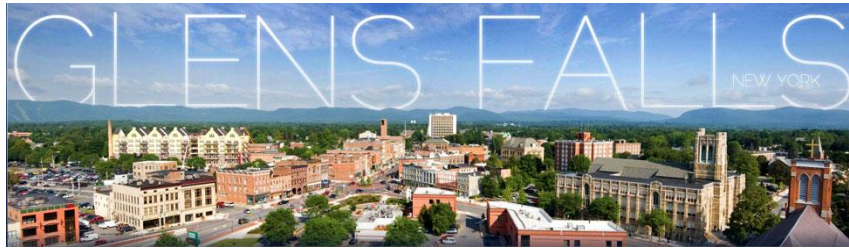
Alternatively, if the Notes are issued in book-entry-only form, the Notes will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the notes purchased if the Purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of \$5,000 or integral multiples thereof, as may be determined by such successful bidder(s). If the Notes are issued in book-entry-only form, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the City, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion for the Notes, as to the validity thereof, of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York City. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey or as may be agreed upon by the purchaser(s), on or about June 6, 2019.

ELECTRONIC BIDS for the Notes must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.FiscalAdvisorsAuction.com on May 23, 2019 until 10:45 A.M., Eastern Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids also may be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the City, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

May 15, 2019

THE CITY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12, (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE CITY WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF MATERIAL EVENTS WITH REGARD TO THE NOTES AS DEFINED IN THE RULE. SEE "APPENDIX C - MATERIAL EVENT NOTICES" HEREIN.



CITY OFFICIALS

DANIEL L. HALL
Mayor

CITY COUNCIL

JIM CAMPINELL
WILLIAM COLLINS
JANE REID
SCOTT ENDIEVERI
JAMES CLARK, JR.
DIANA PALMER

* * * * *

SUSANNE KASITCH
City Controller

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No person has been authorized the City of Glens Falls to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Glens Falls.

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PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
CITY OF GLENS FALLS
WARREN COUNTY, NEW YORK

Relating To
\$7,175,000 Bond Anticipation Notes, 2019 (Renewals)

This Official Statement, which includes the cover page and appendices, has been prepared by the City of Glens Falls, Warren County, New York (the "City," "County," and "State," respectively), in connection with the sale by the City of \$7,175,000 principal amount of Bond Anticipation Notes, 2019 (Renewals) (referred to herein as the "Notes").

The factors affecting the City's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the City tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes are general obligations of the City, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the City is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "THE NOTES - Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

The Notes are dated June 6, 2019 and mature on June 5, 2020, subject to redemption prior to maturity, in whole or in part, on or after August 15, 2019, upon 20 days prior written notice. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity. The Notes will be issued in either (i) registered certificated, and, if so issued, registered in the name of the purchaser(s) in denominations of \$5,000 each or multiples thereof, as may be determined by the successful bidder(s) with principal and interest payable in Federal Funds; or (ii) as registered notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Optional Redemption

The Notes are subject to redemption prior to maturity, in whole or in part, on or after August 15, 2019, upon 20 days prior written notice.

Purposes of Issue

The Notes are issued pursuant to the Constitution and statutes of the State including among others, the Local Finance Law and a bond resolution adopted by the Common Council on April 28, 2015 authorizing the issuance of an aggregate \$7,700,000 serial bonds to pay the cost of the acquisition of real property (\$1,000,000) and construction of a parking garage (\$6,700,000).

The proceeds of the Notes, along with \$200,000 in available funds, will redeem \$7,375,000 bond anticipation notes maturing June 7, 2019 and issued for the aforementioned purposes.

Nature of the Obligation

Each of the Notes when duly issued and paid for will constitute a contract between the City and the holder thereof.

Holders of any series of notes or bonds of the City may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Notes will be general obligations of the City and will contain a pledge of the faith and credit of the City for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the City has power and statutory authorization to levy ad valorem taxes on all real property within the City subject to such taxation by the City, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the City is required to pledge its faith and credit for the payment of the principal of and interest on the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the City's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW," herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the city's faith and credit is both a commitment to pay and a commitment of the City's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the City's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean...So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted...While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the City of those revenues to meet its obligations." According to the Court in Quirk, the State Constitution "requires the City to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes if selected by the purchaser(s). As such, the Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for the Notes bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE CITY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at the office of the City Controller in Glens Falls, New York. The Notes will be subject to redemption prior to maturity, in whole or in part, on or after August 15, 2019, upon 20 days prior written notice.

THE CITY

General Information

The City, with a land area of 3.8 square miles, is situated in the eastern portion of upstate New York in Warren County, approximately 50 miles north of the City of Albany. It is approximately equidistant (200 miles) from the Cities of New York, Boston and Montreal, Canada. It is located in the valley of the upper Hudson River and is the gateway to the Eastern Adirondack-Lake Champlain Region. The resort areas of Lake George and Saratoga Springs are approximately 10 miles north and south of the City, respectively.

While the City is primarily residential in nature, it serves as the regional center for Warren County and surrounding areas. The Glens Falls Civic Center is located in the heart of the City and hosts many events throughout the year. There are several restaurants, bars and retail outlets in the downtown area, as well as the Crandall Public Library.

Air transportation is provided by the Warren and Albany County Airports. Passenger rail service is available on the Amtrak New York-Montreal line and freight service is provided by the Delaware and Hudson Railroad. Major highways in, and in close proximity to, the City include Interstate Route #87 (The Northway), U. S. Route 9 and New York State Route 32. Both I-87 and U.S. 9 connect the City with Montreal and Albany, where access to The New York State Thruway is available.

Recent Developments

Governor Andrew Cuomo selected the City as part of the state's \$10 million Downtown Revitalization Initiative. The City was awarded a grant in the amount of \$9.7 million to revitalize downtown Glens Falls and modernize infrastructure in an effort to boost the local economy.

The City's plans include the following:

- Construct the Market on South Street with parking structure in the amount of \$5 million.
- Streetscaping i.e street lightning, sidewalks, curbs.
- Sitework to City owned buildings into mixed-use buildings with commercial and residential components.
- Relocating SUNY Adirondack culinary Arts Center to 14 Hudson and renovate space.
- Create a downtown pocket park at the intersection of South Street.
- Creating a public arts trail.
- High-speed broadband throughout downtown.

Source: City officials.

Population Trends

<u>Year</u>	<u>City of Glens Falls</u>	<u>Warren County</u>	<u>New York State</u>
1970	17,222	49,402	18,236,882
1980	15,897	54,854	17,558,072
1990	15,023	59,209	17,990,455
2000	14,354	63,303	18,976,457
2010	14,700	65,707	19,378,102
2018 (estimate)	14,428 ⁽¹⁾	64,265	19,542,209

⁽¹⁾ Represents 2013-2017 American Community Survey 5-Year Estimate.

Source: U.S. Census Bureau.

Selected Wealth and Income Indicators

Per capita income statistics are available for the City, County and State. Listed below are select figures from the 2000 Census reports and 2006-2010 and 2013-2017 American Community Survey data.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>
City of:						
Glens Falls	\$ 16,650	\$ 24,302	\$ 28,604	\$ 36,236	\$ 56,659	\$ 62,870
County of:						
Warren	15,728	27,744	33,127	38,510	64,195	74,196
State of:						
New York	23,389	30,948	31,177	51,691	67,405	70,850

Note: 2014-2018 American Community Survey estimates are not available as of the date of this Official Statement.

Major Industrial and Institutional Employers

The major employers within the City and the approximate number of persons employed by each are as follows:

Over 500 Employees

Glens Falls Hospital	Health Care
Finch Pruyn & Company, Inc.	Printing and Specialized Papers
Angio Dynamics	Medical Devices

251 to 500 Employees

Glens Falls National Bank & Trust Company.....	Bank
Hudson Headwaters Health Center	Primary Care Health Center
Travelers	Insurance
CWI.....	Human Services

101 to 250 Employees

The Pines	Nursing Home
National Grid	Public Utility
Glens Falls School District	Education
Glens Falls Lehigh Cement.....	Cement Manufacturing

51 to 100 Employees

Queensbury Hotel	Hotel
Dan Foss Flomatic	Valve Manufacturing
Fitzgerald Bros. Distributing.....	Beverage Distributor
Heritage Creations	Trophy Manufacturing
Hannaford Stores	Supermarket
Greater Adirondack Home Aids.....	Medical Services
Ames Goldsmith	Manufacturing Silver Recovery
Encompass	Insurance
Bartlett, Pontiff, Stewart & Rhodes	Attorneys
Umicore Tech Materials.....	Sales

Source: City Officials.

Unemployment Rate Statistics

Unemployment statistics are available for the Glens Falls Metropolitan Statistical Area (“MSA”). The information set forth below with respect to the MSA, Warren County and New York State is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the MSA or the County or the State is necessarily representative of the City, or vice versa.

	<u>Year Average</u>							
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Glens Falls MSA	8.5%	8.8%	7.8%	6.3%	5.3%	5.0%	5.0%	4.4%
Warren County	8.9	9.2	8.2	6.6	5.5	5.3	5.3	4.6
New York State	8.3	8.5	7.7	6.3	5.3	4.9	4.7	4.1

	<u>2019 Monthly Figures</u>				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
Glens Falls MSA	5.3%	5.2%	5.1%	N/A	N/A
Warren County	5.7	5.5	5.3	N/A	N/A
New York State	4.6	4.4	4.1	N/A	N/A

Note: Unemployment rates for April and May 2019 are currently unavailable of the date of this Official Statement.

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Form of City Government

The City operates under a "Mayor and Common Council" form of government.

The Mayor, who is elected at large within the City for a four-year term, presides over the Common Council, is the chief administrative and executive officer of the City and is the chief administrator of all City departments.

The Common Council is a six-member legislative body consisting of one Councilperson-at-large, elected at large within the City for a four-year term and five Councilpersons, elected from within his or her respective ward for four-year terms.

Financial Organization

The City Controller, which is an appointed position, is the chief fiscal officer of the City whose responsibility it is to receive, disburse and account for all financial transactions of the City.

Budgetary Procedures

The Mayor, with the assistance of the City Controller, the City Budget Coordinator and the various department heads, prepares a proposed budget each year and a public hearing is held thereon pursuant to State Law. Subsequent to the public hearing, revisions, if any, are made and the budget is then adopted by the Common Council as its final budget for the coming year. The budget is not subject to referendum.

Investment Policy

Pursuant to the statutes of the State of New York, the City is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the City; (6) obligations of a New York public corporation which are made lawful investments by the City pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of City moneys held in certain reserve funds established pursuant to law, obligations issued by the City. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the City's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the City may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

State Aid

The City receives financial assistance from the State. In its budget for the 2019 fiscal year, approximately 12.8% of the operating revenues of the City are expected to be received from the State as State aid. The State is not constitutionally obligated to maintain or continue State aid to the City and no assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the City, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. Furthermore, if a significant default or other financial crisis should occur in the affairs of New York State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

There can be no assurance that the State appropriation for State aid to cities will be continued in future years, either pursuant to existing formulas or any form whatsoever. State aid appropriated and apportioned to the City can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

State Aid Revenues

The following table sets forth total General Fund revenues and State aid for the 2014 through the 2017 fiscal years, the 2018 unaudited figures and the budgeted amount for the 2019 fiscal year.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u> ⁽¹⁾	<u>State Aid to Revenues (%)</u>
2014	\$ 17,304,637	\$ 2,354,878	13.61%
2015	18,279,732	2,302,127	12.59
2016	17,863,307	2,268,209	12.70
2017	18,535,116	2,460,797	13.28
2018 (Unaudited)	18,687,696 ⁽²⁾	2,573,267	13.77
2019 (Budgeted)	18,036,004	2,312,809	12.82

⁽¹⁾ General Fund.

⁽²⁾ Does not include proceeds of obligations and interfund transfers.

Source: 2014 through 2017 Audited Financial Statements, 2018 Annual Financial Update Report Document (unaudited) and the 2019 Adopted Budget of the City. This table is not audited.

Employees

The City currently employs approximately 171 full-time employees. There are currently 20 employees who are categorized as "Management" employees, who are not represented by any bargaining unit. The Police and Fire Department employees and general City employees are each represented by the collective bargaining units as summarized below:

<u>Bargaining Unit</u>	<u>Number Represented</u>	<u>Date of Contract Expiration</u>
Civil Service Employees' Association	69	December 31, 2021
Glens Falls Firefighters' Association	36	December 31, 2021
Glens Falls Police Benevolent Association	26	December 31, 2019

Source: City officials.

Pension Payments

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS is generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems.

The ERS is non- contributory with respect to members hired prior to July 27, 1976 (Tier 1 & 2); members hired from July 27, 1976 through December 31, 2009 (Tier 3 & 4) contribute 3% for the first 10 years of service and then become non-contributory; members hired from January 1, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

The PFRS is non- contributory with respect to members hired prior to January 8, 2010 (Tier 1, 2 & 3); members hired from January 9, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

For both ERS & PFRS, Tier 5 provides for:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police & firefighters at 15% of non-overtime wages.

For both ERS & PFRS, Tier 6 provides for:

- Increase contribution rates of between 3% and 6% base on annual wage
- Increase in the retirement age from 62 years to 63 years
- A readjustment of the pension multiplier
- A change in the period for final average salary calculation from 3 years to 5 years

The City's actual contributions to ERS and PFRS for the last five years, as well as, the budgeted figures for the 2019 fiscal year are as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2014	\$ 872,185	\$ 1,053,627
2015	969,111	999,505
2016	910,999	1,089,497
2017	876,064	1,091,094
2018 (Unaudited Actual)	880,824	1,052,626
2019 (Budgeted)	880,824	1,100,000

Source: City officials.

The City amortized a portion of its pension contributions for the 2014, 2015, and 2016 fiscal years. The amounts outstanding as of December 31, 2018 for ERS and PFRS were \$613,105 and \$327,837, respectively. The City did not amortize its pension contributions for the 2017, 2018 and 2019 fiscal years.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The City does not have any early retirement incentives outstanding.

Historical Trends and Contribution Rates: Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and PFRS rates (2016 to 2020) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2016	18.2%	24.7%
2017	15.5	24.3
2018	15.3	24.4
2019	14.9	23.5
2020	14.6	23.5

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

Stable Rate Pension Contribution Option: The 2013-14 Adopted State Budget included a provision that authorized local governments, including the City, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. For 2014 and 2015 the rate is 12.0% for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years. The City did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the City’s employees is not subject to the direction of the City. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the City which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the City provides post-retirement healthcare benefits to various categories of former employees. Governmental entities, such as the City, are required to account for post-employment retirement benefits as it currently does for vested pension benefits. These costs may be expected to rise substantially in the future.

In June 2015, the GASB issued GASB Statement 75 ("GASB 75") which supersedes GASB 45. GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. GASB 75 was implemented by the City for the fiscal year ending December 31, 2018. Actuarial valuation will be required every two years for GASB 75.

OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 required municipalities and school districts to account for OPEB liabilities much like they already accounted for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") was determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The City is not certain that municipalities will be mandated to implement GASB 45 since the potential liability will have to be determined by an actuarial and will be astronomical with the potential of bankrupting municipalities.

The City entered into a contract with BPAS, an actuary, to calculate its OPEB liability in accordance with GASB 75. The following tables show the components of the City's annual OPEB cost, the amount actuarially contributed to the plan, changes in the City's net OPEB obligation and funding status calculated for the fiscal years ending December 31, 2016 and December 31, 2017 under GASB 45 which was in effect at that time.

<i>Annual OPEB Cost and Net OPEB Obligation:</i>	<u>2016</u>	<u>2017</u>
Annual required contribution (ARC)	\$ 5,671,850	\$ 5,949,712
Interest on net OPEB obligation	808,548	967,486
Adjustment to ARC	<u>(1,168,960)</u>	<u>(1,398,746)</u>
Annual OPEB cost (expense)	5,311,438	5,518,452
Contributions made	<u>(1,337,979)</u>	<u>(1,473,753)</u>
Increase in net OPEB obligation	3,973,459	4,044,699
Net OPEB obligation - beginning of year	<u>20,213,698</u>	<u>24,187,157</u>
Net OPEB obligation - end of year	<u>24,187,157</u>	<u>\$ 28,231,856</u>
Percentage of annual OPEB cost contributed	25.2%	26.7%

Funding Status:

Actuarial Accrued Liability (AAL)	\$ 59,232,487	\$ 65,815,874
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 59,232,487</u>	<u>\$ 65,815,874</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2017	\$ 5,518,452	26.7%	\$ 28,231,856
2016	5,311,438	25.2	24,187,157

Source: City audited reports. The above tables are not audited.

The aforementioned liability and ARC are recognized and will be disclosed in accordance with GASB 45 standards in the City's audited financial statements.

Summary of Changes from the Last Valuation.

The first actuarial valuation under GASB 75 was completed for the fiscal year ending December 31, 2018. The following outlines the changes to the Total OPEB Liability during the 2018 fiscal year, by source.

Balance as of December 31, 2017	<u>\$ 62,666,614</u>
<u>Changes for the Year:</u>	
Service cost	2,508,001
Interest	2,128,748
Changes of Benefit Terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	(6,125,093)
Benefit payments	<u>(1,723,983)</u>
Net Changes	<u>(3,212,327)</u>
Balance at December 31, 2018	<u>\$ 59,454,287</u>

Source: GASB 75 Actuarial Valuation of the City. The above tables are not audited.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The City has reserved \$0 towards its OPEB liability. The City funds this liability on a pay-as-you-go basis.

The City's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the City's finances and could force the City to reduce services, raise taxes or both.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in the last two legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which the Notes are to be issued is the City Charter and the Local Finance Law.

The City is in compliance with the procedures for the validation of the Notes provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of the City is past due.

The fiscal year of the City is the calendar year.

Except to the extent as shown in the section "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City.

Financial Statements

The City retains independent certified public accountant to audit their finances annually. The last completed audited annual financial statement is for the Fiscal Year Ending December 31, 2017 and is attached hereto as "APPENDIX – D". The 2018 audited report is expected to be available August 31, 2019.

The City expects to end the fiscal year ending December 31, 2018 with a cumulative unassigned General Fund balance of \$4,687,441.

Summary unaudited information for the General Fund for the period ending December 31, 2018 is as follows:

Revenues:	\$	18,782,829
Expenditures:		<u>18,141,544</u>
Excess (Deficit) Revenues Over Expenditures:	\$	641,285
Total General Fund Balance at December 31, 2017:		<u>4,806,946</u>
Total Estimated General Fund Balance at December 31, 2018:	\$	<u><u>5,448,231</u></u>

Note: These projections are based upon certain current assumptions and estimates and the audited results may vary therefrom

The financial statements of the City are prepared in conformity with the accounting principles outlined in the Uniform System of Accounts for Cities, prepared by the Department of Audit and Control of the State of New York, which differ from generally accepted accounting principles which require that:

- a) Enterprise Fund retirement benefit expense should be recognized on the basis of current, actuarially computed data.
- b) Fixed assets acquired by the Enterprise Funds should be capitalized in these funds at cost (including interest on construction period borrowings) or estimated cost.
- c) Fixed assets acquired or constructed for Governmental Funds which are recorded as expenditures in the fund making the expenditure should be capitalized at cost or estimated in the General Fixed Asset Account Group.
- d) All transactions related to special assessment projects should be included in the Special Assessment Fund (i.e. debt issuance, construction costs, assessment levy, cash collection, and debt service.)

Changes in the Uniform System of Accounts as prescribed for the City have been announced by the State Comptroller in order to conform the Uniform System of Accounts to certain of these principles. These changes require the City to maintain a record of fixed assets, such fixed assets to be recorded at cost or at estimated historical cost. (See "Pension Payments" herein).

Beginning with the fiscal year ending December 31, 2003 the City was required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as a Management's Discussion and Analysis. The City is in compliance with Statement No. 34.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the City has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller's office released an audit report of the City on November 22, 2017. The purpose of the audit was to determine whether officials adequately safeguarded electronic access to the City's water and wastewater systems for the period January 1, 2015 through February 28, 2017.

Key Findings

- The City has no formal process for staying current on water and wastewater system cybersecurity threats.
- Officials have not provided employees with cybersecurity awareness training.
- Officials do not prevent or monitor public disclosure of information that could jeopardize the City's systems

Key Recommendations

- Establish a process for receiving and assessing system cybersecurity alerts.
- Provide cybersecurity awareness training to City employees.
- Prohibit the disclosure of information that can jeopardize the City’s systems and monitor for and remove such publicly shared information.

The City provided a complete response to the State Comptroller’s office on October 13, 2017. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no State Comptroller’s audits that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

The State Comptroller’s Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State’s school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State’s school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district’s ST-3 report filed with the State Education Department annually, and each municipality’s annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in “Significant Fiscal Stress”, in “Moderate Fiscal Stress,” as “Susceptible Fiscal Stress” or “No Designation”. Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of “no designation.” This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity’s financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past five fiscal years classified the City as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2017	No Designation	1.7%
2016	No Designation	1.7%
2015	No Designation	14.2%
2014	Moderate Fiscal Stress	56.3%
2013	Susceptible Fiscal Stress	50.8%

Note: Reference to website implies no warranty of accuracy of information therein. Information for the fiscal year ending in 2018 is unavailable as of the date of this Official Statement.

Source: Website of the Office of the New York State Comptroller.

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TAX INFORMATION

Taxable Valuations

<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Valuations	\$ 766,334,965	\$ 767,633,261	\$ 774,855,955	\$ 776,283,027	\$ 780,288,460
New York State					
Equalization Rate	80.00%	77.00%	77.00%	77.00%	77.00%
Total Taxable Full Valuation	\$ 957,918,706	\$ 996,926,313	\$ 1,006,306,435	\$ 1,008,159,775	\$ 1,013,361,636

Tax Rate Per \$1,000

<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General City	\$ 12.25	\$ 12.48	\$ 12.51	\$ 12.63	\$ 12.82

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Tax Levy	\$ 9,387,632	\$ 9,580,063	\$ 9,692,723	\$ 9,803,756	\$ 10,005,186
Uncollected End of Year ⁽¹⁾	247,579	218,296	223,478	268,826	N/A
% Uncollected	2.64%	2.28%	2.31%	2.74%	N/A

⁽¹⁾ See “Tax Collection Procedure” herein.

