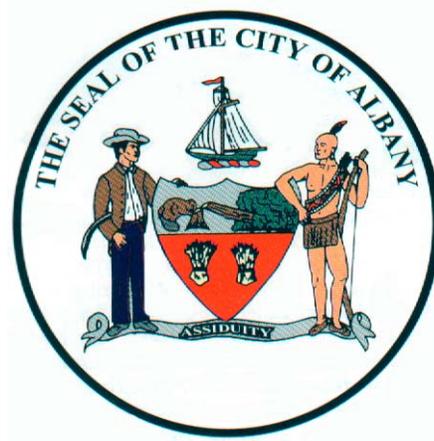


**CITY OF ALBANY,
NEW YORK**

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year ended December 31, 2011



CITY OF ALBANY, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Albany, New York

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Albany, New York (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Albany Parking Authority, the Albany Water Board or the Albany Industrial Development Agency, which collectively represent approximately 65% and 89%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York, as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental information on page 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

UHY LLP

Albany, New York
September 27, 2012

Management Discussion & Analysis

OVERVIEW

The Management Discussion and Analysis (MD&A) of the City of Albany, New York is an introduction to the major activities affecting the operation of the City and an overview and analysis of the City's financial statements for the calendar year that ended December 31, 2011. It also provides comparative analysis of the City's overall financial position and results of operations as compared to those reported in the City's financial statements for the calendar year ended December 31, 2010.

The information contained in this MD&A should be considered in conjunction with the information contained in the government-wide financial statements, the governmental funds financial statements, and footnotes to the governmental funds financial statements.

The City's financial statements are prepared using generally accepted accounting principles and are presented in a format prescribed by the Government Accounting Standards Board's (GASB) Statement No. 34 "State and Local Government Financial Statements and MD&A" and other related statements.

FINANCIAL STATEMENTS

In accordance with required reporting standards, the City's financial statements include 1) *government-wide* financial statements and 2) *governmental funds* financial statements.

Government-Wide Financial Statements

Statement of Net Assets
Statement of Activities

The *Statement of Net Assets* includes Assets and Liabilities of the City as a whole, with the difference between Assets and Liabilities reported as Net Assets. The *Statement of Activities* presents financial information as to how the City's Net Assets changed during the fiscal year, with all changes being reported as the underlying event occurs, regardless of the timing of cash flows. Over time, increases or decreases in the City's Net Assets position are one indicator of whether its financial position is deteriorating or strengthening. However, in contrast to commercial enterprises, the City has no goal of accumulating net assets. Increases in net assets may also create recurring expenses for staffing, maintenance, repair, and litigation, which may not be immediately recognizable. Moreover, an asset may or may not prove useful in achieving the purpose for which it was acquired. The *Statement of Net Assets* and the *Statement of Activities* delineate between the primary government (the City of Albany, plus the Albany Community Development Agency) and the City's component units¹. Component units are legally separate from the City, but because the City has some financial accountability for them, they are reported in the City's financial statements. Both statements utilize the accrual basis of accounting, the same accounting method used by most private-sector organizations.

Governmental Funds Financial Statements

Balance Sheet
Statement of Revenues, Expenditures and Changes in Fund Balances

The Governmental Funds Financial Statements consist of a *Balance Sheet* and *Statement of Revenue, Expenditures and Changes in Fund Balances*. The *Balance Sheet* includes short-term assets such as cash, and short-term liabilities such as accounts payable, but it does not include long-term liabilities such as bonds payable, or capital assets, such as land and buildings. The *Statement of Revenues, Expenditures and Changes in Fund Balances* report only those revenues and expenditures that were collected in cash or paid with cash during the current period or shortly after the end of the year. The *Fund Financial Statements* provide financial information about the most significant funds of the City. Governmental Funds focus on near-term inflows and outflows, and resources still available at the end of the fiscal year. This measurement focus is known as the modified accrual basis of accounting.