Tax Collection Procedure

The City levies taxes to cover the amount required for City purposes and the amount of the taxes certified to the City as required for County purposes. Tax payments are due in two installments. The first installment is due during the month of February, with the second installment due during the month of June. On all portions of taxes remaining unpaid after the due dates, the penalties are as follows:

<u>Month</u>	<u>First Installment</u>	<u>Second Installment</u>
January	-	-
February	-	-
March	1.0%	-
April	3.5%	-
May	6.0%	-
June	8.5%	-
July	11.0%	1.0%
August	13.5%	3.5%
September	16.0%	6.0%
October	18.5%	8.5%
November	21.0%	13.5%
December	23.5%	13.5%

The City enforces its tax collection by conducting an in rem procedure beginning in August of each year. Liens are taken in the amount of outstanding taxes. The property owners have until December of the following year in which they can redeem properties by paying all expenses of the tax sale plus ten percent interest. When this two-year period has expired, title is transferred to the new owner of record, either the City or private bidder.

The City also bills and collects taxes levied in the City by the Glens Falls City School District, the Abraham Wing Common School District, Crandall Public Library and the County of Warren. The City guarantees the collection of these levies and the unpaid taxes are included in the City’s tax lien processing.

Ten Largest Taxpayers for 2018-2019

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
Finch Pruyn & Company	Manufacturing	\$ 58,365,330
National Grid	Utility	27,871,807
NAMIC/VA, Inc	Medical Manufacturing	11,265,500
Erie Boulevard Hydro Power	Industrial	11,072,147
Glens Falls National Bank & Trust Company	Bank	10,921,700
The Mill GF LLC	Real Estate	7,022,950
333 Glen St Assoc, LLC	Real Estate	6,432,200
PHX Glens Falls LLC	Utility	6,428,340
The Mill GF LLC	Real Estate	5,621,000
Andritz Inc	Manufacturing	5,375,000 ⁽¹⁾
The Lebowitz Co	Real Estate	5,265,200

The ten largest taxpayers listed above have a total taxable assessed valuation of \$155,641,174, which represents 19.9% of the tax base of the City.

⁽¹⁾ Article 7 Tax certiorari pending. The estimated assessment reduction amount is approximately \$3-\$4 million. Additional details are not available as of the date of this Official Statement.

Source: City Tax rolls.

City Sales Tax

As permitted by State Law, the City pre-empted 1.5% of the 3% County of Warren sales tax generated within the County. In addition, the County shares sales tax revenue with certain towns and villages. The County retains 50% and distributes 50% to towns and villages, based on property value. The County also has an agreement (signed in 2004) to pay the City 2% of the County share on a quarterly basis. This payment is in addition to the City’s pre-empted 1.5%.

The total City receipts since the 2013 fiscal year are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 3,172,264
2014	3,238,372
2015	3,397,441
2016	3,526,331
2017	3,610,526
2018 (Unaudited)	3,868,636
2019 (Budgeted)	3,500,000

Source: City officials.

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Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending December 31:

<u>Fiscal Year Ending December 31:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Five Year Average Full Valuation.....	\$ 974,166,213	\$ 960,482,025	\$ 963,515,163
Tax Limit - 2% Five Year Average.....	19,483,324	19,209,641	19,270,303
Add: Exclusions from Tax Limit.....	<u>2,101,494</u>	<u>2,370,520</u>	<u>2,099,856</u>
Total Taking Power.....	\$ 21,584,818	\$ 21,580,161	\$ 21,370,159
Less: Total Levy.....	<u>9,404,962</u>	<u>9,387,632</u>	<u>9,580,031</u>
Constitutional Tax Margin.....	<u>\$ 12,179,856</u>	<u>\$ 12,192,529</u>	<u>\$ 11,790,128</u>

<u>Fiscal Year Ending December 31:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Five Year Average Full Valuation.....	\$ 967,743,778	\$ 982,999,582	\$ 996,534,579
Tax Limit - 2% Five Year Average.....	19,354,876	19,659,992	19,930,692
Add: Exclusions from Tax Limit.....	<u>2,190,395</u>	<u>1,965,927</u>	<u>1,843,128</u>
Total Taking Power.....	\$ 21,545,271	\$ 21,625,919	\$ 21,773,820
Less: Total Levy.....	<u>9,692,723</u>	<u>9,803,756</u>	<u>10,005,186</u>
Constitutional Tax Margin.....	<u>\$ 11,852,548</u>	<u>\$ 11,822,163</u>	<u>\$ 11,768,634</u>

Source: City officials.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the City (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the City and the Notes include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the City shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless substantially level or declining annual debt service is utilized. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its bonds.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the City is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the City Charter, the General City Law and the General Municipal Law.

Pursuant to the Local Finance Law and the City Charter, the City authorizes the issuance of bonds by the adoption of a bond ordinance approved by at least two-thirds of the members of the Common Council, the finance board of the City. Customarily, the Common Council has delegated to the City Controller, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond ordinance is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication, or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond ordinance usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The City has authorized bonds for a variety of City objects or purposes.

Statutory law in New York permits bond anticipation notes to be issued or renewed from time to time provided annual principal installments are made in reduction of the total amount of such bond anticipation notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such notes or renewals do not exceed five years beyond the original date of borrowing. See "Payment and Maturity" under "Constitutional Requirements" herein.

In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget and deficiency notes.

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending December 31st:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$ 21,060,724	\$ 20,923,973	\$ 38,506,138 ⁽¹⁾	\$ 27,565,040	\$ 26,283,093
EFC State Loans ⁽²⁾	8,139,015	7,581,570	7,014,125	6,436,680	5,844,235
Bond Anticipation Notes	<u>2,388,985</u>	<u>17,239,723</u>	<u>12,997,315</u>	<u>11,544,933</u>	<u>14,198,933</u>
Total of All Debt Outstanding	\$ 31,588,724	\$ 45,745,266	\$ 58,517,578	\$ 45,546,653	\$ 46,326,261

⁽¹⁾ Includes \$14,055,000 serial bonds refunded with the proceeds of \$14,515,000 refunding serial bonds issued in 2016. \$3,790,000 refunded serial bonds were redeemed on January 15, 2018 and \$10,265,000 refunded bonds were redeemed on February 1, 2018.

⁽²⁾ Represents various long-term New York State Environmental Facilities Corporation ("EFC") loans.

See "Other Obligations" herein for a summary of capital lease and installment purchase contracts outstanding.

Source: 2014-2017 audited financial statements and 2018 unaudited annual financial statements.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City evidenced by bonds and notes as of May 15, 2019.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2019-2048	\$ 29,530,240
<u>EFC State Loans</u>	2019-2038	5,791,790
<u>Bond Anticipation Notes</u>		
Acquisition of Property/Parking Garage	June 7, 2019	7,575,000 ⁽¹⁾
Upper Hudson River Revitalization	August 15, 2019	654,000 ⁽²⁾
WWTP Roof & HVAC	November 8, 2019	<u>3,000,000</u> ⁽²⁾
	Total Indebtedness	<u>\$ 46,551,030</u>

⁽¹⁾ To be redeemed with the proceeds of the Notes, along with \$200,000 available funds of the City.

⁽²⁾ To be redeemed with short-term financing or converted to long-term financing through the New York State Environmental Facilities Corporation.

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Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of May 15, 2019:

Five-Year Average Full Valuation of Taxable Real Property	\$ 996,534,573
Debt Limit - 7% thereof	69,757,420
<u>Inclusions:</u>	
Bonds	\$ 29,530,240
EFC State Loans	5,791,790
EFC Short-Term Financing	3,654,000
Bond Anticipation Notes	<u>7,575,000</u>
Total Inclusions	\$ 46,551,030
<u>Exclusions:</u>	
Water Indebtedness ⁽¹⁾	13,333,785
Appropriations - Notes	200,000
Appropriations - Bonds	<u>438,600</u>
Total Exclusions	<u>\$ 13,972,385</u>
Total Net Indebtedness Subject to Debt Limit ⁽²⁾	<u>\$ 32,578,645</u>
Net Debt-Contracting Margin	<u>\$ 37,178,775</u>
Percent of Debt Contracting Power Exhausted	46.70%

⁽¹⁾ Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

⁽²⁾ The issuance of the Notes will not increase the total net indebtedness subject to debt limit of the City.

Bonded Debt Service

A schedule of bonded debt service may be found attached hereto as "APPENDIX – B" of this Official Statement.

Revenue and Tax Anticipation Notes

The City has not found it necessary to borrow revenue or tax anticipation notes in the past and does not anticipate the need for borrowing them in the near future.

Capital Project Plans

The City has authorized a project to make improvements to water storage tanks in the amount of \$1,200,000. The City has authorized a project to replace deteriorated water distribution lines in the amount of \$3,500,000.

Other than as described above, the City has no other borrowings authorized and unissued nor are any contemplated for the near future.

Other Obligations

As of December 31, 2018, the City's outstanding capital lease obligation for equipment was \$976,752

As of December 31, 2018, the City's installment purchase contract indebtedness was \$6,949,073.

Glens Falls Urban Renewal Agency Debt

In December 1990, the Glens Falls Urban Renewal Agency (the "Agency") issued \$1,600,000 bonds, the principal and interest of which is guaranteed by the City, to pay the cost of the effectuation of a portion of an Urban Renewal program known as Industrial Park-East, 1985 Expansion, which consisted of the acquisition of certain real property in the City adjacent to the area commonly known as the Northeast Technical and Industrial Park and the construction of certain infrastructure thereon. Such infrastructure consisted primarily of the construction of entrance roads, the extension of water, sewer, electric and gas lines, the construction of parking areas, and site preparation.

The Agency designated the Downhill Local Development Corporation ("DLDC"), a wholly owned subsidiary of the New York State Urban Development Corporation as the sponsor for this site under the urban renewal law and, in 1986, sold the site to DLDC to facilitate the development thereof for industrial use. DLDC entered into a long-term ground lease with CB Sports Inc. ("CB") for such site and CB constructed thereon a facility to house its corporate headquarters as well as manufacturing and distribution facilities.

In 1991, the property was sold to Niagara Mohawk Corporation to be used as its regional headquarters. Niagara Mohawk since that time has been making payments in lieu of taxes to the City each year in the amount of \$77,000. The property was returned to the tax roll as of July 2008.

The City has been subsidizing debt service for several years. Due to a depletion of funds available to the Urban Renewal Agency and a lack of communication between City personnel, the December 1996 debt service payment on such bonds was not made on time and the City was required to hit its guarantee. As of 1997, the Urban Renewal Agency no longer has any funds to be used to pay off this debt. Accordingly, the City subsidizes the entire debt service by including this amount in its budget. The final debt service payment was made December 1, 2010. In 2012 the Urban Renewal started annual payments to the City in the amount of \$50,000.

As of December 31, 2018, the outstanding receivable from the Urban Renewal Agency was \$146,813.

Estimated Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Bonded indebtedness, including bond anticipation notes, is estimated as of the close of the 2016 fiscal year of respective municipalities, not adjusted to include subsequent bond issues, if any.

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>City Share</u>	<u>Applicable Net Indebtedness</u>
County of:						
Warren	12/31/2016	\$ 38,720,642	\$ 1,759,931 ⁽²⁾	\$ 36,960,711	9.27%	\$ 3,426,258
School District:						
Glens Falls City	6/30/2017	17,503,100	13,144,828 ⁽³⁾	4,358,272	71.35%	3,109,627
Glens Falls Common	6/30/2017	519,401	344,363 ⁽³⁾	175,038	100.00%	175,038
Total:						<u>\$ 6,710,923</u>

⁽¹⁾ Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.

⁽²⁾ Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

⁽³⁾ State Building aid.

Note: The 2017 Comptroller's Special Report is currently unavailable as of the date of this Official Statement.

Source: Comptroller's Special Report on Municipal Affairs for Local Finance Years Ended in 2016.

Debt Ratios

The following table sets forth certain ratios relating to the City's indebtedness as of May 15, 2019.

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 32,578,645	\$ 2,258.02	3.21%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	39,289,568	2,723.15	3.88

^(a) The 2017 estimated population of the City is 14,428. (See "THE CITY – Population Trends" herein.)

^(b) The City's full value of taxable real estate for the 2019 fiscal year is \$1,013,361,636. (See "TAX INFORMATION – Taxable Valuations" herein.)

^(c) See "Debt Statement Summary" herein.

^(d) Estimated net overlapping indebtedness is \$6,710,923. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision. Each Note when duly issued and paid for will constitute a contract between the City and the holder thereof. Under current law, provision is made for contract creditors of the City to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

Authority to File For Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as the City, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Notes should the City be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Notes to receive interest and principal from the City could be adversely affected by the restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the City (including the Notes) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the City under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law. There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

Constitutional Non-Appropriation Provision. There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

Default Litigation. In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “Nature of Obligation” and “State Debt Moratorium Law” herein.

No Past Due Debt. No principal of or interest on City indebtedness is past due. The City has never defaulted in the payment of the principal of and interest on any indebtedness.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Notes. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

The financial condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or any of their respective agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in this year or future years, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In several recent years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts and have restrictions in the State, including the City without providing an exclusion for debt service on obligations issued by municipalities or fire districts, including the City, could have an impact upon the market price of the Notes. See “TAX LEVY LIMITATION LAW” herein.

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital systems and networks. There can be no assurances that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York (or any political subdivision thereof, including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX – E” hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The City has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect an Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative proposals have been made which would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. Bond Counsel’s opinion will be in substantially the form attached hereto as “APPENDIX – E”.

LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. The City Attorney does not believe, however, that such suits, individually or in the aggregate are likely to have a material adverse effect on the financial condition of the City.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the City threatened against or affecting the City to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the City.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the City will enter into an Undertaking to Provide Notice of certain Material Events, the form of which is attached hereto as "APPENDIX – C".

Historical Compliance

The City is in compliance with all prior undertakings pursuant to the Rule for the past five years, however, the City did not file a material event notice for a rating downgrade by Moody's which occurred on June 25, 2010. A notice of failure to file was published to the Electronic Municipal Market Access ("EMMA") website on June 1, 2015.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a municipal advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the City on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the City and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the City to the Municipal Advisor may be partially contingent on the successful closing of the Notes.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes will be paid for by the City provided, however; the City assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

BOND RATING

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale pending the approval of the City and at the expense of the purchaser(s), including any fees to be incurred by the City, as such rating action will result in a material event notification to be posted to EMMA which is required by the City's Continuing Disclosure Undertakings. (See "APPENDIX-C" herein.)

S&P Global Ratings has assigned their municipal bond rating "A+" (stable outlook) to the City's outstanding bonds. Moody's Investors Services has assigned their municipal bond rating "A2" (no outlook) to the City's outstanding bonds. A rating reflects only the view of the rating agency assigning such rating any desired explanation of the significance of such rating should be obtained from Standard & Poor's Credit Market Services, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (877) 772-5436, Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Phone: (212) 553-1653.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the bonds may have an adverse effect on the market price of the Notes.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the City management's beliefs as well as assumptions made by, and information currently available to, the City's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City's files with the repositories. When used in City documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Orrick, Herrington & Sutcliffe LLP, New York, New York Bond Counsel to the City expresses an opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the City will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the City.

The Official Statement is submitted only in connection with the sale of the Notes by the City and may not be reproduced or used in whole or in part for any other purpose.

The City hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the City also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The City contact information is as follows: Ms. Susanne Kasitch, City Controller, 42 Ridge Street, Glens Falls, New York 12801, Phone: (518) 761-3809, Fax: (518) 761-3859, email address: controller@cityofglensfalls.com.

This Official Statement has been duly executed and delivered by the City Controller of the City of Glens Falls.

CITY OF GLENS FALLS

Dated: May 15, 2019

SUSANNE KASITCH
City Controller

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u> <u>Unaudited</u>
<u>ASSETS</u>					
Cash	\$ 484,247	\$ 1,531,312	\$ 3,494,669	\$ 5,091,066	\$ 4,273,502
Receivables:					
Taxes - Net	3,603,283	3,174,439	2,753,817	2,563,363	2,977,582
Accounts	341,330	145,157	111,001	87,468	86,120
State and Federal	735,439	648,700	547,189	647,313	734,064
Due from Other Governments	176,780	151,049	178,479	188,820	178,920
Due from Other Funds	237,105	683,029	197,019	378,148	1,120,948
Inventories	10,600	12,522	23,003	18,909	21,960
Prepaid Expenses	-	48,078	50,422	53,830	55,467
Restricted Assets	19,865	20,712	19,485	17,381	-
	<u>\$ 5,608,649</u>	<u>\$ 6,414,998</u>	<u>\$ 7,375,084</u>	<u>\$ 9,046,299</u>	<u>\$ 9,448,565</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 198,327	\$ 240,572	\$ 207,969	\$ 366,649	\$ 295,097
Accrued Liabilities	183,439	104,363	172,148	238,103	273,972
Overpayments	-	-	-	-	-
Due to Other Funds	922,835	1,023,428	776,971	798,933	761,864
Due to Other Governments	1,453,787	1,202,399	1,085,157	1,046,955	2,375,161
Deferred Revenue	477,277	308,421	273,985	595,183	294,239
Other Liabilities	1,129,237	1,136,387	1,211,888	1,193,530	-
	<u>\$ 4,364,900</u>	<u>\$ 4,015,570</u>	<u>\$ 3,728,118</u>	<u>\$ 4,239,353</u>	<u>\$ 4,000,333</u>
<u>FUND EQUITY</u>					
Nonspendable	\$ 182,929	\$ 232,929	\$ 220,238	\$ 219,553	\$ 224,240
Restricted	-	20,712	19,485	17,381	-
Assigned	34,920	81,762	369,245	431,425	536,550
Unassigned	1,025,898	2,064,025	3,037,998	4,138,587	4,687,441
	<u>\$ 1,243,747</u>	<u>\$ 2,399,428</u>	<u>\$ 3,646,966</u>	<u>\$ 4,806,946</u>	<u>\$ 5,448,231</u>
TOTAL LIABILITIES and FUND EQUITY	<u><u>\$ 5,608,647</u></u>	<u><u>\$ 6,414,998</u></u>	<u><u>\$ 7,375,084</u></u>	<u><u>\$ 9,046,299</u></u>	<u><u>\$ 9,448,565</u></u>

Source: 2014-2017 Audited financial reports and 2018 Annual update document (unaudited) of the City. This Appendix itself is not audited.

GENERAL FUND
Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES					
Real Property Taxes and Tax Items	\$ 9,480,829	\$ 9,641,739	\$ 9,943,963	\$ 9,948,655	\$ 10,023,117
Non-Property Tax Items	3,656,492	3,730,454	3,893,729	4,006,803	4,163,021
Departmental Income	771,200	859,817	919,971	907,403	820,914
Intergovernmental Charges	99,000	99,000	99,000	98,968	97,658
Use of Money & Property	4,915	3,556	5,872	5,535	59,158
Licenses and Permits	63,252	61,065	86,068	75,983	56,215
Fines and Forfeitures	161,739	149,882	156,254	193,469	197,750
Sale of Property and Compensation for Loss	41,670	14,407	549,770	50,792	568,953
Miscellaneous	47,120	588,494	238,474	305,686	86,274
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	2,575,088	2,354,878	2,315,568	2,268,209	2,460,797
Revenues from Federal Sources	-	67,813	71,064	1,806	1,262
Total Revenues	\$ 16,901,305	\$ 17,571,105	\$ 18,279,733	\$ 17,863,309	\$ 18,535,119
EXPENDITURES					
General Government Support	\$ 2,583,859	\$ 2,514,440	\$ 2,537,752	\$ 2,558,798	\$ 2,598,906
Education	1,968	935	1,323	2,239	3,310
Public Safety	8,730,077	8,819,968	8,906,616	8,978,017	9,127,413
Health	167,830	184,358	183,820	185,282	168,277
Transportation	1,442,735	1,189,505	1,085,638	1,425,997	1,352,168
Economic Assistance and Opportunity	388,221	425,993	156,723	254,064	165,285
Culture and Recreation	1,098,537	1,141,114	897,049	939,075	1,036,179
Home and Community Services	1,768,858	1,696,554	1,676,286	1,559,269	1,716,660
Employee Benefits	-	-	305,738	-	-
Debt Service	445,190	461,245	169,550	532,581	645,274
Total Expenditures	\$ 16,627,275	\$ 16,434,112	\$ 15,920,495	\$ 16,435,322	\$ 16,813,472
Excess of Revenues Over (Under) Expenditures	\$ 274,030	1,136,993	2,359,238	1,427,987	1,721,647
Other Financing Sources (Uses):					
Capital Leases	219,847	28,554	-	182,767	286,173
Encumbrance included in actual	-	-	-	-	-
BANs redeemed from appropriations	-	-	36,132	-	-
Operating Transfers In	-	-	6,965	152,794	12,728
Operating Transfers Out	(614,984)	(789,460)	(1,328,416)	(516,010)	(860,568)
Total Other Financing	\$ (395,137)	\$ (760,906)	\$ (1,285,319)	\$ (180,449)	\$ (561,667)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(121,107)	376,087	1,073,919	1,247,538	1,159,980
FUND BALANCE					
Fund Balance - Beginning of Year	953,847	832,740	1,243,747	2,399,428	3,646,966
Prior Period Adjustments (net)	-	34,920	81,762	-	-
Fund Balance - End of Year	\$ 832,740	\$ 1,243,747	\$ 2,399,428	\$ 3,646,966	\$ 4,806,946

Source: Audited financial reports of the City. This Appendix itself is not audited.

GENERAL FUND
Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending December 31:	2018		2019
	Adopted Budget	Unaudited	Adopted Budget
REVENUES			
Real Property Taxes & Tax Items	\$10,240,089	\$ 10,053,111	\$10,427,530
Non-Property Tax Items	3,920,000	4,371,941	3,980,000
Departmental Income	887,205	1,054,537	895,165
Intergovernmental Charges	99,000	91,207	99,000
Use of Money & Property	5,000	59,117	8,000
Licenses and Permits	64,000	79,399	64,000
Fines and Forfeitures	178,000	193,143	178,500
Sale of Property and Compensation for Loss	31,000	82,794	11,000
Miscellaneous	111,753	112,103	60,000
Interfund Revenues	-	-	-
Revenues from State Sources	2,285,067	2,573,267	2,312,809
Revenues from Federal Sources	3,613	17,077	-
Total Revenues	\$ 17,824,727	\$ 18,687,696	\$ 18,036,004
EXPENDITURES			
General Government Support	\$2,400,646	\$ 2,086,108	\$2,405,333
Education	-	-	-
Public Safety	6,245,796	5,822,180	6,059,339
Health	125,019	2,400	142,317
Transportation	1,175,593	1,305,366	1,237,008
Economic Assistance and Opportunity	136,496	142,250	143,768
Culture and Recreation	726,689	859,283	854,733
Home and Community Services	904,396	823,205	858,255
Employee Benefits	5,444,173	5,756,509	6,010,308
Debt Service	796,147	866,802	681,422
Total Expenditures	\$ 17,954,955	\$ 17,664,103	\$ 18,392,483
Excess of Revenues Over (Under) Expenditures	(130,228)	1,023,593	(356,479)
Other Financing Sources (Uses):			
Capital Leases	-	-	-
Proceeds of Obligations	-	92,424	-
Operating Transfers In	-	2,708	-
Operating Transfers Out	(265,772)	(477,442)	(50,921)
Total Other Financing	\$ (265,772)	\$ (382,308)	\$ (50,921)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(396,000)	641,285	(407,400)
FUND BALANCE			
Fund Balance - Beginning of Year	396,000	4,806,946	407,400
Prior Period Adjustments (net)	-	-	-
Fund Balance - End of Year	\$ -	\$ 5,448,231	\$ -

Source: 2018 Annual update document (unaudited) and 2019 adopted budget of the City. This Appendix itself is not audited.

Changes In Fund Equity

Fiscal Years Ending December 31:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u> <u>Unaudited</u>
<u>WATER FUND</u>					
Fund Equity - Beginning of Year	\$ 2,535,707	\$ 2,562,496	\$ 2,878,401	\$ 3,240,038	\$ 3,333,399
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	3,125,983	3,353,587	3,336,904	3,376,246	3,021,055
Expenditures & Other Uses	3,099,194	3,037,682	2,975,267	3,282,884	3,268,866
Fund Equity - End of Year	\$ 2,562,496	\$ 2,878,401	\$ 3,240,038	\$ 3,333,400	\$ 3,085,588
<u>SEWER FUND</u>					
Fund Equity - Beginning of Year	\$ 2,445,205	\$ 2,538,876	\$ 3,263,405	\$ 4,082,950	\$ 4,210,204
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	5,816,106	5,970,048	6,338,689	5,842,690	6,278,732
Expenditures & Other Uses	5,722,435	5,245,519	5,519,144	5,715,436	6,204,751
Fund Equity - End of Year	\$ 2,538,876	\$ 3,263,405	\$ 4,082,950	\$ 4,210,204	\$ 4,284,185

Source: 2014-2017 Audited financial reports and 2018 Annual update document (unaudited) of the City. This Appendix itself is not audited.

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	Principal	Interest	Total
2019	\$ 1,745,888	\$ 838,992.01	\$ 2,584,880.01
2020	1,769,392	797,007.73	2,566,399.73
2021	1,813,992	750,154.24	2,564,146.24
2022	1,847,982	694,362.76	2,542,344.76
2023	1,903,992	638,828.67	2,542,820.67
2024	1,437,992	580,465.83	2,018,457.83
2025	1,457,992	543,057.99	2,001,049.99
2026	1,497,993	504,405.15	2,002,398.15
2027	1,527,993	471,558.56	1,999,551.56
2028	1,542,994	444,139.59	1,987,133.59
2029	1,557,994	415,107.54	1,973,101.54
2030	1,585,994	377,784.74	1,963,778.74
2031	1,630,994	332,307.02	1,963,301.02
2032	1,660,994	285,586.56	1,946,580.56
2033	1,293,548	244,180.00	1,537,728.00
2034	1,313,548	211,933.00	1,525,481.00
2035	1,343,548	181,298.60	1,524,846.60
2036	1,188,548	149,280.00	1,337,828.00
2037	1,198,548	121,705.35	1,320,253.35
2038	1,213,548	93,743.20	1,307,291.20
2039	1,053,548	65,156.25	1,118,704.25
2040	1,063,548	43,909.37	1,107,457.37
2041	1,078,548	21,853.13	1,100,401.13
2042	480,600	8,075.00	488,675.00
2043	485,600	2,731.25	488,331.25
2044	370,600	-	370,600.00
2045	370,600	-	370,600.00
2046	338,600	-	338,600.00
2047	283,600	-	283,600.00
2048	135,600	-	135,600.00
TOTALS	\$ 36,194,318	\$ 8,817,623.54	\$ 45,011,941.54

CURRENT BONDS OUTSTANDING

Fiscal Year Ending December 31st	2012 Water Pump Station			2017 EFC Wastewater			2016 EFC - Sludge Loading Facility		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 47,947	\$ -	\$ 47,947.00	\$ 150,896	\$ -	\$ 150,896.00	\$ 56,000	\$ -	\$ 56,000.00
2020	47,947	-	47,947.00	149,400	-	149,400.00	56,000	-	56,000.00
2021	47,947	-	47,947.00	149,000	-	149,000.00	56,000	-	56,000.00
2022	47,947	-	47,947.00	149,000	-	149,000.00	56,000	-	56,000.00
2023	47,947	-	47,947.00	149,000	-	149,000.00	56,000	-	56,000.00
2024	47,947	-	47,947.00	149,000	-	149,000.00	56,000	-	56,000.00
2025	47,947	-	47,947.00	149,000	-	149,000.00	56,000	-	56,000.00
2026	47,948	-	47,948.00	149,000	-	149,000.00	56,000	-	56,000.00
2027	47,948	-	47,948.00	149,000	-	149,000.00	56,000	-	56,000.00
2028	47,948	-	47,948.00	149,000	-	149,000.00	56,000	-	56,000.00
2029	47,948	-	47,948.00	149,000	-	149,000.00	56,000	-	56,000.00
2030	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2031	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2032	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2033	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2034	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2035	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2036	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2037	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2038	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2039	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2040	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2041	47,948	-	47,948.00	148,000	-	148,000.00	55,000	-	55,000.00
2042	-	-	-	148,000	-	148,000.00	55,000	-	55,000.00
2043	-	-	-	148,000	-	148,000.00	55,000	-	55,000.00
2044	-	-	-	148,000	-	148,000.00	55,000	-	55,000.00
2045	-	-	-	148,000	-	148,000.00	55,000	-	55,000.00
2046	-	-	-	148,000	-	148,000.00	55,000	-	55,000.00
2047	-	-	-	148,000	-	148,000.00	-	-	-
TOTALS	\$ 1,102,797	\$ -	\$1,102,797.00	\$ 4,305,296	\$ -	\$ 4,305,296.00	\$ 1,551,000	\$ -	\$1,551,000.00

CURRENT BONDS OUTSTANDING

Fiscal Year Ending December 31st	2013 Various Improvements			2016 Refunding of 2009 & 2011 Bonds			2016 Serial Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
	2019	\$ 40,000	\$ 82,312.50	\$ 122,312.50	\$ 565,000	\$ 463,131.26	\$ 1,028,131.26	\$ 115,000	\$ 63,893.75
2020	45,000	80,400.00	125,400.00	570,000	450,381.26	1,020,381.26	115,000	58,718.75	173,718.75
2021	45,000	78,375.00	123,375.00	590,000	434,306.26	1,024,306.26	120,000	53,543.75	173,543.75
2022	45,000	76,350.00	121,350.00	610,000	410,306.26	1,020,306.26	120,000	48,743.75	168,743.75
2023	50,000	74,212.50	124,212.50	635,000	385,406.26	1,020,406.26	125,000	46,643.75	171,643.75
2024	50,000	71,962.50	121,962.50	665,000	359,406.26	1,024,406.26	125,000	44,300.00	169,300.00
2025	50,000	69,712.50	119,712.50	680,000	332,506.26	1,012,506.26	130,000	41,800.00	171,800.00
2026	55,000	67,350.00	122,350.00	705,000	304,806.26	1,009,806.26	135,000	39,200.00	174,200.00
2027	60,000	64,762.50	124,762.50	725,000	283,456.26	1,008,456.26	135,000	36,500.00	171,500.00
2028	60,000	61,987.50	121,987.50	735,000	268,396.88	1,003,396.88	140,000	33,631.25	173,631.25
2029	60,000	59,137.50	119,137.50	745,000	252,206.25	997,206.25	140,000	30,481.25	170,481.25
2030	65,000	56,168.75	121,168.75	765,000	228,525.00	993,525.00	145,000	26,981.25	171,981.25
2031	70,000	52,962.50	122,962.50	795,000	197,325.00	992,325.00	150,000	23,175.00	173,175.00
2032	70,000	49,637.50	119,637.50	815,000	165,125.00	980,125.00	155,000	19,050.00	174,050.00
2033	75,000	46,193.75	121,193.75	495,000	138,925.00	633,925.00	155,000	14,400.00	169,400.00
2034	75,000	42,631.25	117,631.25	505,000	121,450.00	626,450.00	160,000	9,750.00	169,750.00
2035	80,000	38,950.00	118,950.00	520,000	106,075.00	626,075.00	165,000	4,950.00	169,950.00
2036	80,000	35,150.00	115,150.00	525,000	90,400.00	615,400.00	-	-	-
2037	85,000	31,231.25	116,231.25	530,000	74,575.00	604,575.00	-	-	-
2038	90,000	27,075.00	117,075.00	535,000	58,600.00	593,600.00	-	-	-
2039	95,000	22,681.25	117,681.25	540,000	42,475.00	582,475.00	-	-	-
2040	100,000	18,050.00	118,050.00	545,000	25,859.38	570,859.38	-	-	-
2041	105,000	13,181.25	118,181.25	555,000	8,671.88	563,671.88	-	-	-
2042	110,000	8,075.00	118,075.00	-	-	-	-	-	-
2043	115,000	2,731.25	117,731.25	-	-	-	-	-	-
TOTALS	\$ 1,775,000	\$1,231,281.29	\$3,006,281.29	\$ 14,350,000	\$5,202,315.73	\$19,552,315.73	\$ 2,330,000	\$ 595,762.50	\$ 595,762.50

CURRENT BONDS OUTSTANDING

Fiscal Year Ending December 31st	2003F EFC - Water			2005 EFC - Sewer			2011 EFC		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 435,000	\$ 101,737.80	\$ 536,737.80	\$ 52,445	\$ 14,939.07	\$ 67,384.07	\$ 115,000	\$ 112,977.65	\$ 227,977.65
2020	450,000	83,485.20	533,485.20	52,445	13,832.48	66,277.48	115,000	110,190.05	225,190.05
2021	465,000	64,067.70	529,067.70	52,445	12,725.89	65,170.89	120,000	107,135.65	227,135.65
2022	480,000	43,654.20	523,654.20	52,445	11,619.31	64,064.31	120,000	103,689.25	223,689.25
2023	495,000	22,275.00	517,275.00	52,445	10,512.72	62,957.72	125,000	99,778.45	224,778.45
2024	-	-	-	52,445	9,406.13	61,851.13	125,000	95,390.95	220,390.95
2025	-	-	-	52,445	8,299.54	60,744.54	125,000	90,739.70	215,739.70
2026	-	-	-	52,445	7,192.95	59,637.95	130,000	85,855.95	215,855.95
2027	-	-	-	52,445	6,086.36	58,531.36	135,000	80,753.45	215,753.45
2028	-	-	-	52,446	4,979.76	57,425.76	135,000	75,144.20	210,144.20
2029	-	-	-	52,446	3,873.15	56,319.15	140,000	69,409.40	209,409.40
2030	-	-	-	52,446	2,766.54	55,212.54	140,000	63,343.20	203,343.20
2031	-	-	-	52,446	1,659.93	54,105.93	145,000	57,184.60	202,184.60
2032	-	-	-	52,446	553.31	52,999.31	150,000	51,220.75	201,220.75
2033	-	-	-	-	-	-	150,000	44,661.25	194,661.25
2034	-	-	-	-	-	-	155,000	38,101.75	193,101.75
2035	-	-	-	-	-	-	160,000	31,323.60	191,323.60
2036	-	-	-	-	-	-	165,000	23,730.00	188,730.00
2037	-	-	-	-	-	-	165,000	15,899.10	180,899.10
2038	-	-	-	-	-	-	170,000	8,068.20	178,068.20
TOTALS	\$ 2,325,000	\$ 315,219.90	\$2,640,219.90	\$ 734,235	\$ 108,447.14	\$ 842,682.14	\$ 2,785,000	\$1,364,597.15	\$4,149,597.15

CURRENT BONDS OUTSTANDING

Fiscal Year Ending December 31st	2015 EFC - Platt Street Sewer			2019 EFC - Ridge Street Sewer		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 33,000	\$ -	\$ 33,000.00	\$ 135,600	\$ -	\$ 135,600.00
2020	33,000	-	33,000.00	135,600	-	135,600.00
2021	33,000	-	33,000.00	135,600	-	135,600.00
2022	33,000	-	33,000.00	134,590	-	134,590.00
2023	33,000	-	33,000.00	135,600	-	135,600.00
2024	32,000	-	32,000.00	135,600	-	135,600.00
2025	32,000	-	32,000.00	135,600	-	135,600.00
2026	32,000	-	32,000.00	135,600	-	135,600.00
2027	32,000	-	32,000.00	135,600	-	135,600.00
2028	32,000	-	32,000.00	135,600	-	135,600.00
2029	32,000	-	32,000.00	135,600	-	135,600.00
2030	32,000	-	32,000.00	135,600	-	135,600.00
2031	32,000	-	32,000.00	135,600	-	135,600.00
2032	32,000	-	32,000.00	135,600	-	135,600.00
2033	32,000	-	32,000.00	135,600	-	135,600.00
2034	32,000	-	32,000.00	135,600	-	135,600.00
2035	32,000	-	32,000.00	135,600	-	135,600.00
2036	32,000	-	32,000.00	135,600	-	135,600.00
2037	32,000	-	32,000.00	135,600	-	135,600.00
2038	32,000	-	32,000.00	135,600	-	135,600.00
2039	32,000	-	32,000.00	135,600	-	135,600.00
2040	32,000	-	32,000.00	135,600	-	135,600.00
2041	32,000	-	32,000.00	135,600	-	135,600.00
2042	32,000	-	32,000.00	135,600	-	135,600.00
2043	32,000	-	32,000.00	135,600	-	135,600.00
2044	32,000	-	32,000.00	135,600	-	135,600.00
2045	32,000	-	32,000.00	135,600	-	135,600.00
2046	-	-	-	135,600	-	135,600.00
2047	-	-	-	135,600	-	135,600.00
2048	-	-	-	135,600	-	135,600.00
TOTALS	\$ 869,000	\$ -	\$ 869,000.00	\$ 4,066,990	\$ -	\$ 4,066,990.00

MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, the City has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Note is outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Notes
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the City
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) incurrence of a financial obligation (as defined in the Rule) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Note holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

With respect to event (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a

plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the City determines that any such other event is material with respect to the Notes; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The City reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the City no longer remains an obligated person with respect to the Note within the meaning of the Rule. The Issuer acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its material event notices undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Note to recover monetary damages.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

**CITY OF GLENS FALLS
WARREN COUNTY, NEW YORK**

**GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES**

December 31, 2017

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

CITY OF GLENS FALLS, NEW YORK

Independent Auditor's Report

Financial Statements and
Supplementary Information

Year Ended December 31, 2017

CITY OF GLENS FALLS, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

To The Mayor and Common Council
City of Glens Falls, 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 Glens Falls, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Greater Glens Falls Transit System, which represents the enterprise fund or the Glens Falls Urban Renewal Agency, a blended component unit included in non-major funds. These entities together comprise 2% percent, 1% percent and 8% percent of the assets and deferred outflows of resources, net position, and revenues of the City of Glens Falls, New York. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to these funds is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Glens Falls, New York, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other postemployment benefits, schedule of the proportionate share of the net pension liability and schedule of pension contributions on pages 3 through 9, 17 through 19 and 71 through 73 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 of Glens Falls, New York's basic 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 basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2018 on our consideration of the City of Glens Falls, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Glens Falls, New York's internal control over financial reporting and compliance.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

August 2, 2018

CITY OF GLENS FALLS, NEW YORK
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2017

The City of Glens Falls offers this discussion and analysis for the fiscal year ended December 31, 2017. Unless otherwise stated, all amounts are expressed in thousands of dollars. The purpose of the MD&A is to (1) focus on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any individual fund issues or concerns and (5) provide descriptions of significant asset and debt activity. Please read along with the City's financial statements.

1. FINANCIAL HIGHLIGHTS

Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$61,936, reported as net position. Assets totaled \$165,853 and deferred outflows of resources totaled \$4,553. Liabilities totaled \$107,223 and deferred Inflows of resources were \$1,247. Net position of business-type activities was \$533 and net position of governmental activities was \$61,403.

For the year, total revenues for the City were \$32,379, while total expenses were \$34,577. The net of the revenues and expenses leaves the City with a negative change in net position of \$2,198.

At the end of the year, total unassigned fund balance for the general fund was \$4,138, up from \$3,038 in the prior year. The unassigned fund balance at the end of 2017 represents 24% of total general fund expenditures for the year.

Total long-term indebtedness for the City (excluding the business-type activities) at the end of the year was \$99,936, up \$1,793 from \$98,143 at the end of 2016.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as a commentary to the financial statements for the City of Glens Falls, New York. The financial statements are comprised of the following three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other information in addition to the financial statements, such as budgetary comparisons.

Government-wide financial statements - The government-wide financial statements are intended to provide the reader with a broad overview of the financial condition of the City that closely matches the reporting format of most private-sector companies. In future years, the statement of net position will provide comparisons that will most closely answer the question of whether the City's financial condition has improved or deteriorated during the year.

The statement of net position provides the reader with a snapshot in time of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting in net position (or equity as stated with private sector reporting) of the City. Over time, increases or decreases in the net position of the City may provide an indicator of the trend in the City's financial condition. Other forward-looking indicators will also assist the reader to assess the overall financial health of the City. Some of these indicators include, but are not limited to: changes in the total property tax base, employment trends in the City and outlying areas, and condition of the City's capital assets (streets, buildings, water, and sewer infrastructure).

The statement of activities provides the reader with the sources of revenue for the City, the sources of expenses and the net balance between the two which directly impacts the resulting net position at year-end. Reporting of revenues and expenses is done using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This means that transactions are recorded when they are realizable and measurable and not when cash flows into or out of the City.

The government-wide financial statements for the City separate functions into three components. First, governmental activities of the City are primarily supported by taxes and intergovernmental revenues. Second, business-type activities are intended to support all or a large portion of their expenses through user fees and charges and receive no direct support from other funds. The governmental activities include:

CITY OF GLENS FALLS, NEW YORK
MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended December 31, 2017

General government, public safety (police & fire protection), street construction and maintenance, economic development, water and sewer utilities, culture and recreation. The only business-type activity in the City is the Greater Glens Falls Transit System. Third, the City includes four separate legal entities in its report – Greater Glens Falls Development Corporation, the City of Glens Falls Industrial Development Agency, the City of Glens Falls Civic Development Corporation and the Urban Renewal Agency. While these represent legally separate entities, their operational or financial relationship with the City makes the City financially accountable. The Glens Falls Civic Development Corporation and the Urban Renewal Agency are blended component units. The others are discretely presented.

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

a. Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on near term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the year. Spendable resources are measured using the modified accrual method of accounting. Under this method, resources are considered available if they can be readily converted to cash, generally in 60 days or less. Reviewing governmental funds may be useful in assessing the City's near term financing requirements.

The main difference between governmental funds and the government-wide financial statements is, respectively, short-term view versus long-term view; it is useful to compare the information presented in both. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. The City of Glens Falls maintains several governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Water, and Sewer funds, all of which are considered to be major funds. The financial statements for governmental funds can be found in the Governmental Fund Statement section.

b. Proprietary funds - The City of Glens Falls maintains one type of proprietary fund. The only enterprise fund in the City is for the Greater Glens Falls Transit System. Other funds such as Water, Sewer, and Civic Center are considered governmental funds.

c. Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the City cannot use any assets in these funds to finance the City's operations. It is the City's responsibility to ensure the assets in these funds are used for their intended purposes.

3. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position - Net position may serve as a useful indicator of a government's financial position over time. For the year ended December 31, 2017, the City of Glens Falls' assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$61,936, down from \$64,113 in the previous year.

The majority of the City's net position is capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services to citizens (e.g. public water, sewer, recreational facilities, streets and sidewalks, etc.). Because these assets are not liquid and are not intended to be sold, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's total net position, \$21,354, represents resources that are subject to external restrictions on how they may be used and are reported as restricted net position. The remaining

CITY OF GLENS FALLS, NEW YORK
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2017

category of total net position, unrestricted net position may be used to meet the government's ongoing obligations and services to creditors and citizens, especially in the future. At December 31, 2017 unrestricted net position represents a deficit of \$21,582.

CITY OF GLENS FALLS NET POSITION
(000s omitted)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current assets and other assets	\$ 33,675	\$ 31,948	\$ 981	\$ 957	\$ 34,656	\$ 32,905
Capital assets	129,077	127,833	2,120	1,748	131,197	129,581
Total assets	162,752	159,781	3,101	2,705	165,853	162,486
Total deferred outflows of resources	4,250	7,230	303	583	4,553	7,813
Current liabilities	4,477	3,981	191	203	4,668	4,184
Long-term liabilities	99,936	98,143	2,619	2,485	102,555	100,628
Total liabilities	104,413	102,124	2,810	2,688	107,223	104,812
Total deferred inflows of resources	1,186	1,306	61	69	1,247	1,375
Net Position:						
Net investment in capital assets	60,043	59,321	2,120	1,748	62,163	61,069
Restricted	20,620	20,375	735	722	21,355	21,097
Unrestricted (deficit)	(19,260)	(16,115)	(2,322)	(1,939)	(21,582)	(18,054)
Total net position	\$ 61,403	\$ 63,581	\$ 533	\$ 531	\$ 61,936	\$ 64,112

Governmental activities:

Total net position of the City's governmental activities for the year ended December 31, 2017, was \$61,403, down from \$63,581 in 2016. The majority of the net position, \$60,043, is net investment in capital assets (net of related debt), which is an increase of \$722 over 2016. Restricted net position for the end of the year was \$20,620. Restricted assets include, but are not limited to: debt service and capital reserves.