¹ The component units consist of the Albany Water Board and Municipal Water Finance Authority, the Albany Parking Authority, the Albany Industrial Development Agency, the Albany Port Commission, Capitalize Albany Corporation and the three Business Improvement Districts. Independent accounting firms separately audit these entities. Financial information from these entities has been reported in the City's financial statements. The fiduciary funds consist of the City Trust and the payroll accounts. Copies of the complete financial reports for the component units can be obtained by contacting the Treasurer's office of the City of Albany.

Reconciliation of Government-wide Financial Statements with Governmental Funds Financial Statements

Many financial transactions are treated differently on the governmental fund statement and the government-wide statements. The basic financial statements contain a reconciliation of these items and a full explanation of these differences is contained in Note 2 of the Notes to Financial Statements.

Reconciliation of Balance Sheet with Statement of Net Assets

Balances and activities accounted for in the *Balance Sheet* (governmental funds financial statements) and those accounted for in the *Statement of Net Assets* (government-wide financial statements) are substantially different because the measurement focus differs between the two statements. For example, long-term liabilities, including bonds payable, vacation and sick time, and pending and estimated judgments and claims are included in the *Statement of Net Assets*, but not included in the *Balance Sheet* because they are paid over many years and not with currently available funds.

Net capital assets (fixed assets and infrastructure, minus accumulated depreciation) are reflected in the *Statement of Net Assets*, but are not reported on the *Balance Sheet*. Other long-term assets, such as receivables resulting from property transactions, are not reported as assets on the *Balance Sheet* but are reflected in the *Statement of Net Assets*.

A more complete reconciliation between financial statements is presented in the financial statements.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances with Statement of Activities

The *Revenues, Expenditures and Fund Balance* reported in the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* differ from those reported on the *Statement of Activities* (government-wide financial statements) in several respects:

- Capital outlays are shown as expenditures on the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. However, only the depreciation expense of capital assets is reported on the *Statement of Activities*.
- Vacation expenses, employee retirement benefits, and judgments and claims are expensed as they are paid on the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. However, the *Statement of Activities* shows those expenses incurred during the reporting period. Long-term debt principal paid is reported as an expenditure on the *Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*, but is not reported as an expenditure on the *Statement of Activities*. Rather, principal paid is reported as a reduction of the bonds and loans payable liability in the *Statement of Net Assets*. Long-term debt interest is reported as expenditure when the interest is paid on the *Revenues, Expenditures and Changes in Fund Balances - Governmental Funds*. Interest expense reported in the statement of activities is the interest expense incurred during the year, irrespective of when the interest is paid.

OVERVIEW OF THE CITY'S FINANCIAL POSITION

City of Albany Highlights

In 2011, the General Fund revenues totaled \$152.1 million and were over the original budget by \$4.0 million. The General Fund expenses totaled \$155.7 million and were \$6.9 million lower than the original budget. While the 2011 City budget planned for a reduction in fund balance (loss) of \$ 6.1 million, the fund balance actually lost \$1.6 million. This loss is added to the a loss in the Special Reserve fund of just under \$0.1 million, and because the two funds are combined in the financial statements, the General Fund loss shown is \$1.6 million.

Government-Wide Financial Statements

Statement of Net Assets

Primary government total assets exceeded total liabilities by \$12.6 million -- a decrease of approximately \$12.0 million from 2010.

Total assets (\$291.4 million) decreased from 2010 by \$19.4 million. The areas that decreased are Cash and cash equivalents (decreased by \$11.1 million), cash and cash equivalents, restricted (decreased by \$5.1 million) due from other governments (decreased by \$1.6 million) while capital assets (increased by \$1.1 million). The decrease in cash and cash equivalents was primarily related to the paydown of principal on the Bond Anticipation Notes. Cash and cash equivalents-restricted decreased because the City used \$5.0 million from the Debt Reserve Fund to pay some of the debt service in 2011. Due from other governments decreased because of fewer State reimbursements on various capital projects. Capital assets increased from continued infrastructure improvements during the year.