Business-type activities:

The total net position of our business-type activities was \$533 at year-end, compared to \$531, at December 31, 2016. The change in net position during the most recent fiscal year is reported in the Statement of Activities found on Exhibit B. Key elements of this change are illustrated in the following table:

CITY OF GLENS FALLS, NEW YORK
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	2017	2016	2017	2016	2017	2016
Primary Revenues:						
Charges for services	\$ 10,098	\$ 10,472	\$ 297	\$ 343	\$ 10,395	\$ 10,815
Operating grants and contributions	1,685	1,380	1,249	1,178	2,934	2,558
Capital grants and contributions	454	331	757	226	1,211	557
Total Primary Revenues	12,237	12,183	2,303	1,747	14,540	13,930
General Revenues:						
Property taxes	10,344	9,914	-	-	10,344	9,914
Sales and other taxes	4,445	4,237	-	-	4,445	4,237
Government aid	1,607	1,607	-	-	1,607	1,607
Other	1,356	886	74	2	1,430	888
Total General Revenues	17,752	16,644	74	2	17,826	16,646
Total Revenues	29,989	28,827	2,377	1,749	32,366	30,576
Expenses:						
General government	3,622	3,610	-	-	3,622	3,610
Education	3	2	-	-	3	2
Public safety	11,605	11,344	-	-	11,605	11,344
Health	199	231	-	-	199	231
Transportation	2,277	1,791	-	-	2,277	1,791
Economic assistance and opportunity	199	263	-	-	199	263
Culture and recreation	1,998	1,586	-	-	1,998	1,586
Home and community	9,883	9,564	-	-	9,883	9,564
Debt service	2,395	1,862	-	-	2,395	1,862
Transit & Civic Dev Corp	-	-	2,396	2,401	2,396	2,401
Total Expenses	32,181	30,253	2,396	2,401	34,577	32,654
Change in net position before transfers	(2,192)	(1,426)	(19)	(652)	(2,211)	(2,078)
Transfers	13	4	-	-	13	4
Change in net position	(2,179)	(1,422)	(19)	(652)	(2,198)	(2,074)
Net position – beginning of year	63,582	65,004	552	1,183	64,134	66,187
Prior period adjustment	-	-	-	21	-	21
Net position – end of year	\$ 61,403	\$ 63,582	\$ 533	\$ 552	\$ 61,936	\$ 64,134

CITY OF GLENS FALLS, NEW YORK
MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended December 31, 2017

The City's total revenues for 2017 were \$32,366 versus total expenses of \$34,577, compared to \$30,576 and \$32,654, respectively for 2016. For the year, the City's net position decreased by \$2,198 to bring total net position of the primary government of the City to \$61,936, compared to \$64,134 for 2016.

The business-type activities for the year ended December 31, 2016 show a prior period adjustment due to the implementation of GASB 80, which requires certain component units to be presented as blended component units. Therefore, the Glens Falls Civic Development Corporation, which was discretely presented in 2016, was blended with the governmental business-type activities for 2017.

The following analysis separately considers the operations of governmental and business-type activities.

- Governmental Activities

Revenues for the City's governmental activities for the year were \$29,989, up \$1,162 from 2016. Total expenses were \$32,181, up \$1,928 from 2016. This resulted in a decrease in net position of \$2,179. Operating grants and capital grants made up 7% of total revenues. Property taxes comprised 34% of the total revenues while sales and other taxes were 15% of revenues.

On the expense side, public safety, and home and community made up the majority of the cost of the governmental activities. In public safety, the police and fire department expenses for the year totaled \$4,128 (35%) and \$4,793 (41%), of the total for public safety, respectively.

Home and community total expenses for the year were \$9,883. Costs associated with operating the water fund were \$1,880 or 19% of the total while the sewer fund costs were \$3,758 or 38% of the total.

- Business-type Activities

Revenues for the Transit System for the year were \$2,377, while total expenses for the operation were \$2,385. The resulting net position for the business-type activities which also includes the Glens Falls Civic Development Corporation expenses of \$11 for the year decreased by \$19.

THE CITY'S FUNDS:

Governmental Funds

1) General fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$4,138 and the total fund balance was \$4,807. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to fund expenditures. For the current year ended December 31, 2017, unassigned fund balance represents 24% of total fund expenditures, while total fund balance was 28% of the same amount. The total fund balance of the City's General Fund increased by \$1,160 during the fiscal year 2017.

2) Special revenue funds - The special revenue funds for the City are made up of the following individual funds: Civic Center fund, special grant fund, water fund, and sewer fund. At the end of the current fiscal year, the total special revenue fund balances were \$8,314 which increased by \$999 from the previous year.

3) Proprietary funds - The only proprietary funds for the City are the Greater Glens Falls Transit System and the Glens Falls Civic Development Corporation. At the end of the fiscal year ended December 31, 2017, fund balance was \$532, down \$19 from the previous year.

4) Internal service fund - An internal service fund is used to report any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units. At this time the City does not have an internal service fund.

4. BUDGETARY HIGHLIGHTS

The City Charter requires the Mayor to submit a tentative budget with an accompanying written budget report to the Common Council on or before October 1st for the next fiscal year. The tentative budget includes

CITY OF GLENS FALLS, NEW YORK
MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended December 31, 2017

proposed expenditures and the proposed sources of funds for the General Fund and the Civic Center. The tentative budget is filed with the city clerk for public inspection. After public hearings are conducted to obtain taxpayer comments, but no later than December 1st, the Common Council adopts the budget.

If the Common Council fails to adopt the tentative budget by December 15, the tentative budget shall be the budget. Any revisions that alter total appropriations of any department or fund must be approved by the Common Council.

The actual change in fund balance of the general fund resulted in an increase for the current year of \$1,160 compared to an original budget with a deficit of \$240.

5. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounted to \$131,197 (net of accumulated depreciation). The amount as of December 31, 2016, was \$129,581, or an increase of \$1,616 or 1%. The investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure and construction in progress (CIP).

Major capital asset events during the current fiscal year included:

- Capital additions for governmental activities for the year were \$4,962, which consisted primarily of various waste water treatment plant improvement projects.
- Depreciation expense for governmental activities for the year was \$3,713.

CITY OF GLENS FALLS CAPITAL ASSETS
(000s omitted)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,670	\$ 2,670	\$ 85	\$ 85	\$ 2,755	\$ 2,755
Infrastructure	135,951	135,946	-	-	135,951	135,946
Buildings and Improvements	35,821	35,679	2,015	2,015	37,836	37,694
Equipment and Vehicles	25,209	24,698	5,255	4,889	30,464	29,587
Construction in Progress	20,161	15,899	-	-	20,161	15,899
Totals	219,812	214,892	7,355	6,989	227,167	221,881
Accumulated Depreciation	(90,735)	(87,059)	(5,235)	(5,241)	(95,970)	(92,300)
Capital assets net of accumulated depreciation	\$ 129,077	\$ 127,833	\$ 2,120	\$ 1,748	\$ 131,197	\$ 129,581

CITY OF GLENS FALLS, NEW YORK
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Year Ended December 31, 2017

Long-term Debt:

CITY OF GLENS FALLS OUTSTANDING DEBT
(000s omitted)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds and state loans	\$ 48,056	\$ 45,521	\$ -	\$ -	\$ 48,056	\$ 45,521
Bond premium	883	921	-	-	883	921
OPEB liability	25,851	22,176	2,381	2,011	28,232	24,187
Retirement plans	1,164	1,372	-	-	1,164	1,372
Capital leases	8,549	9,073	-	-	8,549	9,073
Bond anticipation notes	11,545	12,997	-	-	11,545	12,997
Pension liability	3,888	6,083	238	474	4,126	6,557
Total	<u>\$ 99,936</u>	<u>\$ 98,143</u>	<u>\$ 2,619</u>	<u>\$ 2,485</u>	<u>\$ 102,555</u>	<u>\$100,628</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City considers current year operational expenses and estimated revenues based on economic factors when establishing the fiscal year 2018 budget. The Tax Cap, which first applied to local governments beginning in 2012, limits tax levy increases to the lesser of the rate of inflation or 2% with some exceptions, including a provision that allows municipalities to override the Tax Cap. The property tax levy growth for local governments will be capped for 2018 at 1.84 percent. Property taxes for 2018 will increase an estimated 1% and no increase in the water/sewer rates is anticipated. Budgeted expenditures are expected to rise due to increases in debt service costs. Since the City is currently leasing the Glens Falls Civic Center to the Adirondack Coalition LLC, the subsidy budget to the Glens Falls Civic Center will only include debt service and insurance expenses. The City's elected and appointed officials took these factors into consideration when developing and approving the 2018 budget.

6. REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for the benefit of our citizens, taxpayers, customers, investors and creditors. If you need additional copies, copies of separately issued financial statements for the component units, or have any questions, please contact our offices at Glens Falls Controller's Office, City Hall, 42 Ridge Street, Glens Falls, NY 12801.

CITY OF GLENS FALLS, NEW YORK

Statement of Net Position

December 31, 2017

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Local Development Corporation	Industrial Development Agency
Cash and cash equivalents	\$ 11,484,500	\$ 419,246	\$ 11,903,746	\$ 12,442	\$ 191,113
Receivables	3,761,515	342,073	4,103,588	-	-
Internal balances	8,168	295	8,463	-	-
Due from state and federal governments	690,625	-	690,625	-	-
Due from other governments	188,820	-	188,820	-	-
Loans receivable	17,048	-	17,048	60,246	-
Inventories	18,910	-	18,910	-	-
Prepaid expenses	53,830	-	53,830	3,997	-
Property held for resale	26,250	-	26,250	259,943	-
Restricted Assets:					
Cash	2,189,152	219,080	2,408,232	306,383	-
Investments in escrow	14,349,546	-	14,349,546	-	-
Receivables	887,043	-	887,043	-	-
Loans receivable	-	-	-	186,337	-
Capital assets, net	129,076,918	2,120,200	131,197,118	1,751,126	-
Total Assets	162,752,325	3,100,894	165,853,219	2,580,474	191,113
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount related to pensions	4,250,571	302,681	4,553,252	-	-

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Statement of Net Position

December 31, 2017

LIABILITIES	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Local Development Corporation	Industrial Development Agency
Accounts payable	1,101,190	31,864	1,133,054	4,911	6,707
Accrued liabilities	948,119	158,887	1,107,006	-	-
Due to other governments	1,047,001	-	1,047,001	-	-
Other liabilities	1,375,276	-	1,375,276	-	-
Escrow funds held	5,097	-	5,097	-	-
Noncurrent Liabilities:					
Due within one year	14,646,582	-	14,646,582	7,617	-
Due in more than one year	85,289,960	2,619,283	87,909,243	147,602	-
Total Liabilities	104,413,225	2,810,034	107,223,259	160,130	6,707
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue	174,250	13,888	188,138	18,675	-
Deferred inflows related to pensions	1,011,962	46,906	1,058,868	-	-
Total Deferred Inflows of Resources	1,186,212	60,794	1,247,006	18,675	-
NET POSITION					
Net investment in capital assets	60,043,416	2,120,200	62,163,616	1,751,126	-
Restricted For:					
Debt service	18,104,267	-	18,104,267	-	-
Program services/Capital projects	2,515,448	734,671	3,250,119	316,674	-
Unrestricted (deficit)	(19,259,672)	(2,322,124)	(21,581,796)	333,869	184,406
Total Net Position	\$ 61,403,459	\$ 532,747	\$ 61,936,206	\$ 2,401,669	\$ 184,406

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Statement of Activities

Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Local Development Corporation	Industrial Development Agency
Primary Government:									
Governmental Activities:									
General government	\$ 3,622,134	\$ 331,509	\$ 25,029	\$ -	\$ (3,265,596)	\$ -	\$ (3,265,596)	\$ -	\$ -
Education	3,310	-	-	-	(3,310)	-	(3,310)	-	-
Public safety	11,604,857	546,954	1,262	-	(11,056,641)	-	(11,056,641)	-	-
Health	199,261	-	-	-	(199,261)	-	(199,261)	-	-
Transportation	2,276,714	-	506,073	407,772	(1,362,869)	-	(1,362,869)	-	-
Economic opportunity and development	199,373	-	2,500	-	(196,873)	-	(196,873)	-	-
Cultural and recreation	1,997,486	14,019	38,269	-	(1,945,198)	-	(1,945,198)	-	-
Home and community services	9,883,250	9,205,347	1,111,853	45,823	479,773	-	479,773	-	-
Interest on long-term debt	2,394,987	-	-	-	(2,394,987)	-	(2,394,987)	-	-
Total Governmental Activities	32,181,372	10,097,829	1,684,986	453,595	(19,944,962)	-	(19,944,962)	-	-
Business-Type Activities:									
Transit system	2,385,474	296,761	1,248,988	757,223	-	(82,502)	(82,502)	-	-
Civic Development Corporation	10,644	-	-	-	-	(10,644)	(10,644)	-	-
Total Business-Type Activities	2,396,118	296,761	1,248,988	757,223	-	(93,146)	(93,146)	-	-
Total Primary Government	\$ 34,577,490	\$ 10,394,590	\$ 2,933,974	\$ 1,210,818	(19,944,962)	(93,146)	(20,038,108)	-	-
Component Units:									
Local Development Corporation	\$ 58,011	\$ 2,809	\$ 7,500	\$ -	-	-	-	(47,702)	-
Industrial Development Agency	45,524	-	-	-	-	-	-	-	(45,524)
Total Component Units	\$ 103,535	\$ 2,809	\$ 7,500	\$ -	-	-	-	(47,702)	(45,524)
General Revenues:									
Real property taxes and tax items					10,344,313	-	10,344,313	-	-
Non-property taxes					4,444,938	-	4,444,938	-	-
Miscellaneous local sources					383,595	-	383,595	-	-
Sale (loss on disposal) of property					773,470	72,852	846,322	-	-
Investment earnings					200,461	540	201,001	12,073	192
General state aid					1,607,009	-	1,607,009	-	-
Transfers					12,728	-	12,728	-	-
Total General Revenues and Transfers					17,766,514	73,392	17,839,906	12,073	192
Change in Net Position					(2,178,448)	(19,754)	(2,198,202)	(35,629)	(45,332)
Net Position at Beginning of Year					63,581,907	552,501	64,134,408	2,437,298	229,738
Net Position at End of Year					\$ 61,403,459	\$ 532,747	\$ 61,936,206	\$ 2,401,669	\$ 184,406

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit C

Balance Sheet
Governmental Funds

December 31, 2017

	General	Water	Sewer	Debt Service	Ridge Street and Harrison Place Sewer Capital Project	Park Street Parking Garage Capital Project	Non-Major Funds	Total Governmental Funds
ASSETS								
Cash	\$ 5,091,066	\$ 180,962	\$ 2,239,056	\$ -	\$ -	\$ 11,940	\$ 3,961,476	\$ 11,484,500
Receivables:								
Taxes	2,563,363	372	-	-	-	-	-	2,563,735
Accounts	87,468	450	172,116	-	-	-	2,684	262,718
Water rents	-	353,629	-	-	-	-	-	353,629
Sewer rents	-	-	532,971	-	-	-	-	532,971
Due from state and federal governments	647,313	-	-	-	-	-	43,312	690,625
Due from other governments	188,820	-	-	-	-	-	-	188,820
Loans receivable	-	-	-	-	-	-	17,048	17,048
Due from other funds	378,148	783,565	1,176,230	-	-	-	41,000	2,378,943
Inventories, at cost	18,910	-	-	-	-	-	-	18,910
Prepaid expenses	53,830	-	-	-	-	-	-	53,830
Property held for resale	-	-	-	-	-	-	26,250	26,250
Restricted Assets:								
Cash	17,381	1,721,040	235,782	203,730	-	-	11,219	2,189,152
Investments held in escrow	-	-	-	14,349,546	-	-	-	14,349,546
Water rents receivable	-	420,274	-	-	-	-	-	420,274
Sewer rents receivable	-	-	466,769	-	-	-	-	466,769
Prepaid expenses	-	35,843	-	-	-	-	-	35,843
Total Assets	\$ 9,046,299	\$ 3,496,135	\$ 4,822,924	\$ 14,553,276	\$ -	\$ 11,940	\$ 4,102,989	\$ 36,033,563

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit C, Continued

Balance Sheet
Governmental Funds

December 31, 2017

	General	Water	Sewer	Debt Service	Ridge Street and Harrison Place Sewer Capital Project	Park Street Parking Garage Capital Project	Non-Major Funds	Total Governmental Funds
LIABILITIES								
Accounts payable	\$ 366,649	\$ 78,498	\$ 342,016	\$ -	\$ 252,372	\$ 2,121	\$ 59,534	\$ 1,101,190
Accrued liabilities	238,103	11,894	35,164	-	-	-	13,663	298,824
Due to other funds	798,933	10,751	102,309	-	187,527	-	1,271,255	2,370,775
Due to other governments	1,046,955	-	-	-	-	-	46	1,047,001
Other liabilities	1,193,530	56,224	125,238	-	-	-	284	1,375,276
BANS payable	-	-	-	-	3,169,933	7,575,000	800,000	11,544,933
Liabilities From Restricted Assets:								
Escrow funds held	-	-	-	-	-	-	5,097	5,097
Total Liabilities	3,644,170	157,367	604,727	-	3,609,832	7,577,121	2,149,879	17,743,096
DEFERRED INFLOWS OF RESOURCES								
Deferred revenue	595,183	5,367	7,993	-	-	-	160,905	769,448
FUND BALANCES (DEFICITS)								
Nonspendable	219,553	35,843	-	-	-	-	-	255,396
Restricted	17,381	2,141,313	702,551	14,553,276	-	-	3,205,194	20,619,715
Assigned	431,425	1,156,245	3,507,653	-	-	-	-	5,095,323
Unassigned (Deficit)	4,138,587	-	-	-	(3,609,832)	(7,565,181)	(1,412,989)	(8,449,415)
Total Fund Balances (Deficits)	4,806,946	3,333,401	4,210,204	14,553,276	(3,609,832)	(7,565,181)	1,792,205	17,521,019
Contingent Liabilities and Commitments								
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	\$ 9,046,299	\$ 3,496,135	\$ 4,822,924	\$ 14,553,276	\$ -	\$ 11,940	\$ 4,102,989	\$ 36,033,563

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit D

Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficits)
Governmental Funds

Year Ended December 31, 2017

	General	Water	Sewer	Debt Service	Ridge Street and Harrison Place Sewer Capital Project	Park Street Parking Garage Capital Project	Non-Major Funds	Total Governmental Funds
REVENUES								
Real property taxes and tax items	\$ 10,023,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,023,117
Non-property taxes	4,163,021	-	-	-	-	-	-	4,163,021
Departmental income	820,914	3,181,025	4,826,642	-	-	-	-	8,828,581
Intergovernmental charges	97,658	-	933,458	-	-	-	230,132	1,261,248
Use of money and property	59,158	9,676	1,956	135,470	-	116	3,138	209,514
Licenses and permits	56,215	-	-	-	-	-	-	56,215
Fines and forfeitures	197,750	-	-	-	-	-	-	197,750
Sale of property and compensation for loss	568,953	143,901	11,148	-	-	-	55,374	779,376
Miscellaneous local sources	86,274	41,643	1,713	-	-	-	-	129,630
State aid	2,460,797	-	-	-	529,219	-	41,000	3,031,016
Federal aid	1,262	-	-	-	-	-	995,229	996,491
Total Revenues	18,535,119	3,376,245	5,774,917	135,470	529,219	116	1,324,873	29,675,959
EXPENDITURES								
Current:								
General government support	2,598,906	-	-	-	-	-	-	2,598,906
Education	3,310	-	-	-	-	-	-	3,310
Public safety	9,127,413	-	-	-	-	-	-	9,127,413
Health	168,277	-	-	-	-	-	-	168,277
Transportation	1,352,168	-	-	-	-	-	534,584	1,886,752
Economic opportunity and development	165,285	-	-	-	-	-	23,312	188,597
Cultural and recreation	1,036,179	-	-	-	-	-	478,607	1,514,786
Home and community services	1,716,660	1,784,806	3,684,741	-	3,351,298	50,457	895,566	11,483,528
Debt Service:								
Principal retirement	346,845	1,012,459	1,271,660	-	-	-	207,990	2,838,954
Interest	298,429	432,204	685,535	711,458	-	-	21,472	2,149,098
Total Expenditures	16,813,472	3,229,469	5,641,936	711,458	3,351,298	50,457	2,161,531	31,959,621
Excess (Deficit) of Revenues Over (Under) Expenditures	1,721,647	146,776	132,981	(575,988)	(2,822,079)	(50,341)	(836,658)	(2,283,662)

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit D, Continued

Statement of Revenues, Expenditures and Changes in
Fund Balances (Deficits)
Governmental Funds

Year Ended December 31, 2017

	General	Water	Sewer	Debt Service	Ridge Street and Harrison Place Sewer Capital Project	Park Street Parking Garage Capital Project	Non-Major Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)								
Capital leases	286,173	42,118	67,773	-	-	-	-	396,064
Proceeds of obligations	-	-	-	-	-	-	4,455,296	4,455,296
Operating transfers in	12,728	-	-	10,133	-	150,200	907,144	1,080,205
Operating transfers out	(860,568)	(95,531)	(73,500)	(2,545)	-	-	(35,333)	(1,067,477)
Total Other Financing Sources (Uses)	<u>(561,667)</u>	<u>(53,413)</u>	<u>(5,727)</u>	<u>7,588</u>	<u>-</u>	<u>150,200</u>	<u>5,327,107</u>	<u>4,864,088</u>
Net Change in Fund Balances	1,159,980	93,363	127,254	(568,400)	(2,822,079)	99,859	4,490,449	2,580,426
Fund Balances (Deficits) at Beginning of Year	<u>3,646,966</u>	<u>3,240,038</u>	<u>4,082,950</u>	<u>15,121,676</u>	<u>(787,753)</u>	<u>(7,665,040)</u>	<u>(2,698,244)</u>	<u>14,940,593</u>
Fund Balances (Deficits) at End of Year	<u>\$ 4,806,946</u>	<u>\$ 3,333,401</u>	<u>\$ 4,210,204</u>	<u>\$ 14,553,276</u>	<u>\$ (3,609,832)</u>	<u>\$ (7,565,181)</u>	<u>\$ 1,792,205</u>	<u>\$ 17,521,019</u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Year Ended December 31, 2017

	General Fund			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes and tax items	\$ 10,102,113	\$ 10,102,113	\$ 10,023,117	\$ (78,996)
Non-property taxes	3,820,000	3,820,000	4,163,021	343,021
Departmental income	848,172	867,986	820,914	(47,072)
Intergovernmental charges	99,000	99,000	97,658	(1,342)
Use of money and property	6,000	56,000	59,158	3,158
Licenses and permits	69,500	69,500	56,215	(13,285)
Fines and forfeitures	194,500	199,667	197,750	(1,917)
Sale of property and compensation for loss	3,000	359,476	568,953	209,477
Miscellaneous local sources	104,478	98,770	86,274	(12,496)
State aid	2,285,067	2,527,302	2,460,797	(66,505)
Federal aid	-	4,875	1,262	(3,613)
Total Revenues	17,531,830	18,204,689	18,535,119	330,430
EXPENDITURES				
Current:				
General government support	2,963,340	2,809,954	2,600,462	209,492
Education	4,130	13,023	3,310	9,713
Public safety	9,533,426	9,596,134	9,137,820	458,314
Health	206,264	206,264	169,477	36,787
Transportation	1,218,067	1,433,780	1,352,168	81,612
Economic opportunity and development	159,683	192,161	166,600	25,561
Cultural and recreation	988,309	1,088,379	1,057,126	31,253
Home and community services	1,678,257	1,743,118	1,716,660	26,458
Debt Service:				
Principal retirement	519,246	401,214	346,845	54,369
Interest	226,470	238,774	298,429	(59,655)
Total Expenditures	17,497,192	17,722,801	16,848,897	873,904
Excess of Revenues Over (Under) Expenditures	34,638	481,888	1,686,222	1,204,334
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	286,173	286,173
Operating transfers in	-	12,728	12,728	-
Operating transfers out	(274,638)	(863,435)	(860,568)	2,867
Total Other Financing Sources (Uses)	(274,638)	(850,707)	(561,667)	289,040
Net Change in Fund Balances	\$ (240,000)	\$ (368,819)	1,124,555	\$ 1,493,374
Encumbrances Included in Actual			35,425	
Net Change in Fund Balance			1,159,980	
Fund Balances at Beginning of Year			3,646,966	
Fund Balances at End of Year			\$ 4,806,946	

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit E, Continued

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Year Ended December 31, 2017

	Water Fund			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes and tax items	\$ -	\$ -	\$ -	\$ -
Non-property taxes	-	-	-	-
Departmental income	3,072,423	3,072,423	3,181,025	108,602
Intergovernmental charges	-	-	-	-
Use of money and property	10,466	10,466	9,676	(790)
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	98,500	98,500	143,901	45,401
Miscellaneous local sources	50,000	50,000	41,643	(8,357)
State aid	-	-	-	-
Federal aid	-	-	-	-
Total Revenues	3,231,389	3,231,389	3,376,245	144,856
EXPENDITURES				
Current:				
General government support	-	-	-	-
Education	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic opportunity and development	-	-	-	-
Cultural and recreation	-	-	-	-
Home and community services	1,967,878	1,857,779	1,784,806	72,973
Debt Service:				
Principal retirement	998,087	1,012,459	1,012,459	-
Interest	430,424	432,205	432,204	1
Total Expenditures	3,396,389	3,302,443	3,229,469	72,974
Excess (Deficit) of Revenues Over (Under)				
Expenditures	(165,000)	(71,054)	146,776	217,830
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	42,118	42,118
Operating transfers in	-	-	-	-
Operating transfers out	-	(95,531)	(95,531)	-
Total Other Financing Sources (Uses)	-	(95,531)	(53,413)	42,118
Net Change in Fund Balances	\$ (165,000)	\$ (166,585)	93,363	\$ 259,948
Encumbrances Included in Actual			-	
Net Change in Fund Balance			93,363	
Fund Balances at Beginning of Year			3,240,038	
Fund Balances at End of Year			\$ 3,333,401	

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit E, Continued

Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual

Year Ended December 31, 2017

	Sewer Fund			
	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes and tax items	\$ -	\$ -	\$ -	\$ -
Non-property taxes	-	-	-	-
Departmental income	4,932,098	4,932,098	4,826,642	(105,456)
Intergovernmental charges	840,000	840,000	933,458	93,458
Use of money and property	736	736	1,956	1,220
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Sale of property and compensation for loss	7,500	7,500	11,148	3,648
Miscellaneous local sources	5,000	5,000	1,713	(3,287)
State aid	-	-	-	-
Federal aid	-	-	-	-
Total Revenues	5,785,334	5,785,334	5,774,917	(10,417)
EXPENDITURES				
Current:				
General government support	-	-	-	-
Education	-	-	-	-
Public safety	-	-	-	-
Health	-	-	-	-
Transportation	-	-	-	-
Economic opportunity and development	-	-	-	-
Cultural and recreation	-	-	-	-
Home and community services	4,059,944	4,053,468	3,684,741	368,727
Debt Service:				
Principal retirement	1,262,524	1,280,193	1,271,660	8,533
Interest	666,866	679,433	685,535	(6,102)
Total Expenditures	5,989,334	6,013,094	5,641,936	371,158
Excess (Deficit) of Revenues Over (Under)				
Expenditures	(204,000)	(227,760)	132,981	360,741
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	67,773	67,773
Operating transfers in	-	-	-	-
Operating transfers out	-	(73,500)	(73,500)	-
Total Other Financing Sources (Uses)	-	(73,500)	(5,727)	67,773
Net Change in Fund Balances	\$ (204,000)	\$ (301,260)	127,254	\$ 428,514
Encumbrances Included in Actual			-	
Net Change in Fund Balance			127,254	
Fund Balances at Beginning of Year			4,082,950	
Fund Balances at End of Year			\$ 4,210,204	

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit F

Statement of Fiduciary Net Position
Fiduciary Funds

December 31, 2017

	<u>Private Purpose Trust Funds</u>	<u>Permanent Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 76,084	\$ 1,863	\$ 8,921
Restricted cash	-	290,814	-
Restricted cash in time deposits	-	134,005	-
Restricted investments, at fair value	-	1,370	-
	<u>76,084</u>	<u>428,052</u>	<u>\$ 8,921</u>
Total Assets	<u>76,084</u>	<u>428,052</u>	<u>\$ 8,921</u>
LIABILITES			
Agency liabilities	-	-	\$ 753
Due to other funds	-	-	8,168
	<u>-</u>	<u>-</u>	<u>\$ 8,921</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 8,921</u>
NET POSITION			
Cemetery perpetual care charges	-	393,818	
Reserved for Pruyn mausoleum	-	3,723	
Reserved for downtown improvements	79	-	
Reserved for sidewalks	500	-	
Reserved for cross country ski trail	1,024	-	
Reserved for fire equipment	21	-	
Reserved for civil war monument	74,070	-	
Reserved for other expendable trust funds	390	-	
Reserved for cemetery	-	30,511	
	<u>-</u>	<u>30,511</u>	
Total Net Position	<u>\$ 76,084</u>	<u>\$ 428,052</u>	

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Exhibit G

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year Ended December 31, 2017

	<u>Private Purpose Trust Funds</u>	<u>Permanent Trust Funds</u>
Additions:		
Interest	<u>\$ 76</u>	<u>\$ 2,802</u>
Total Additions	<u>76</u>	<u>2,802</u>
Deductions:		
Transfer to General Fund	<u>-</u>	<u>12,728</u>
Total Deductions	<u>-</u>	<u>12,728</u>
Change in Net Position	76	(9,926)
Net Position at Beginning of Year	<u>76,008</u>	<u>437,978</u>
Net Position at End of Year	<u><u>\$ 76,084</u></u>	<u><u>\$ 428,052</u></u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Statement of Net Position
Proprietary Funds

December 31, 2017

ASSETS	Enterprise Fund Greater Glens Falls Transit System	Glens Falls Civic Development Corporation	Total
Cash and cash equivalents	\$ 408,347	\$ 10,899	\$ 419,246
Cash - capital reserve	219,080	-	219,080
Due from other funds	295	-	295
Accounts receivable	342,073	-	342,073
Capital assets	<u>2,120,200</u>	<u>-</u>	<u>2,120,200</u>
Total Assets	<u>3,089,995</u>	<u>10,899</u>	<u>3,100,894</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount related to pensions	<u>302,681</u>	<u>-</u>	<u>302,681</u>
LIABILITIES			
Accounts payable	31,864	-	31,864
Accrued liabilities	158,887	-	158,887
Net pension liability proportionate share	238,489	-	238,489
Other postemployment benefits obligation	<u>2,380,794</u>	<u>-</u>	<u>2,380,794</u>
Total Liabilities	<u>2,810,034</u>	<u>-</u>	<u>2,810,034</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount related to pensions	46,906	-	46,906
Deferred revenue	<u>13,888</u>	<u>-</u>	<u>13,888</u>
Total Deferred Inflows of Resources	<u>60,794</u>	<u>-</u>	<u>60,794</u>
NET POSITION			
Net investment in capital assets	2,120,200	-	2,120,200
Restricted for capital projects	734,671	-	734,671
Unrestricted (deficit)	<u>(2,333,023)</u>	<u>10,899</u>	<u>(2,322,124)</u>
Total Net Position	<u>\$ 521,848</u>	<u>\$ 10,899</u>	<u>\$ 532,747</u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

Year Ended December 31, 2017

	Enterprise Fund Greater Glens Falls Transit System	Glens Falls Civic Development Corporation	Total
Operating Revenues:			
Bus operations	\$ 269,311	\$ -	\$ 269,311
Miscellaneous	27,450	-	27,450
Total Operating Revenues	<u>296,761</u>	<u>-</u>	<u>296,761</u>
Operating Expenses:			
Personal services	821,900	-	821,900
Depreciation	344,937	-	344,937
Contractual expenses	290,313	10,644	300,957
Employee benefits	532,172	-	532,172
Total Operating Expenses	<u>1,989,322</u>	<u>10,644</u>	<u>1,999,966</u>
Operating Loss	<u>(1,692,561)</u>	<u>(10,644)</u>	<u>(1,703,205)</u>
Non-Operating Revenue (Expenses):			
Federal, state and local aid	2,006,211	-	2,006,211
Interest income	540	-	540
Gain on sale of equipment	72,852	-	72,852
Postemployment benefit expense	(396,152)	-	(396,152)
Total Non-Operating Revenue (Expenses)	<u>1,683,451</u>	<u>-</u>	<u>1,683,451</u>
Change in Net Position	(9,110)	(10,644)	(19,754)
Total Net Position at Beginning of Year	<u>530,958</u>	<u>21,543</u>	<u>552,501</u>
Total Net Position at End of Year	<u>\$ 521,848</u>	<u>\$ 10,899</u>	<u>\$ 532,747</u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Statement of Cash Flows
Proprietary Funds

Year Ended December 31, 2017

	Enterprise Fund Greater Glens Falls Transit System	Glens Falls Civic Development Corporation	Total
Cash Flows From Operating Activities:			
Cash received from bus operations	\$ 275,971	\$ -	\$ 275,971
Cash payments for contractual expenses	(278,950)	(10,920)	(289,870)
Cash payments for personal services and employee benefits	(1,374,080)	-	(1,374,080)
Other operating revenues	27,450	-	27,450
Net Cash Provided (Used) by Operating Activities	<u>(1,349,609)</u>	<u>(10,920)</u>	<u>(1,360,529)</u>
Cash Flows From Noncapital Financing Activities:			
Operating grants received	1,235,800	-	1,235,800
Cash Flows From Capital and Related Financing Activities:			
Capital grants	706,404	-	706,404
Proceeds from sale of equipment	72,852	-	72,852
Payments for capital assets	(717,150)	-	(717,150)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>62,106</u>	<u>-</u>	<u>62,106</u>
Cash Flows From Capital and Related Investing Activities:			
Interest income	540	-	540
Net Decrease in Cash and Cash Equivalents	(51,163)	(10,920)	(62,083)
Cash and Cash Equivalents at Beginning of Year	<u>678,590</u>	<u>21,819</u>	<u>700,409</u>
Cash and Cash Equivalents at End of Year	<u>\$ 627,427</u>	<u>\$ 10,899</u>	<u>\$ 638,326</u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Statement of Cash Flows
Proprietary Funds

Year Ended December 31, 2017

	Enterprise Fund Greater Glens Falls Transit System	Glens Falls Civic Development Corporation	Total
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Operating Loss	\$ (1,692,561)	\$ (10,644)	\$ (1,703,205)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Depreciation	344,937	-	344,937
Decrease (Increase) in Assets and Deferred Outflows:			
Deferred amount related to pensions	280,153	-	280,153
(Decrease) Increase in Liabilities and Deferred Inflows:			
Accounts payable	11,363	(276)	11,087
Accrued liabilities	(23,836)	-	(23,836)
Net deferred inflows	(7,858)	-	(7,858)
Net pension liability proportionate share	(235,385)	-	(235,385)
Other postemployment benefits obligations for current year retiree health insurance premiums paid	(26,422)	-	(26,422)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,349,609)</u>	<u>\$ (10,920)</u>	<u>\$ (1,360,529)</u>
Noncash Capital and Related Financing Activities:			
Other postemployment benefits obligation	<u>\$ 396,152</u>	<u>\$ -</u>	<u>\$ 396,152</u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Reconciliation of Balance Sheet for Governmental Funds
to Statement of Net Position

December 31, 2017

ASSETS	Total Governmental Funds	Long-term Assets, Liabilities	Reclasses and Eliminations	Statement of Net Position Totals
Cash and cash equivalents	\$ 11,484,500	\$ -	\$ -	\$ 11,484,500
Receivables	3,713,053	48,462	-	3,761,515
Due from other funds	2,378,943	-	(2,370,775)	8,168
Due from state and federal governments	690,625	-	-	690,625
Loans receivable	17,048	-	-	17,048
Due from other governments	188,820	-	-	188,820
Inventories	18,910	-	-	18,910
Prepaid expenses	53,830	-	-	53,830
Property held for resale	26,250	-	-	26,250
Restricted Assets:				
Cash	2,189,152	-	-	2,189,152
Investments held in escrow	14,349,546	-	-	14,349,546
Receivables	887,043	-	-	887,043
Prepaid expenses	35,843	(35,843)	-	-
Capital assets, net	-	129,076,918	-	129,076,918
Total Assets	36,033,563	129,089,537	(2,370,775)	162,752,325
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	4,250,571	-	4,250,571
Total Assets and Deferred Outflows of Resources	\$ 36,033,563	\$ 133,340,108	\$ (2,370,775)	\$ 167,002,896
LIABILITIES				
Accounts payable	\$ 1,101,190	\$ -	\$ -	\$ 1,101,190
Accrued liabilities	298,824	649,295	-	948,119
Due to other funds	2,370,775	-	(2,370,775)	-
Due to other governments	1,047,001	-	-	1,047,001
Other liabilities	1,375,276	-	-	1,375,276
Debt due within one year	11,544,933	3,101,649	-	14,646,582
Debt due in more than one year	-	85,289,960	-	85,289,960
Escrow funds held	5,097	-	-	5,097
Total Liabilities	17,743,096	89,040,904	(2,370,775)	104,413,225

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK
 Reconciliation of Balance Sheet for Governmental Funds
 to Statement of Net Position

December 31, 2017

	Total Governmental Funds	Long-term Assets, Liabilities	Reclasses and Eliminations	Statement of Net Position Totals
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	769,448	(595,198)	-	174,250
Deferred inflows related to pensions	-	1,011,962	-	1,011,962
Total Deferred Inflows of Resources	769,448	416,764	-	1,186,212
FUND BALANCES (DEFICITS)/NET POSITION				
Fund Balances (Deficits):				
Nonspendable	255,396	-	(255,396)	-
Restricted	20,619,715	-	-	20,619,715
Assigned	5,095,323	-	(5,095,323)	-
Unassigned (Deficit)	(8,449,415)	-	8,449,415	-
Net investment in capital assets	-	60,043,416	-	60,043,416
Unreserved:				
Undesignated (deficit)	-	(16,160,976)	(3,098,696)	(19,259,672)
Total Fund Balances	17,521,019	43,882,440	-	61,403,459
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 36,033,563	\$ 133,340,108	\$ (2,370,775)	\$ 167,002,896

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Reconciliation of Balance Sheet for Governmental Funds
to Statement of Net Position

December 31, 2017

Interest revenue for governmental fund activities is recorded when received. For the Statement of Net Position, interest received on securities held by the escrow agent is recorded as revenue when earned.

\$ 48,462

Interest expense for governmental fund activities is not recorded until due. For the Statement of Net Position, interest paid before the due date is recorded as expense if owed for the period covered by the Statement of Activities.

Reversal of prepaid interest

\$ (35,843)

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the City as a whole.

Cost of capital assets

\$ 219,811,976

Accumulated depreciation

(90,735,058)

Capital Assets, Net

\$ 129,076,918

Deferred outflows of resources that do not affect current financial resources and are not reported in the funds.

Deferred outflows of resources related to pensions

\$ 4,250,571

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred inflows of resources in the governmental funds, and thus are not included in fund balance.

Adjustment of deferred inflows of resources for deferred revenue and related to pensions

\$ 416,764

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.

Bonds and state loans payable

\$ 48,939,750

Capital leases

8,548,819

OPEB liability

25,851,062

Retirement plan balances due

1,163,660

Pension liability

3,888,318

Accrued interest

649,295

Total

\$ 89,040,904

These amounts are included in the Statement of Net Position (Exhibit A) as follows:

Accrued liabilities

\$ 649,295

Debt due within one year

3,101,649

Debt due in more than one year

85,289,960

Total

\$ 89,040,904

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances for Governmental Funds to the Statement of Activities

Year Ended December 31, 2017

Total revenues and other financing sources in the governmental funds differ from total revenues for governmental activities in the Statement of Activities. The differences result primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the governmental funds.

Total revenues and other financing sources of the governmental funds (Exhibit D).	\$ 35,607,524
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	321,196
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	(4,851,360)
Interest on securities held by the escrow agent for the future bond refunding is recorded when received in the governmental funds and is recorded as a receivable when earned in the Statement of Activities.	(1,053)
Net book value of property sold.	(5,906)
Interfund transfers are eliminated in the Statement of Activities.	<u>(1,067,477)</u>
Total	<u><u>\$ 30,002,924</u></u>

Total revenues of governmental activities in the Statement of Activities (Exhibit B) are comprised of:

Charges for services	\$ 10,097,829
Operating grants and contributions	1,684,986
Capital grants and contributions	453,595
General revenues and transfers	<u>17,766,514</u>
Total Revenues of Governmental Activities	<u><u>\$ 30,002,924</u></u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances for Governmental Funds to the Statement of Activities

Year Ended December 31, 2017

Total expenditures and other financing uses of the governmental funds differ from total expenses of governmental activities in the Statement of Activities. The difference is attributable primarily to the long-term focus of governmental activities versus the current financial resources focus of governmental funds. The main components of the differences are described below.

Total expenditures and other financing uses of the governmental funds (Exhibit D).	\$ 33,027,098
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount which capital expenditures (\$4,962,492) exceed depreciation (\$3,712,811).	(1,249,681)
The recording of the City's actuarially calculated liability for retiree health insurance benefits (OPEB expense) is not recognized in the governmental funds, but is recognized in the City-wide financial statements.	3,674,969
The recording of the City's actuarially calculated liability for pension benefits and the related deferred inflows of resources and deferred outflows of resources related to pensions.	601,537
Interfund transfers are eliminated in the Statement of Activities.	(1,067,477)
Repayment of bond principal, loans and capital leases is reported as an expenditure in governmental funds. For the City as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.	(2,838,954)
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. The following expenses in the Statement of Activities differ from the amount reported in governmental funds by this amount.	
Interest expense	245,889
Expense related to component unit accounts payable not on City trial balance	(3,747)
Net amortized retirement	<u>(208,262)</u>
Total Expenses of Governmental Activities (Exhibit B)	<u>\$ 32,181,372</u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies

The City of Glens Falls (City), which was incorporated in 1908, is governed by the Charter of the City of Glens Falls, and other general laws of the State of New York and various local laws and ordinances. The Common Council, which is the legislative body responsible for the overall operation of the City, consists of the mayor and six councilmen. The mayor serves as chief executive officer and the controller serves as chief fiscal officer of the City.

The City provides the following basic services: public safety (police and fire), highways and streets, water and sewer systems, public transportation, health, culture and recreation, public improvements, planning, zoning and general administrative services.

The financial statements of the City of Glens Falls have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government which is the City of Glens Falls, (b) organizations for which the primary government is financially accountable, and (c) 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 as set forth in GASB Statement 14.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in applicable GASB Statements, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the City of Glens Falls reporting entity.

Component Units

Based on the foregoing criteria and the significant factors presented below, the following organizations are included in the reporting entity as Discretely Presented Component Units:

1. City of Glens Falls Industrial Development Agency
Members of this public benefit corporation are appointed by the Common Council and serve at the pleasure of this appointing authority. Accordingly, financial oversight is vested in the City Common Council.
2. Greater Glens Falls Development Corporation
Original funding for this corporation was received from the City's Special Grant Fund through Community Development Block Grant money and Urban Development Action Grant (UDAG) loan repayments. These monies were assigned to the GGFDC to be used in the Economic Development Revolving Loan Program. As financial dependency exists, financial oversight is vested in the City Common Council.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies - Continued

Financial Reporting Entity - Continued

The following organizations are included in the reporting entity as blended component units:

Glens Falls Urban Renewal Agency

Members of this public benefit corporation are also appointed by the Common Council. The agency exists for the sole purpose of benefitting the City. Accordingly, financial oversight is vested in the City Common Council. This component unit is included in the nonmajor fund category.

City of Glens Falls Civic Development Corporation

Governing documents set forth the City as the sole member of the corporation and the board of directors are appointed by the City of Glens Falls Common Council. Accordingly, financial oversight is vested in the City Common Council. This component unit is an enterprise fund and is included in Exhibits H through J, the schedules for proprietary funds.

Separately issued financial statements for the above entities may be obtained by contacting City Hall, 42 Ridge Street, Glens Falls, New York 12801.

Basis of Presentation

I) City-wide financial statements:

The Statement of Net Position and the Statement of Activities present financial information about the City's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

II) Governmental fund financial statements:

The fund statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The City Reports the Following Major Governmental Funds:

General Fund

This is the City's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies - Continued

The City Reports the Following Major Governmental Funds - Continued:

Water Fund

A special revenue fund used to account for City-wide water supply and services to all City residents.

Sewer Fund

A special revenue fund used to account for City-wide sewer and waste water treatment operations.

Debt Service Fund

A fund used to account for and report financial resources restricted, committed or assigned to expenditures for principal and interest payments.

Ridge Street and Harrison Place Sewer Capital Project

This project involves sewer improvements to Ridge Street and Harrison Place/South Street.

Park Street Parking Garage Capital Project

This project involves the construction of a parking garage in close proximity to the Glens Falls Hospital.

The City Reports the Following Non-Major Governmental Funds:

Special Revenue Funds

These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Capital Project Funds

These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The City Reports the Following Proprietary Funds:

Enterprise Funds

These funds account for the operations of the Greater Glens Falls Transit System. A separately issued financial statement may be obtained by contacting City Hall, 42 Ridge Street, Glens Falls, New York 12801. In addition, the Glens Falls Civic Development Corporation, a component unit, is also reported as an enterprise fund. The details related to this component unit are noted on page 32.

The City Reports the Following Fiduciary Funds:

Fiduciary Funds

These funds are used to account for fiduciary activities. Fiduciary activities are those in which the City acts as trustee or agent for resources that belong to others. These activities are not included in the City-wide financial statements, because their resources do not belong to the City, and are not available for unrestricted use. Fiduciary Funds include private purpose trust funds, permanent trust funds and agency funds.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies - Continued

Capital Assets

Capital assets include property, plant equipment, and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the City as assets with an initial unit cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the City are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20-75
Buildings and improvements	20-50
Equipment and vehicles	5-10

Measurement Focus and Basis of Accounting

The City-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Enterprise Fund activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

General Budget Policies

1. The City employs the following budgetary procedures:
 - a. No later than October 15th, the budget officer (mayor) submits a tentative budget for the fiscal year commencing the following January 1st. The tentative budget includes proposed expenditures and the proposed means of financing for the following funds: General, Water, Sewer and Civic Center.
 - b. After public hearings are conducted to obtain taxpayer comments, but no later than December 1st, the Common Council adopts the City budget.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies - Continued

General Budget Policies - Continued

1. The City employs the following budgetary procedures - Continued:

- c. Any revisions that alter total appropriations of any department or fund must be approved by the Common Council.
- d. Budgetary controls are established for the Capital Projects Fund through resolutions authorizing individual projects which remain in effect for the life of the project. Budgets are prepared for Proprietary Funds primarily to establish the estimated contributions required from other funds.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year end are reported as assigned fund balances since the commitments do not constitute expenditures or liabilities.

3. Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried over from the prior year. Encumbrances are recorded at year end and are included in Exhibit E for comparing actual results to the budget for the year.

Budgetary control for the Special Grant Fund is established in accordance with the applicable grant agreement which covers a period other than the City's fiscal year. The Greater Glens Falls Development Corporation and the Glens Falls Civic Development Corporation are separate corporations and are not included in the formal City budget process. Additionally, the Glens Falls Urban Renewal Agency and the City of Glens Falls Industrial Development Agency, both municipal corporations, are not included in the formal City budget process. Capital project budgets are prepared for the life of each project, not annually. Consequently, such funds have been excluded from the Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual. A reconciliation of actual results for Major Funds is as follows:

	<u>General Fund Expenditures</u>	<u>Water Fund Expenditures</u>	<u>Sewer Fund Expenditures</u>
Total expenditures for funds included in budget comparison – Exhibit E	\$16,848,897	\$ 3,229,469	\$ 5,641,936
Encumbrances	<u>(35,425)</u>	<u>-</u>	<u>-</u>
Total expenditures for funds included in Exhibit D	<u>\$16,813,472</u>	<u>\$ 3,229,469</u>	<u>\$ 5,641,936</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies - Continued

Cash and Cash in Time Deposits

The City's December 31, 2017 bank balances were collateralized and insured as follows:

Total on deposit	\$ 14,034,309
Insured by FDIC	(336,818)
Collateralized by pledged securities held by the financial institutions	<u>(13,700,104)</u>
Over collateralized	<u>\$ (2,613)</u>

Cash in nonmajor funds at December 31, 2017, includes \$707,127 of cash held by an escrow agent. It represents cash available to be drawn down on capital project debt.

As a separate entity, the Glens Falls Urban Renewal Agency maintains its own FDIC coverage. All of the Agency's cash and cash equivalents of approximately \$20,855 were covered by the FDIC.

Investment Policy

The City's investment policies are governed by statutes of the State. City monies must be deposited in FDIC insured commercial banks or trust companies located within the state. The Controller of the City is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of the State or its localities. Investments are generally stated at market value.

Collateral is required for demand deposits and certificates of deposit for all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States of America and its agencies and obligations of the State and its municipalities and school districts.

Fair Value Measures

The City has adopted Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. This statement defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP) and expands disclosures about fair value measurements. It establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under GASB Statement No. 72 are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

At December 31, 2017, the City's investment of \$1,370 in stock held in trust for the cemetery commission approximated market value. In addition, an escrow agent held U.S. Treasury Notes with a market value of \$14,349,545 and a cost of \$14,361,448 at December 31, 2017, for the purpose of refunding debt on January 15, 2018 and January 31, 2018. Unrealized gain of \$20,275 is included in investment income on the Statement of Net Position. The value was determined by quoted market prices.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies - Continued

Fair Value Measures - Continued

All investments held by the City at December 31, 2017, were Level 1 investments.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Proprietary Funds consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consisted of the following accounts at December 31, 2017:

	Greater Glens Falls Transit System	Glens Falls Civic Development Corporation	Totals
Cash and Cash Equivalents	\$ 408,347	\$ 10,899	\$ 419,246
Cash – Capital Reserve	219,080	-	219,080
Total Cash and Cash Equivalents	\$ 627,427	\$ 10,899	\$ 638,326

Inventories

Inventories of the General Fund are recorded at cost and consist of gasoline, oil and office supplies held for consumption. Inventory acquisitions are recorded in the inventory account initially and are charged as expenditures when used. This amount is included in the General Fund nonspendable fund balance.

Compensated Absences

According to the union contracts between the City and its civil service employees, policemen and firemen, are granted the following compensated absences after one year of service:

	Civil Service	Police	Firemen
Personal leave	5 days	5 days	2 (24 hour) days
Sick leave	12 days	15 days	5 (24 hour) days
Vacation	10 days	10 days	4 (24 hour) days

Vacation days granted are increased on the basis of longevity of service to the maximum of 25 days. Vacation days do not vest. However, unused vacation days may be carried forward into the succeeding year upon approval by the department heads or Board of Public Safety. A carry forward of vacation time may not extend beyond the next succeeding year.

Sick leave vests for union employees to a maximum of 180 days. The firemen can elect annually to receive incentive pay for up to five days of sick leave credits. A police officer may accumulate an additional two days sick leave if, in the preceding calendar year, the officer used no sick leave, up to a maximum of 180 days. In the event a police officer shall already have the maximum 180 days accumulated, the City shall pay the officer an amount equal to the value of the two additional sick days. For civil service employees, the City will provide additional service credit upon retirement and a retirement bonus at a rate of \$10 per day up to a maximum of 180 days for unused sick days.

Personal leave does not vest except that personal leave not taken by the firemen prior to December 31st shall be paid in January based on the member's December 31st salary.

Payment of vacation and compensatory absences is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies - Continued

Compensated Absences - Continued

be made available for the payment of vacation and compensatory absences when such payments become due.

Program Revenues and Indirect Expenses

In the Statement of Activities, program revenues include fees, permits, bus fares, water and sewer charges and various local, state and federal operating and capital grants.

No indirect expenses are allocated to the various Governmental functions.

Operating and Non-Operating Revenues - Enterprise Fund

In the Statement of Revenues, Expenses and Changes in Net Position for the Transit System, operating revenues include bus fares and miscellaneous income.

Non-operating revenues include interest income and Federal, New York State and area local governmental municipalities operating assistance and grants to the Transit System. New York State Transit Operating Assistance (TOA) is recognized in the quarter that actual ridership and mileage have occurred. This differs from New York State which does not recognize this until the subsequent quarter when it is distributed. Project financing from U.S. Department of Transportation, Federal Transit Administration (FTA) and from NYS Department of Transportation, Transit Division, require audits of the financial information of the Transit System. In the event that an audit reveals an overpayment or an inappropriate payment of operating assistance funds, the Transit System will be required to reimburse the governmental grantor.

Transportation agreements have been entered into with the participating local governments which provide for the establishment, funding and management of the Transit System.

Postemployment Benefits

In addition to providing pension benefits, the City pays 100% of the health insurance costs for retired firemen, retired policemen and other retired contract employees. This expense totaled \$1,393,525 for 2017 for 175 retirees and is recognized as insurance premiums become due.

Deferred Contribution Plan

The City participates in the New York State deferred compensation plan under Section 457(b) of the Internal Revenue Code. All eligible employees are allowed to make regular contributions up to 100% of salary after required salary deductions. The minimum dollar contribution is \$10 per day. The maximum dollar contribution is \$18,000 (\$24,000 if age 50 or older) in 2017, indexed annually for inflation thereafter. The plan does not provide for an employer match.

Revenue Recognition, Property Taxes

Taxes for City purposes are based on City budget requirements. The City also bills and collects taxes levied by the Glens Falls City School District, the Abraham Wing Common School District, Crandall Public Library and Warren County. The City guarantees the collection of these levies and the unpaid taxes are included in the City's tax lien processing.

The City bills and collects taxes for the business improvement district. However, the City does not guarantee the collection of these levies.

As described in the preceding paragraph, City tax receivables consist in part of direct City tax revenues and in part of taxes initially levied for School District and County purposes. Therefore, deferred inflows of resources on the General Fund balance sheet at December 31, 2017 represent total taxes receivable

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies - Continued

Revenue Recognition, Property Taxes - Continued

owed to the City at that date, less the amount estimated to be available within the first 60 days of the subsequent year. The City may not levy taxes in excess of 2% of the average full valuation of real property for the previous five years. In addition, current New York State law limits the amount local governments can increase property taxes to the lower of 2% of the prior year's tax levy or the rate of inflation, unless they officially override the tax levy limitation by a 60% vote.

The following calendar pertains to City real property taxes as provided for by Article XII of the City Charter:

Taxable status date	March 1 st
Lien date	On or before January 1 st
Levy date	On or before January 15 th
Date taxes due	February 1 st , first installment June 1 st , second installment
Date penalty period begins	March 1 st and July 1 st
Delinquent tax lien date	November 1 st

Non-Property Taxes

The primary non-property tax item is sales tax. Sales tax is recorded as revenue in the General Fund when it is received and is adjusted for year end accruals.

Concentrations of Credit Risk

Financial instruments which potentially expose the City to concentrations of credit risk, as defined by Governmental Accounting Standards Board Statement No. 40, consist primarily of taxes receivable and tax liens which are secured by property values throughout the City.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance Reporting

The City has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which requires the City to record fund balance classifications for governmental funds, as follows:

Nonspendable fund balance – Amounts that are not in a spendable form such as inventory, prepaid expenses or long-term portions of loans receivable.

Restricted fund balance – Amounts subject to a constraint imposed by providers such as creditors, grantors, contributors or higher levels of government or through constitutional provisions or enabling legislation.

Committed fund balance – Amounts subject to a purpose imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year and that require the same level of formal action to remove the constraint.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Summary of Significant Accounting Policies - Continued

Fund Balance Reporting - Continued

Assigned fund balance – Amounts subject to a constraint that represents an intended use established by the government's highest level of decision-making authority or by their designated body or official, which is the Common Council.

Unassigned fund balance – Amounts available for any purpose, which are only found in the General Fund or as a deficit balance in any other fund.

Order of Use of Fund Balance

In determining the order that expenditures will be applied to the various classifications of fund balance, it is the City's policy to first determine the total fund balance that is nonspendable and to then determine the amount of restricted fund balance. Any remaining fund balance is first committed and/or assigned to a specific purpose. In the general fund the remaining balance is unassigned. Unassigned balances are available for general use. In addition, any deficit fund balance in any other fund is considered to be unassigned. Stabilization amounts may be formally set aside by the Common Council and may be used from any unassigned balance.

Restricted and Unrestricted Resources

The City's policy is to first apply restricted cash, if any, when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available. Within unrestricted resources, committed amounts and assigned are considered spent (if available) before unassigned.

Adoption of New Accounting Pronouncements

During the year ended December 31, 2017, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, which was effective for periods beginning after June 15, 2016. This standard requires that component units organized as not-for-profit corporations whose sole member is the primary government must be reported as a blended component unit. The Glens Falls Civic Development Corporation is such an entity and is reported as an enterprise fund in Exhibits H through J.

Future Impacts of Accounting Pronouncements

The City has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*; GASB Statement No. 83, *Certain Asset Retirement Obligations*; GASB Statement No. 84, *Fiduciary Activities*; GASB Statement No. 85, *Omnibus 2017*; GASB Statement No. 86, *Certain Debt Extinguishment Issues*; GASB Statement No. 87, *Leases*; GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, all effective after the year ended December 31, 2017. The City has not determined the impact that adopting these pronouncements will have on its financial position and results of operations.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Explanation of Certain Differences Between Governmental Fund Statements and City-Wide Statements

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the City-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the City's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

i. Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used in the Statement of Activities.

ii. Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported in governmental fund statements and the gain or loss on the sale of assets as reported in the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii. Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Stewardship, Compliance and Accountability

Violations of finance related legal and contractual provisions are discussed in a separate "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 OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Deficit Fund Balances

The following funds had a deficit fund balance at December 31, 2017:

Civic Center	\$ 8,273
Urban Renewal	125,958
Capital Projects:	
Sanford Street Pump Station	48,302
Luzerne Road Landfill Closure	6,568
Pruyns Island Project	16,987
Park Street Parking Garage	7,565,181
Ridge Street and Harrison Sewer	3,609,832
Water Source Improvements	275,889
Upper Hudson River Revitalization	191,576
Water Storage Tank Rehabilitation	36,296
Fire Road Rehabilitation	172,429
Downtown Green Infrastructure	2,340
East Field Capital Improvements	7,500

The Civic Center deficit will be covered by lease payments. The deficit in the Urban Renewal Fund will be relieved when the Urban Renewal Board determines where future funding will come from to repay the General Fund. The Luzerne Road Landfill Closure deficit should be relieved by reimbursements from New York State. The other project deficits will be relieved by future State and Federal Aid and debt issuances.

Restricted Assets

Enabling legislation requires that cash from debt proceeds be restricted for future debt service. This and other restricted cash are comprised of the following:

General Fund – seized cash	\$ 17,381
Water Fund – cash reserved for debt	1,721,040
Sewer Fund – cash reserved for debt	235,782
Debt Service Fund – cash reserved for debt	203,730
Special Grant Fund – cash held in escrow	5,097
Luzerne Road Landfill Closure Capital Project – cash reserved for debt	6,122
	<hr/>
Total governmental restricted cash – Exhibit C	<u>\$ 2,189,152</u>

In addition to cash, the City also has water rents receivable of \$420,274 restricted for debt reserve and prepaid bond interest of \$35,843. The sewer fund has \$466,769 of sewer rents receivable restricted for debt reserve. The debt service fund has \$14,349,546 in investments held in escrow for the refunding of long-term debt.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Changes in Capital Assets

A summary of changes in capital assets is as follows:

	Balance 1/1/17	Additions	(Deletions)/ Reclassifications	Balance 12/31/17
Non-depreciated Assets:				
Land	\$ 2,669,936	\$ -	\$ -	\$ 2,669,936
Construction in progress	15,899,192	4,261,496	-	20,160,688
Capital Assets Being Depreciated:				
Infrastructure	135,945,897	5,730	-	135,951,627
Buildings and improvements	35,679,220	141,438	-	35,820,658
Equipment and vehicles	24,698,003	553,828	(42,764)	25,209,067
Total cost	214,892,248	4,962,492	(42,764)	219,811,976
Glens Falls Urban Renewal Land	-	-	-	-
Total cost	214,892,248	4,962,492	(42,764)	219,811,976
Less: Accumulated Depreciation:				
Infrastructure	61,072,023	1,853,803	-	62,925,826
Buildings and improvements	15,202,950	802,065	-	16,005,015
Equipment and vehicles	10,784,132	1,056,943	(36,858)	11,804,217
Total accumulated depreciation	87,059,105	3,712,811	(36,858)	90,735,058
Total cost, net	\$ 127,833,143	\$ 1,249,681	\$ (5,906)	\$ 129,076,918

Depreciation was charged to governmental funds as follows:

General Government	\$ 89,274
Public Safety	133,593
Transportation	936,673
Economic Development	6,074
Cultural and Recreational	374,029
Home and Community Services	2,173,168
Total	\$ 3,712,811

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Changes in Capital Assets - Continued

Enterprise Fund (Greater Glens Falls Transit System):

	Balance 1/1/17	Net Adjustments Additions (Deletions)	Balance 12/31/17	Accumulated Depreciation 12/31/17	Net Balance 12/31/17
Land	\$ 85,000	\$ -	\$ 85,000	\$ -	\$ 85,000
Buildings	1,778,014	-	1,778,014	(1,026,280)	751,734
Machinery and equipment	4,889,378	365,797	5,255,175	(4,033,264)	1,221,911
Improvements other than buildings	236,791	-	236,791	(175,236)	61,555
Total	<u>\$6,989,183</u>	<u>\$ 365,797</u>	<u>\$7,354,980</u>	<u>\$ (5,234,780)</u>	<u>\$2,120,200</u>

Depreciation expense for 2017 totaled \$344,937 for the Enterprise Fund.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services. These transactions are recorded as interfund transfers and expenditures in the respective funds. Individual interfund receivable and payable balances at December 31, 2017, arising from these transactions were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 378,148	\$ 798,933
Special Revenue Funds:		
Water Fund	783,565	10,751
Sewer Fund	1,176,230	102,309
Capital Projects Funds:		
Neighborhood Code Enforcement	41,000	-
Pruyns Island Project	-	16,987
WWTP Bypass and Screening	-	236,766
WWTP Aeration	-	284,836
Sanford Street Pump Station	-	49,190
Luzerne Road Landfill Closure	-	17,000
Ridge Street and Harrison Sewer	-	187,527
Water Source Improvements	-	274,848
Water Storage Tank Rehabilitation	-	36,296
Fire Road Improvements	-	172,429
Downtown Green Infrastructure Project	-	2,340
East Field Improvements	-	7,500
Glens Falls Urban Renewal (blended component unit)	-	173,063
Governmental Funds	<u>2,378,943</u>	<u>2,370,775</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Interfund Transactions - Continued

Fiduciary Funds:		
Agency Funds	-	8,168
	<hr/>	<hr/>
Total	\$ 2,378,943	\$ 2,378,943

The interfund balances between the City of Glens Falls' records and the Greater Glens Falls Transit System's (an enterprise fund) records may have immaterial differences due to differences in classification between the entities. For the year ended December 31, 2017, the difference is \$285.

The City made the following transfers during 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 12,728	\$860,568
Special Revenue Funds:		
Water Fund	-	95,531
Sewer Fund	-	73,500
Civic Center Fund	724,992	-
Debt Service Fund	10,133	2,545
Capital Projects Funds		
WWTP Aeration	32,340	-
WWTP Bypass	41,160	-
Civic Center Basketball Floor	2,545	-
Water Towers	95,531	-
Civic Center Capital Improvement Project	10,576	35,333
Park Street Parking Garage	150,200	-
	<hr/>	<hr/>
Governmental Funds	1,080,205	1,067,477
Fiduciary Funds:		
Permanent Trust Fund	-	12,728
	<hr/>	<hr/>
Total	\$ 1,080,205	\$ 1,080,205

Property held for Resale

Property held for resale involves two parcels acquired by the Glens Falls Urban Renewal Agency, one of which was acquired for unpaid taxes of \$26,250. The taxes will be paid to the City upon sale of the parcel.

Fund Balances

The City has implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type definitions. The various categories are presented in the Governmental Fund Statements, as follows:

Nonspendable amounts represent inventory, prepaid expenses and a long-term receivable. December 31, 2017 balances include general fund inventory of \$18,910, prepaid expenses of \$53,830, and a long-term receivable of \$146,813 and water fund prepaid expenses of \$35,843.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Fund Balances - Continued

Assigned amounts include the following:

Encumbrances or commitments for expenditures are comprised of General Fund encumbrances of \$35,425, as well as appropriated fund balance of \$396,000 in the General Fund and \$4,663,898 positive fund balances for Special Revenue funds.

Restricted fund balances represent amounts restricted for public safety, the repayment of long-term debt, and capital projects, of \$17,381 in the General Fund, \$2,141,313 in the Water Fund, \$702,551 in the Sewer Fund, \$14,553,276 in the Debt Service Fund and \$3,205,194 in the Non-Major funds.

Indebtedness

Retirement Plan

The City of Glens Falls participates in the New York State and Local Employees' Retirement System (ERS) and New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as New York State and Local Retirement System (the System). These are cost-sharing multiple-employer defined benefit retirement systems. 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 fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. 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 of Glens Falls 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 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, NY 12244.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and 2 members who worked continuously from April 1, 1999 through October 1, 2000, received an

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Retirement Plan - Continued

Benefits Provided - Continued

additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary, for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Retirement Plan - Continued

Benefits Provided - Continued

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans were available to certain PFRS members, sheriffs and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset of any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

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

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL,

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Retirement Plan - Continued

Benefits Provided - Continued

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.

Contributions for the current year and two preceding years were as follows:

	<u>Police and Fire Retirement</u>	<u>Other Employee Retirement</u>
2017	\$ 1,091,094	\$ 876,064
2016	1,089,497	910,999
2015	999,505	969,111

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

For State fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.

For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and previous graded rate.

For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The total unpaid liability for this law at the end of 2017 was \$1,163,660, which is recorded as long-term debt.

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

At December 31, 2017, the City reported a liability of \$4,126,807 for its proportionate share of the net pension liability. \$3,888,318 is included in the governmental activities and \$238,489 is included in the Transit System Enterprise Fund. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Retirement Plan - Continued

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

As of December 31, 2017, the City of Glens Falls proportion was .0158634 percent for ERS and .1271920 percent for PFRS.

For the year ended December 31, 2017, the City of Glens Falls recognized pension expense of \$2,358,726. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 383,182	\$ 681,835
Changes of assumptions	1,807,998	-
Net difference between projected and actual earnings on pension plan investments	691,445	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	195,258	377,033
Employer contributions subsequent to the measurement date	<u>1,475,369</u>	<u>-</u>
Totals	<u>\$ 4,553,252</u>	<u>\$ 1,058,868</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Retirement Plan - Continued

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

\$657,048 reported as deferred outflows of resources related to pensions for ERS and \$818,321 deferred inflows of resources related to pensions for PFRS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>PFRS</u>
Years ending December 31,		
2018	\$ 322,133	\$ 436,978
2019	322,133	436,978
2020	286,081	407,592
2021	(183,944)	(60,136)
2022	-	51,199
Total	<u>\$ 746,403</u>	<u>\$ 1,272,611</u>

Actuarial Assumptions

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

	<u>ERS</u>	<u>PFRS</u>
Inflation	2.5%	2.5%
Salary increases	3.8%	4.5%
Investment rate of return (net of investment expense, including inflation)	7.0%	7.0%
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, 2016, valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Retirement Plan - Continued

Actuarial Assumptions - Continued

investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by 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 as of March 31, 2017 are summarized below:

<u>Asset Class</u>	
Domestic equity	4.55%
International equity	6.35%
Private equity	7.75%
Real estate	5.80%
Absolute return strategies	4.00%
Opportunistic portfolio	5.89%
Real assets	5.54%
Bonds and mortgages	1.31%
Cash	(.25)%
Inflation-indexed bonds	1.50%

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City of Glens Falls' 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:

	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability:			
ERS	\$ 4,760,550	\$ 1,490,559	\$(1,274,212)
PFRS	<u>7,473,609</u>	<u>2,636,248</u>	<u>(1,421,114)</u>
Total	<u>\$12,234,159</u>	<u>\$ 4,126,807</u>	<u>\$(2,695,326)</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Retirement Plan - Continued

Pension Plan Fiduciary Net Position

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

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
	(Dollars in Thousands)		
Employers' total pension liability	\$177,400,586	\$31,670,483	\$209,071,069
Fiduciary net position	(168,004,363)	(29,597,830)	(197,602,193)
Employers' net pension liability	<u>\$ 9,396,223</u>	<u>\$ 2,072,653</u>	<u>\$ 11,468,876</u>
Ratio of plan net position to the employers' total pension liability	94.7%	93.5%	94.5%

Liability to the New York State Retirement System

The City accrues 75% of the pension invoice for the pension year ended March 31, 2018, in the amount of \$1,475,369, in accordance with the requirements of the New York State Comptroller at December 31, 2017.

Due to Other Governments

The City acts as a tax enforcement agent for certain school districts and Warren County, which is accounted for in the general fund. The liability for "due to other governments" in the General and Special Revenue funds represents amounts owed at December 31, 2017 as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Due to City School Districts – as tax agent	\$ 1,046,955	\$ -	\$ 1,046,955
Due to H.U.D. – interest	<u>-</u>	<u>46</u>	<u>46</u>
Total	<u>\$ 1,046,955</u>	<u>\$ 46</u>	<u>\$ 1,047,001</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Short and Long-Term Liabilities - Governmental Activities

	Fund Debt Retired By	Payable at January 01, 2017	Issued	Payments/ Amortization	Payable at December 31, 2017	Due Within One Year
Bond Anticipation Notes	Capital Projects	\$12,997,315	\$ 2,499,828	\$ 3,952,210	\$11,544,933	\$11,544,933
General Obligation Bonds	Debt Service	38,506,138	-	1,341,394	37,164,744	1,361,947
Bond Premiums		921,423	-	38,393	883,030	38,393
State Loans	General Water Sewer	7,014,125	4,455,296	577,445	10,891,976	512,445
Capital Leases	General Water Sewer	9,072,870	396,064	920,115	8,548,819	978,794
OPEB Liability	General Water Sewer	22,176,093	5,122,300	1,447,331	25,851,062	-
Retirement Plans	General Water Sewer	1,371,922	-	208,262	1,163,660	210,070
Pension Liability	General Water Sewer	6,082,817	-	2,194,499	3,888,318	-
Total		\$98,142,703	\$12,473,488	\$10,679,649	\$99,936,542	\$ 14,646,582

Total interest expense for the year ended December 31, 2017, was \$2,394,987.

Bond Anticipation Notes

Liabilities for the bond anticipation notes (BAN's) are accounted for in the General, Capital Projects and Special Revenue funds. Debt service expenditures are recorded in the fund that benefitted from the capital project financed by the note; i.e. the General Fund and Special Revenue funds. State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. The following BAN's were outstanding at December 31, 2017:

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Bond Anticipation Notes - Continued

Ridge Street and Harrison Sewer Project short-term New York State loans due February 11, 2018, with 0% interest. The balance was refinanced on February 11, 2018, with a new due date of February 11, 2019.	\$ 3,169,933
Park Street Parking Garage Project bond anticipation note due June 8, 2018, with interest at 1.4%.	7,575,000
Upper Hudson River Revitalization Project bond anticipation note due August 15, 2018, with interest at 2.05%.	<u>800,000</u>
Total Bond Anticipation Notes Payable	<u>\$ 11,544,933</u>

General Obligation Bonds

\$3,505,000 general improvement serial bond, due in annual installments of \$140,000 in 2004, \$145,000 in 2005 and additional annual installments ranging from \$155,000 to \$300,000 through 2018, with variable interest between 5.125% and 5.250%.	\$ 300,000
\$5,315,000 public improvement serial bonds, due in annual installments of \$145,000 in 2010, increasing by \$5,000 each subsequent year thereafter through 2032, with variable interest between 3.5% and 4.15%. The City entered into an agreement in May, 2016 to refund the bonds that will be due after the City's January, 2018 principal payment. See refunding note.	3,985,000
\$11,912,900 public improvement serial bonds, due in annual installments of \$207,900 in 2012, \$215,000 in 2013 and additional annual installments ranging from \$225,000 to \$675,000 through 2041, with variable interest between 5% and 6%. The City entered into an agreement in May, 2016 to refund the bonds that will be due after the City's February, 2018 principal payment. See refunding note.	10,530,000
\$1,438,426 statutory installment bond, due in annual installments of \$47,947 through 2041, with interest at 0%.	1,150,744
\$1,950,000 public improvement serial bonds, due in annual installments of \$30,000 in 2014, \$35,000 in 2015 and additional annual installments ranging from \$35,000 to \$115,000 through 2043, with variable interest between 4.5% and 4.75%.	1,815,000
\$968,768 EFC clean water statutory installment bond due in annual installments ranging from \$32,000 to \$33,768 through 2045, at 0% interest.	902,000
\$1,663,679 EFC clean water statutory installment bond due in one installment of \$56,679 and remaining annual installments of \$56,000 through 2046, at 0% interest.	1,607,000

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

General Obligation Bonds - Continued

\$2,548,000 public improvement bonds due in installments ranging from \$108,000 to \$154,000 through 2035, at interest rates ranging from 1.75% through 4.5%. 2,440,000

\$14,515,000 public improvement refunding bonds due in annual installments ranging from \$80,000 to \$85,000 through January, 2019, \$565,000 to \$815,000 from 2018 through 2032; and \$495,000 to \$555,000 from 2033 through 2041, at interest rates ranging from 1.5% to 4%. 14,435,000

Total General Obligation Bonds \$ 37,164,744

Bond Refunding

On May 4, 2016, \$14,515,000 in bonds were issued for the purpose of refunding two outstanding bond issues. A 2009 bond issue had a balance of \$4,175,000 and a 2011 bond issue had a balance of \$10,785,000 at December 31, 2016. The refunding will not be a legal defeasance until each bond's first call date in 2018. The first bond is to be redeemed on January 15, 2018, for \$3,790,000 plus interest on this balance from the date of the refunding bond issue. The second bond is to be redeemed on February 1, 2018 for \$10,265,000 plus interest on this balance from the date of the refunding bond issue. Securities in the amount of \$15,286,740 were to be held by an escrow agent and this amount and earnings thereon were to be used to pay the refunding balance and related interest. Because the City's entire debt obligation is not relieved by the refunding, the debt is not considered to be either a legal or in-substance defeasance. It is, therefore, a crossover refunding. The crossover dates are the dates at which both bond issues and the interest thereon are fully paid. As a crossover refunding, both old and new bond issues remain on the books until the crossover date, along with the cash and investments held in the escrow account.

At December 31, 2017, the securities held in escrow in the amount of \$14,349,546, are invested in U.S. Treasury Notes (level one). For the year ended December 31, 2017, the securities earned interest of \$115,729, realized loss on sales of \$728 and the escrow agent paid \$711,458 in interest on the bonds to be refunded in the future on behalf of the City of Glens Falls.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Bond Refunding - Continued

The premium on the new bond issue will be amortized over the life of the new debt, of approximately 25 years and will be \$25,595 for the first partial year, \$38,393 for each full year and \$12,798 for the final year. The premium is added to the long-term debt balance in the City-wide financial statements. Amortization of the bond premium deducted from interest expense for the year ended December 31, 2017, was \$38,393.

State Loans

\$7,832,770 NYS EFC Series 2003 F loan due in annual installments ranging from \$330,000 to \$495,000 through 2023, with interest at 3.77%.	\$ 2,750,000
\$3,704,306 NYS EFC Series 2011 long-term direct loan due in annual installments of \$150,000 in 2011, \$110,000 in 2012 and additional annual installments ranging from \$104,306 to \$170,000 through 2039, with variable interest between .223% and 4.746%.	2,900,000
\$1,494,020 NYS EFC Series 2005 long-term direct loan due in annual installments of \$52,445 through 2032, with interest at 2.11%.	786,680
\$4,455,296 NYS EFC Clean Water Statutory Installment Bond 2017 long-term bonds due in annual installments ranging from \$148,000 to \$150,896 through 2047, with no stated interest. The City has cash held by a fiscal agent in the amount of \$701,486, which represents debt proceeds not yet drawn down. This amount is included in nonmajor funds cash and cash equivalents.	<u>4,455,296</u>
Total State Loans	<u>\$ 10,891,976</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Capital Lease Obligations

Recreation center energy performance capital lease with Real Lease, Inc., due in quarterly installments ranging from \$3,967 to \$9,168 through December, 2024, with interest at 5.29%.	\$ 213,374
Wastewater treatment facility refinancing capital lease with Manufacturers and Traders Trust Company, due in quarterly installments of \$54,074 through June, 2025, with interest at 5.29%.	1,331,916
Wastewater treatment facility energy performance refinancing capital lease with ESCO, due in quarterly installments of \$223,227 through June, 2026, with interest at 4.95%.	6,175,310
Dump truck capital lease with Mercedes-Benz Financial Services USA, LLC, due in annual installments of \$24,998 through August, 2019, with interest at 2.63%.	48,069
Bobcat mini excavator capital lease with Robert H. Finke & Sons, Inc., due in annual installments of \$11,485 through March, 2018, with interest at 4.91%.	10,947
Bobcat skid steer loader capital lease with Robert H. Finke & Sons, Inc., due in annual installments of \$6,271 through January, 2018, with interest at 4.91%.	5,977
Loader capital lease with Deer Credit, Inc., due in annual installments of \$21,396 through July, 2019, with interest at 3.25%.	41,320
2015 F250 truck capital lease with Ford Credit, due in annual installments of \$6,894 through May, 2020, with interest at 5.75%.	18,513
2016 Ford F350 truck capital lease with Ford Credit, due in annual installments of \$7,200 through June, 2021, with interest at 5.85%.	25,034
2016 Freightliner capital lease with Mercedes-Benz Financial Services USA, LLC, due in annual installments of \$29,653 through September, 2022, with interest at 3.27%.	134,698
Capital lease of 2 tandem trucks with First Niagara Bank, due in annual installments of \$55,008 through July, 2021, with interest at 2.79%.	205,503
Capital lease of a Ford transit vehicle with Ford Motor Credit Company, LLC, due in monthly installments of \$465, through May, 2022, including interest at 5.45%.	21,863
Street sweeper lease with ROC Leasing, LLC, due in annual installments of \$21,857 through March, 2026, including interest at 3.80%.	164,003
Backhoe loader lease with JCB Finance, due in annual installments of \$17,907 through April, 2021, including interest at 3.10%.	66,330
Capital lease of a mower with Univest Capital, Inc., due in annual installments of \$7,580, through January, 2022, including interest at 4.96%.	33,191

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Indebtedness - Continued

Capital Lease Obligations - Continued

Capital lease of two trucks with Carbone Auto Group, due in monthly installments totaling \$998, through January, 2021, including interest at 6.76%.	33,253
Ford F0150 Truck lease with First Niagara Leasing, Inc., due in annual installments of \$6,895, through August, 2020, including interest at 2.96%.	<u>19,518</u>
Total Capital Leases	<u>\$ 8,548,819</u>

The capitalized cost of the equipment under capital lease is \$16,977,200 at December 31, 2017, and is included in capital assets on the Statement of Net Position. The accumulated depreciation on the equipment as of December 31, 2017, was \$4,770,470.

The aggregate maturities of bonds, state loans and capital lease obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,853,186	\$ 1,878,878	\$ 4,732,064
2019	3,093,463	1,773,874	4,867,337
2020	3,138,876	1,669,909	4,808,785
2021	3,233,026	1,564,727	4,797,753
2022	3,254,268	1,446,123	4,700,391
2023-2027	13,744,220	5,509,322	19,253,542
2028-2032	11,070,970	3,658,075	14,729,045
2033-2037	8,299,740	1,976,245	10,275,985
2038-2042	6,746,795	552,728	7,299,523
2043-2047	<u>1,170,995</u>	<u>5,463</u>	<u>1,176,458</u>
Total	<u>\$ 56,605,539</u>	<u>\$ 20,035,344</u>	<u>\$ 76,640,883</u>

Retirement Plan Obligations

The aggregate maturities of all retirement plan debt are as follows:

	<u>Principal</u>
2018	\$ 210,070
2019	210,070
2020	212,801
2021	205,584
2022	166,215
2023-2025	<u>158,920</u>
Total	<u>\$ 1,163,660</u>

Other Liabilities

An interest-free loan payable for \$175,000 for a video/scoreboard was due to the Civic Center's operator in five annual installments of \$35,000 beginning February 28, 2012. The final payment was written off during 2017 as a result of a dispute related to the delivery of the equipment.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Tax Abatement Agreements

Statement No. 77 of the Governmental Accounting Standards Board, "*Tax Abatement Disclosures*" requires governments that enter into tax abatement agreements to disclose certain information relating to those agreements.

As of December 31, 2017, the City of Glens Falls has entered into one agreement with an automobile dealership to reduce their taxes by \$37,749 a year beginning in 2014 through 2018 in exchange for the dealership's payment for the replacement of sewer lines to their facility. The tax abated for 2017 was \$37,905. The agreement involves the payment of City, School and County taxes

As of December 31, 2017, the City of Glens Falls Industrial Development Agency provides tax abatements related to the City of Glens Falls property taxes through 9 agreements in connection with its economic development program. The economic development program offers incentive packages to attract new business to the City. Tax abatements may be offered to a company agreeing to relocate to the City or to establish a new business within the City. The programs generally involve the construction and/or rehabilitation of real property within the City limits. The City of Glens Falls Industrial Development Agency provides for payments in lieu of taxes. Most agreements last approximately 10 years. Of the 9 agreements in effect in 2017, the expiration dates range from 2018 through 2031. The amount of city property tax abated by the economic development construction and rehabilitation program was \$93,890 for the year ended December 31, 2017.

Risk Management and Commitments

Workers' Compensation

The City of Glens Falls incurs costs related to a self-funded workers' compensation insurance plan coordinated by Warren County. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities. During the year ended December 31, 2017, the City incurred premiums or contribution expenditures totaling \$235,034. Payments of claims and claims adjustment expenses attributable to insured events of 2017 paid by the Plan on behalf of the City totaled \$105,097. The City's share of contributed reserve (deficit) held by the Plan totaled \$(170,951) which compares unfavorably to the amount of actuarial reserve computed for the City's share of open claims filed through December 31, 2017, of \$80,309.

Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the City to perform certain remediation and monitoring functions at its closed landfill for thirty years after closure.

Total cost for the landfill closure and postclosure care costs are estimated to be \$5,906,500 at Luzerne Road, Queensbury, New York. The City's share is estimated to be \$1,642,200 which is 25% of eligible costs and 100% of ineligible costs. It is anticipated that the state will reimburse the City for 75% of eligible costs under a Department of Environment and Conservation Grant.

Landfill closure or postclosure care expenditures of \$1,084 were recognized in 2017.

On February 2, 2001, the Common Council authorized the Controller's Office to establish a Capital Project for the closure of the Luzerne Road Landfill in the amount of \$4,460,000 to be financed by a bond issuance. On July 19, 2001, the Common Council approved the issuance of \$4,460,000 serial bonds for this purpose. As of the date of this report, the bonds have not been issued.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Postemployment Benefits

In addition to providing pension benefits, the City provides certain health care and life insurance benefits for retired employees. Retiring employees must meet age and retirement criteria to be eligible for the benefits, based upon collective bargaining agreements between the City and CSEA, Firefighters and Police employees.

Postemployment Healthcare Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In prospectively adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2008, the City recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows.

Recognition of the liability accumulated from prior years is recognized in a thirty year amortization schedule, commencing with the 2008 liability.

Other Postemployment Benefits (OPEB)

Plan Description

The City of Glens Falls (the "City") administers the City of Glens Falls Retiree Medical Plan (the "Plan") as a single-employer defined benefit Other Postemployment Benefit Plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

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

Accounting Policy

The accrual basis of accounting is used. The fair market value of assets, if any, is determined by the market value of assets paid by a willing buyer to a willing seller.

Other Disclosure Information

The Schedule of Funding Progress presents multiyear trend information that is useful in determining whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability. The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the matter of cost-sharing between the employer and plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Other Postemployment Benefits (OPEB) - Continued

<u>Annual OPEB Cost</u>	<u>Fiscal Year Ended December 31, 2017</u>
Normal cost	\$ 2,336,286
Amortization of unfunded actuarial accrued liability	3,613,426
Annual Required Contribution (ARC)	<u>5,949,712</u>
Interest on OPEB obligation	967,486
Adjustments to ARC	<u>(1,398,746)</u>
OPEB expense	<u>\$ 5,518,452</u>

<u>Reconciliation of Net OPEB Obligations</u>	<u>Fiscal Year Ended December 31, 2015</u>	<u>Fiscal Year Ended December 31, 2016</u>	<u>Fiscal Year Ended December 31, 2017</u>
Net OPEB obligation at the beginning of the year	\$ 16,416,627	\$ 20,213,698	\$ 24,187,157
OPEB expense	5,546,883	5,311,438	5,518,452
Net OPEB contributions made during the fiscal year*	<u>(1,749,812)</u>	<u>(1,337,979)</u>	<u>(1,473,753)</u>
Net OPEB obligation at the end of the year	<u>\$ 20,213,698</u>	<u>\$ 24,187,157</u>	<u>\$ 28,231,856</u>

*Percentage of expense contributed (estimated)	31.5%	25.2%	26.7%
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Of the net OPEB obligation, \$25,851,062 has been recorded in the Statement of Net Position as a non-current liability due in more than one year in the governmental activities column and \$2,380,794 has been recorded as a non-current liability due in more than one year in the Transit Fund shown in the business-type activity column.

<u>Schedule of Funding Progress</u>	<u>Actuarial Valuation Date January 01, 2017</u>
Actuarial accrued liability	\$ 62,483,477
Actuarial value of assets	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 62,483,477</u>
Funded Ratio (Actuarial value of assets/Actuarial accrued liability)	0%

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

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Other Postemployment Benefits (OPEB) - Continued

of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverages are “community-rated” and annual premiums for community-rated coverages were used as a proxy for claims without age adjustment. 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.

As of January 1, 2017, the most recent (updated) actuarial valuation, the liabilities were computed using the projected unit credit method with a thirty year amortization. The actuarial assumptions utilized a 4% discount rate. The valuation assumes a variable healthcare cost trend inflation rate ranging from 10.5% down to 3.886% and a postretirement benefit increase of 0% for contract migration.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and, consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities.

Deferred Inflows of Resources

Deferred inflows of resources represent \$595,183 of taxes collected in advance in the General Fund. Deferred inflows of resources for the Water and Sewer Funds represent fees received in advance of \$5,367 and \$7,993, respectively. In the Special Revenue Fund, \$160,905 represents cash and loans receivable to be used in the future for program purposes.

Rental of Civic Center With an Option to Purchase

On December 31, 2014, the City of Glens Falls executed an agreement with The Adirondack Civic Center Coalition, Inc. to lease the Civic Center facility for a period of five years, terminating December 30, 2019, with an option to purchase the facility expiring on that date. Total lease payments are nonrefundable, but would be applied to the purchase price upon the exercise of the option. The purchase price is the total of the lease payments. A total of \$300,000 was due at the signing of the lease with payments of \$150,000 due on or before June 15, 2015; and \$50,000 each on June 15 for the years 2016 through 2018. All operations of the Civic Center and all agreements entered into by the City of Glens Falls for the operation of the Civic Center were transferred to The Adirondack Civic Center Coalition, Inc. on the date of the agreement, except for storm damage which occurred at approximately the time of the execution of the lease. The City repaired the damage and received an insurance recovery of approximately \$550,000.

Future minimum lease payments to be received are as follows:

Years ending December 31, 2018	<u>\$ 50,000</u>
Total	<u>\$ 50,000</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Detail Notes to Discretely Presented Component Units

Industrial Development Agency

Business Activity

The Agency was created in 1976 by the Common Council of the City of Glens Falls, New York to operate independently for the purpose of encouraging economic growth within the City of Glens Falls, New York.

Income Taxes

The Agency, although established by the Common Council of the City of Glens Falls, operates as an independent entity and is exempt from federal, state and local income taxes.

Basis of Accounting

The accounts of the Agency are maintained on the accrual basis of accounting.

Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the City. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. The Agency had no outstanding revenue bonds and notes as of December 31, 2017.

Cash Deposits and Investments

The Agency's investment policies are governed by statutes of the State. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Treasurer of the Agency is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and obligations of the State or its localities. At December 31, 2017, the Agency had no investments.

Collateral is required for demand deposits and certificates of deposit of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States of America and its agencies and obligations of the State and its municipalities and school districts. At December 31, 2017, the Agency's cash and cash equivalent balances were under the FDIC's limit.

Revenue Recognition

Revenues are recognized when earned and expenses are recognized when incurred. The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the Agency. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Detail Notes to Discretely Presented Component Units - Continued

Greater Glens Falls Local Development Corporation (LDC)

Business Activity

The LDC was created in 1989 to make revolving loans for the purpose of enhancing the redevelopment and further development of the central business district of the City of Glens Falls. Its primary source of operating revenue is from interest payments on loans issued and Federal and New York State grant revenue. The LDC's primary source of non-operating revenue is interest earned on time deposits.

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code. As of December 31, 2017, the tax years that remain subject to examination by taxing authorities begin with 2014.

Basis of Accounting

The LDC maintains its accounts on the accrual basis of accounting.

Cash Deposits and Investments

The LDC's investment policies are governed by statutes of the State. LDC monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The LDC 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. At December 31, 2017, the LDC had no investments.

Custodial credit risk is the risk that in the event of a bank failure, the LDC's deposits may not be returned to it. While the LDC does not have a specific policy for custodial credit risk, New York State statutes govern the LDC's investment policies, as described above. At December 31, 2017, the LDC's cash and cash equivalent balances were collateralized and insured as follows:

Total on deposit	\$ 319,276
Insured by FDIC	(250,000)
Collateralized by an irrevocable standby letter of credit by a financial institution	<u>(69,276)</u>
Amount at risk	<u>\$ -</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Detail Notes to Discretely Presented Component Units - Continued

Greater Glens Falls Local Development Agency (LDC) - Continued

Loans Receivable

Loans receivable consisted of the following at December 31:

	Temporarily Restricted		Unrestricted
	USDA	CDBG	
Loaned \$40,000 in November, 2014, due in monthly payments of \$654, including interest at 5.5% through November, 2020.	\$ 21,643	\$ -	\$ -
Loaned \$150,000 in May, 2014, due in monthly payments of \$1,573, including interest at 4.75%, through May, 2021, when a balloon payment is due.	104,208	-	-
Loaned \$10,000 in March, 2014, due in monthly payments of \$188, including interest at 4.75%, through March, 2019.	-	2,902	-
Loaned \$30,000 in September, 2015, due in monthly payments of \$438, including interest at 6%, through August, 2022.	-	21,188	-
Loaned \$75,000 in August, 2015, due in monthly payments of \$811, including interest at 5%, through May, 2025.	-	-	60,246
Loaned \$25,000 in June, 2014, due in monthly payments of \$574, including interest at 4.85%, through June, 2018.	-	3,396	-
Loaned \$33,000 in December, 2017, due in monthly payments of \$261, including interest at 5% through December, 2032.	33,000	-	-
Total loans receivable	158,851	27,486	60,246
Less: current portion	(23,145)	(9,839)	(6,852)
Loans receivable, net of current portion	\$ 135,706	\$ 17,647	\$ 53,394

No loans are delinquent and they are all considered to be 100% collectible, therefore, no allowance for doubtful accounts was established. However, the LDC was advised by the USDA that it must establish a reserve of 6% of the outstanding loan balances financed by a USDA loan (see long-term debt footnote). At January 1, 2017, the required amount was \$8,721. This amount was transferred to a reserve bank account in 2018. The reserve at 2017 would increase to \$9,531.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Detail Notes to Discretely Presented Component Units - Continued

Greater Glens Falls Local Development Agency (LDC) - Continued

Revenue Recognition

Revenues are recognized when earned and expenses are recognized when incurred. The LDC distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the LDC. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital Assets

Capital assets at December 31, 2017, include the following:

Incubator property is owned in a joint venture with four other municipal and not-for-profit organizations. The LDC originally acquired this warehouse building with the intention of using it to house start-up businesses that would share common services. The LDC has since determined that this will not be feasible and is exploring other uses for the property. This property is not being depreciated because it is not in use. The costs recorded are those incurred only by the LDC.

Tech Meadows Campus and Infrastructure is a parcel of land in Glens Falls, NY that has been developed by the LDC to attract manufacturing and other businesses. The Campus consists of six building lots which will be sold to business entities that construct and operate their facilities on the site. The infrastructure consists of roads, water, sewer, and utilities to make the lots ready for immediate development. The LDC uses the modified approach to account for infrastructure assets and is not required to report depreciation expense on those assets. The cost of maintaining the infrastructure is expensed as incurred. Costs to develop the parcels are capitalized as incurred. No depreciation expense is recorded.

Long-Term Debt

Note payable to United States Department of Agriculture, in annual installments of \$9,169, including interest at 1% and secured by cash, loans receivable and the remaining assets of the corporation and related agencies, maturing October, 2041.

\$ 155,219

Less: current portion

(7,617)

Long-term debt, net of current portion

\$ 147,602

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Detail Notes to Discretely Presented Component Units - Continued

Greater Glens Falls Local Development Agency (LDC) - Continued

Long-Term Debt - Continued

The aggregate maturities of LDC long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 7,617	\$ 1,552	\$ 9,169
2019	7,693	1,476	9,169
2020	7,770	1,399	9,169
2021	7,848	1,321	9,169
2022	7,926	1,243	9,169
2023-2027	40,835	5,010	45,845
2028-2032	42,918	2,927	45,845
2033-2037	32,612	770	33,382
	<u>\$ 155,219</u>	<u>\$ 15,698</u>	<u>\$ 170,917</u>
Total	<u>\$ 155,219</u>	<u>\$ 15,698</u>	<u>\$ 170,917</u>

Total interest expense recognized for 2017 was \$1,380.

USDA Intermediary Relending Program

The LDC entered into the loan agreement noted above on November 24, 2011 with the U.S. Department of Agriculture for \$216,000 to be paid back over 30 years at a fixed rate of 1%. Interest only was paid for the first two years. Principal and interest payments are being made in 27 equal annual installments with any remaining balance being paid 30 years from the date of the note. A stipulation of this program is that the LDC must match a portion of the loan. The LDC's matching requirement was \$54,000, making the program funds total \$270,000. As of December 31, 2017, the LDC had drawn down \$178,400 and made three loans.

Deferred Inflows of Resources

Deferred inflows of resources represents revenue not yet earned in the form of an advance payment for a study that had not been started as of December 31, 2017; therefore, the advance of \$18,675 was recorded as deferred revenue. The LDC expects to use the monies in 2018.

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017, were available for the following purposes:

For economic development activities in accordance with the U.S. Department of Housing and Urban Development (HUD) Guidelines (CDBG).	\$ 158,780
To be used to make loans for U.S. Department of Agriculture (USDA) eligible projects in the City of Glens Falls. This is a revolving account, as the loans are repaid, the fund is replenished.	75,574
To be used for a grant on Warren Street.	24
Funds accumulated from area businesses and municipalities to develop a small business incubation building in the City of Glens Falls. Of the total, \$646,635 in restricted assets, \$329,961 was invested in capital assets.	<u>412,257</u>
Total net of capital assets	<u>\$ 646,635</u>

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Detail Notes to Discretely Presented Component Units - Continued

Greater Glens Falls Local Development Agency (LDC) - Continued

Temporarily Restricted Net Assets - Continued

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the donors' restricted purposes or by occurrence of other events specified by donors resulting in the following decrease in temporarily restricted net assets:

Small business incubation and miscellaneous local grants	<u>\$ 5,493</u>
--	-----------------

Contingent Loss

The LDC owns "Brownfield" property with a cost of \$329,961, part of which was covered by federal and state grants. It was appraised for only \$115,000 in 2011 (level 2); thus the LDC may incur a loss upon sale. It is not expected to have increased in value since 2011. No loss has been recorded due to the fact that the actual sale price that may be received in the future is indeterminable, in addition to the fact that the City may find an alternative use for the property in the future.

City of Glens Falls Civic Development Corporation (CDC)

Business Activity

The CDC was created in 2011 by the Common Council of the City of Glens Falls, New York, to operate independently for the purpose of encouraging economic growth within the City of Glens Falls, New York. The CDC accomplishes its purpose through arranging for issuance of tax-exempt bonds on behalf of non-profit civic organizations and assisting those organizations through grants of funds and loans.

Income Taxes

The CDC, although established by the Common Council of the City of Glens Falls, operates as an independent entity and is exempt from federal, state and local income taxes. As of December 31, 2017, the tax years that remain subject to examination by taxing authorities begin with 2015.

Basis of Accounting

The accounts of the CDC are maintained on the accrual basis of accounting. It is presented in these financial statements as a blended component unit in the proprietary funds.

Civic Revenue Bond and Note Transactions

Civic development revenue bonds and notes issued by the CDC are secured by property. The bonds and notes are not obligations of the CDC or the State of New York. The CDC does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents.

The CDC receives an administration fee calculated as a percentage of the amount of bonds issued or cost of the project in the case of a straight lease transaction, in addition to reimbursements for any legal costs incurred by the CDC. Such administrative fee income is recognized immediately upon the closing of the project.

At December 31, 2017, the original issue value on bonds issued aggregated \$77,110,000 and the outstanding balances thereon was \$66,335,000.

CITY OF GLENS FALLS, NEW YORK

Notes to Financial Statements

December 31, 2017

Detail Notes to Discretely Presented Component Units - Continued

City of Glens Falls Civic Development Corporation (CDC) - Continued

Cash Deposits and Investments

The CDC's investment policies are governed by State statutes. CDC monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer 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. At December 31, 2017, the CDC had no investments.

Collateral is required for demand and time deposits and certificates of deposit not covered by the Federal Deposit Insurance Corporation. Obligations that may be pledged as collateral include obligations guaranteed by the government of the United States or by the State of New York and obligations issued by a municipal corporation or school district of such State.

The CDC's aggregate bank balances were covered by depository insurance at December 31, 2017.

Revenue Recognition

Revenues are recognized when earned and expenses are recognized when incurred. The CDC distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the CDC. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsequent Events

The City has evaluated all events through August 2, 2018, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure, except as outlined below:

In January, 2018, the refunded bond issues described on page 56 were repaid with proceeds from marketable securities and earnings thereon held by the escrow agent as described on page 36.

On April 10, 2018, the Common Council passed a resolution authorizing the issuance of \$10,025,000 in bonds in connection with a downtown redevelopment project.

CITY OF GLENS FALLS, NEW YORK

Schedule of Funding Progress for Other Postemployment Benefits

Year Ended December 31, 2017

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2017	December 31, 2017	\$ -	\$ 62,483,477	\$ 62,483,477	0%	\$ 9,697,786	644%
January 1, 2016	December 31, 2016	-	59,232,487	59,232,487	0%	9,443,781	627%
January 1, 2015	December 31, 2015	-	60,946,444	60,946,444	0%	9,330,622	653%

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Schedule of the Proportionate Share of the Net Pension Liability

Year Ended December 31, 2017

New York ERS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.0158634%	0.0170759%	0.0187737%
Proportionate share of the net pension liability	\$ 1,490,559	\$ 2,740,732	\$ 634,223
Covered employee payroll	\$ 4,948,008	\$ 4,874,907	\$ 4,865,957
Proportionate share of the net pension liability as a percentage of covered-employee payroll	30.12%	56.22%	13.03%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%

New York PFRS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.1271920%	0.1288832%	0.1400454%
Proportionate share of the net pension liability	\$ 2,636,248	\$ 3,815,959	\$ 385,488
Covered employee payroll	\$ 4,279,767	\$ 3,996,931	\$ 4,305,931
Proportionate share of the net pension liability as a percentage of covered-employee payroll	61.60%	95.47%	8.95%
Plan fiduciary net position as a percentage of the total pension liability	93.50%	90.20%	99.00%

This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City is presenting the information for years that are available.

CITY OF GLENS FALLS, NEW YORK

Schedule of Pension Contributions

Year Ended December 31, 2017

New York ERS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 910,999	\$ 907,529	\$ 872,185
Contributions in relation to the contractually required contribution	<u>910,999</u>	<u>969,111</u>	<u>872,185</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (61,582)</u>	<u>\$ -</u>
Covered payroll	\$ 4,948,008	\$ 4,874,907	\$ 4,865,957
Contributions as a percentage of covered employee payroll	18.41%	19.88%	17.92%

New York PFRS Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,089,497	\$ 999,505	\$ 1,023,627
Contributions in relation to the contractually required contribution	<u>1,089,497</u>	<u>999,505</u>	<u>1,053,627</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,000)</u>
Covered payroll	\$ 4,279,767	\$ 3,996,931	\$ 4,305,931
Contributions as a percentage of covered employee payroll	25.46%	25.01%	24.47%

The New York State Retirement System provides a minimum contractual payment, with the remaining balance amortized over a period of time, generally 10 years. The above contractually required contributions reflect those minimum balances. The amortized amounts are included in long-term debt at December 31, 2017. See the pension and long-term debt footnotes for details related to amounts financed with the New York State Retirement System.

The contributions reflect the amount due for the March 31 year end of the pension plan for each year reported.

This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City is presenting the information for years that are available.

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2017

Federal Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Sub-recipients	Federal Expenditures
<u>U.S. Department of Agriculture:</u>				
Intermediary Relending Program (Through Greater Glens Falls Local Development Corporation Component Unit) January 1, 2017 Loan Balance - \$136,608	10.767		\$	9,169
<u>U.S. Department of Housing and Urban Development:</u>				
CDBG Entitlement Grants Cluster: Community Development Block Grants/ Entitlement Grants	14.218		\$ 62,607	281,458
Passed Through New York State Home Investment Partnerships Program	14.239	20153118		<u>236,864</u>
Total U.S. Department of Housing and Urban Development				518,322
<u>U.S. Department of Justice:</u>				
Equitable Sharing Program	16.922			1,262
<u>U.S. Department of Transportation:</u>				
Federal Transit Cluster: Federal Transit Formula Grants: Capital Assistance	20.507			604,810
Operating Assistance, Section 5307	20.507			<u>482,338</u>
Total Federal Transit Cluster				<u>1,087,148</u>
Passed Through New York State Department of Transportation: Highway Planning and Construction Cluster: Fire Road-Jerome Avenue-Kensington Road Bicycle and Pedestrian Project	20.205	D035037		<u>407,772</u>
Total U.S. Department of Transportation				1,494,920
<u>U.S. Environmental Protection Agency:</u>				
Environmental Workforce Development and Job Training Cooperative Agreements	66.815			23,312
Brownfields Assessment and Cleanup Cooperative Agreements	66.818			<u>45,823</u>
Total U.S. Environmental Protection Agency				<u>69,135</u>
Totals			<u>\$ 62,607</u>	<u>\$ 2,092,808</u>

Grants noted above are direct unless specifically noted
as pass through grants.

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2017

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial assistance programs of the City of Glens Falls, New York for the year ended December 31, 2017. The City's reporting entity is defined in the notes to the general purpose financial statements. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies are included on the schedule. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the City of Glens Falls, New York, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Glens Falls, New York.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in the notes to the City's general purpose financial statements. The non-federal share of expenditures, if any, is excluded from the Schedule. The expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rates

The City has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

U.S. Department of Agriculture Intermediary Relending Program

The City's loan balance at January 1, 2017 was \$136,608. During 2017, an additional \$26,400 was borrowed. They made principal payments of \$7,788 and interest payments of \$1,381, during 2017, leaving an ending balance at December 31, 2017 of \$155,220. See the notes to the general purpose financial statements. During 2017, the USDA required the Greater Glens Falls Local Development Corporation to maintain a loan reserve of 6% of the outstanding loan receivable balances financed by this loan. According to the USDA, the reserve at January 1, 2017, should have been \$8,721. This amount was transferred to a reserve bank account during 2018. That balance will increase to \$9,531, as a result of the loan receivable balance at December 31, 2017.

Sub-Recipients

Of the federal expenditures presented in the schedule, the City provided federal awards to sub-recipients as follows:

CITY OF GLENS FALLS, NEW YORK

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2017

Sub-Recipients - Continued

	<u>Federal CFDA Number</u>	<u>Amount Provided Sub-recipients</u>
Community Development Block Grant Entitlement Grants:	14.218	
Greater Glens Falls Senior Citizens Center		\$ 8,754
Family Service Association of Glens Falls, Inc.		4,700
Glens Falls Area Youth Center		9,350
Wait House, Inc.		4,700
Warren/Hamilton Community Action Agency		14,503
Literacy NENY		9,350
Glens Falls Family YMCA		<u>11,250</u>
Total		<u>\$ 62,607</u>



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**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**

To The Mayor and Common Council
City of Glens Falls, 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 Glens Falls, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Glens Falls, New York's basic financial statements and have issued our report thereon dated August 2, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Greater Glens Falls Transit System, an enterprise fund; and the Glens Falls Urban Renewal Agency, a blended component unit, as described in our report on the City of Glens Falls, New York's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Glens Falls, New York'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 of Glens Falls, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glens Falls, New York's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify two

deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies (2017-001 and 2017-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Glens Falls, New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item (2017-001).

City of Glens Falls, New York's Response to Findings

The City of Glens Falls, New York's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Glens Falls, New York's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

August 2, 2018



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

To The Mayor and Common Council
City of Glens Falls, New York

Report on Compliance for Each Major Federal Program

We have audited the City of Glens Falls, New York's 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 of Glens Falls, New York's major federal programs for the year ended December 31, 2017. The City of Glens Falls, New York's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The City of Glens Falls, New York's basic financial statements include the operations of the Greater Glens Falls Transit System, an enterprise fund of the City of Glens Falls, New York and the Glens Falls Urban Renewal Agency, a blended component unit of the City of Glens Falls, New York. Both of these operations were audited by other auditors. The expenditures of federal awards of the Greater Glens Falls Transit System are included in the Schedule of Expenditures of Federal Awards on page 74 based upon amounts included in a Schedule of Expenditures of Federal Awards contained in financial statements audited by other auditors. The financial statements for the Glens Falls Urban Renewal Agency did not contain a Schedule of Expenditures of Federal Awards.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the City of Glens Falls, New York, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the City of Glens Falls, New York, 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 of Glens Falls, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Glens Falls, New York's internal control over compliance.

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

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

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

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

August 2, 2018

Schedule of Findings and Questioned Costs

December 31, 2017

Section I - Summary of Auditor's Results

I. Financial Statements

A. Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

1. Unmodified with explanatory language relating the fact that we did not audit the financial statements of the Greater Glens Falls Transit System or the Glens Falls Urban Renewal Agency. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

B. Internal control over financial reporting:

1. Material weaknesses identified? Yes x No

2. Significant deficiencies identified? x Yes None reported

C. Noncompliance material to financial statements noted?

 Yes x No

II. Federal Awards

A. Internal control over major federal programs:

1. Material weaknesses identified? Yes x No

2. Significant deficiencies identified? Yes x None reported

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

1. Unmodified

C. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes x No

D. Identification of major programs:

 **CFDA Numbers

 Name of Federal Program

20.507

Federal Transit Formula Grants for Operating and Capital Assistance

E. The dollar threshold used to distinguish Type A and Type B programs is \$750,000.

F. Auditee qualified as low-risk auditee?

 x Yes No

CFDA numbers and determination of clusters based upon the *OMB Compliance Supplement* dated April 2017.

Schedule of Findings and Questioned Costs

December 31, 2017

Number	Finding/Non Compliance	Questioned Costs
<u>Section II – Financial Statement Findings</u>		
2017-001	<p data-bbox="380 506 1208 562"><u>Criteria</u> – Per General Municipal Law, City budgets must be passed by December 1, of the preceding year.</p> <p data-bbox="380 596 1297 743"><u>Condition</u> – Upon audit testing, it was determined that, while the 2017 City general fund budget was passed timely on November 22, 2016, the water and sewer fund budgets were not passed until December 13, 2016, which is after the December 1st deadline. This is a repeat finding from 2012, 2013, 2014, 2015 and 2016.</p> <p data-bbox="380 777 1349 833"><u>Context</u> – The failure to pass the City’s water and sewer budgets was noted during budget testing and has occurred each year since 2012.</p> <p data-bbox="380 867 1357 894"><u>Effect</u> – The City’s water and sewer budgets were not approved in a timely manner.</p> <p data-bbox="380 928 1284 984"><u>Cause of Condition</u> – The budgets were not ready for approval in time for the scheduled Common Council meeting.</p> <p data-bbox="380 1018 1292 1075"><u>Recommendation</u> – All of the City’s budgets should be presented for approval by the November Council meeting.</p> <p data-bbox="380 1108 1386 1226"><u>Views of Responsible Officials and Planned Corrective Actions</u> – Management is aware of the untimely approval of the City’s water and sewer budgets. They will try to have all of the budgets prepared for the November Common Council meeting in the future.</p>	N/A
2017-002	<p data-bbox="380 1297 1219 1381"><u>Criteria</u> – Risk should be assessed by an entity to assist with the establishment of relevant operating procedures and to ensure sufficient internal control.</p> <p data-bbox="380 1415 1235 1499"><u>Condition</u> – It was noted that the City has no documented risk assessment performed by management or the Common Council. This is a repeat finding from 2013, 2014, 2015 and 2016.</p> <p data-bbox="380 1533 1192 1625"><u>Context</u> – The fact that the City has not conducted a risk assessment each year has been noted in its response to the question on the Annual Update Document Form filed with New York State.</p> <p data-bbox="380 1659 1227 1715"><u>Effect</u> – Internal control may not be in place to effectively reduce risks of fraud or misstatement to the financial statements of the City.</p> <p data-bbox="380 1749 911 1776"><u>Cause of Condition</u> – Management oversight.</p> <p data-bbox="380 1810 1224 1898"><u>Recommendation</u> – The Common Council should establish a committee to review potential fraud risks, policies and procedures and summarize their findings in a formal document.</p>	N/A

Schedule of Findings and Questioned Costs

December 31, 2017

<u>Number</u>	<u>Finding/Non Compliance</u>	<u>Questioned Costs</u>
<u>Section II – Financial Statement Findings</u>		
2017-002	<u>Views of Responsible Officials and Planned Corrective Actions –</u> Management is aware of this oversight, and they will work on addressing this issue in the near future.	

Section III – Federal Awards Findings

No findings in the current year.

Schedule of Status of Findings and Questioned Costs

From 2016 Report

<u>Number</u>	<u>Finding/Non Compliance</u>
<u>Section IV– Status of Financial Statement Findings From 2016 Report</u>	
2016-001	<u>Timely recording of general ledger journal entries</u> – The prior year journal entries for the sewer and water funds had not been reversed and the current year end entries had not been made. <u>Status:</u> The entries were properly recorded in 2017.
2016-002	<u>Controls Over Budgeting Procedures</u> – The 2016 City water and sewer budgets were not passed until December 22, 2015. <u>Status:</u> Repeat finding number 2017-001. City management intends to have the budgets prepared for the November meeting in the future.
2016-003	<u>Risk Assessment Was Not Documented</u> – The City has not documented risk assessment performed by management or the Common Council. <u>Status:</u> Repeat finding number 2017-002. City management intends to address the issue in the near future.

FORM OF BOND COUNSEL’S OPINION

June 6, 2019

City of Glens Falls,
County of Warren,
State of New York

Re: City of Glens Falls, Warren County, New York
\$7,175,000 Bond Anticipation Notes, 2019 (Renewals)

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue \$7,175,000 Bond Anticipation Notes, 2019 (Renewals) (the "Obligation"), of the City of Glens Falls, Warren County, New York (the "Obligor"), dated June 6, 2019 in the denomination of \$_____, bearing interest at the rate of _____% per annum, payable at maturity, and maturing June 5, 2020. The Notes are subject to redemption prior to maturity, in whole or in part, on or after August 15, 2019, upon 20 days prior written notice.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of revenues or moneys of the Obligor legally available will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/s/ ORRICK, HERRINGTON & SUTCLIFFE LLP