Total Liabilities (\$278.8 million) decreased by \$7.4 million. The liabilities which contributed to this decrease are Capital lease obligations (decreased by \$1.3 million) and Bond and revenue anticipation notes payable (decreased by \$17.4 million). The decrease in Capital lease obligations was the result of paying down some of the obligation during 2011 and terminating the balance of the capital leases. Bond and revenue anticipation notes payable decreased from paying down a large portion of the principal on the Bond Anticipation Notes. The following liabilities increased in 2011. The accrued post-employment benefit obligation (pursuant to GASB 45) increased by \$5.2 million and Due to component units increased by \$3.3 million. The City of Albany's large post-employment benefit liability (\$270.3 million) is driven by the costly health care plan which has traditionally been extended to retirees. The liability recognized in the Statement of Net Assets is \$58.6 million. The increase in the Due to component units liability was caused by the timing of payments. Compensated absences increased by \$2.0 million. Most the increased was the result of adding an additional calculation for FICA to the balance.

Of the assets, \$103.7 million is *invested in capital assets, net of related debt*, and \$0.7 million is *restricted for debt service*, leaving a deficit balance in unrestricted net assets of \$91.8 million -- an increase to the deficit from 2010 of \$0.1 million. The increase is from City projects, which were funded through the issuance of bond anticipation notes, and from an increase in depreciation expense.

Total capital assets including property and equipment after depreciation are valued at \$191.6 million, with increases of approximately \$13.0 million of additions to capital assets. Approximately \$44.4 million of the assets are not subject to depreciation, approximately \$4.6 million is land, and \$39.8 million is construction in progress, primarily state and federally funded transportation projects. A more detailed description of capital assets is found in Footnote 7.

Governmental Activities - Primary Government Net Assets at December 31, 2011 (in Millions)

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>
Total assets	\$291.4	\$310.8	(\$19.4)
Total liabilities	<u>278.8</u>	<u>286.2</u>	<u>(7.4)</u>
Excess (deficiency) of assets over (under) liabilities	12.6	24.6	(12.0)
Invested in capital assets, net of related debt	103.7	110.6	(6.9)
Restricted for debt service and program activities	0.7	5.7	(5.0)
Unrestricted net assets (deficiency)	<u>(91.8)</u>	<u>(91.7)</u>	<u>(0.1)</u>
Total Net Assets	<u><u>\$12.6</u></u>	<u><u>\$24.6</u></u>	<u><u>(\$12.0)</u></u>

Component Units

Total assets exceeded total liabilities by \$44.6 million – an increase of \$8.2 million from 2010. Total assets (\$143.5 million) increased by \$1.0 million. Invested in capital assets, net of related debt, increased by \$9.7 million.

Total liabilities (\$98.9 million) decreased by \$7.3 million as a result of reduction in *bond and loans payable* of \$7.1 million and a decrease of \$0.4 in accounts payable, offset by an increase in Capital lease obligations of \$0.3 million, an increase of \$0.7 million in the accrued post-employment benefit obligation, and an increase \$0.6 current maturities of long-term debt. Unrestricted net assets decreased \$0.9 million from 2010 to 2011 due to decreases in the unreserved fund balances of the Water Board/Authority of \$0.5 million and the Albany Port District Commission of \$0.4 million.

Governmental Activities - Component Units
Net Assets at December 31, 2011
(in Millions)

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>
Total assets	\$143.5	\$142.5	\$1.0
Total liabilities	98.9	106.2	(7.3)
Excess of assets over liabilities	44.6	36.4	8.2
Invested in capital assets, net of related debt	1.6	(8.1)	9.7
Restricted for debt service and program activities	5.4	6.0	(0.6)
Unrestricted net assets	37.6	38.5	(0.9)
Total Net Assets	<u>\$44.6</u>	<u>\$36.4</u>	<u>\$8.2</u>

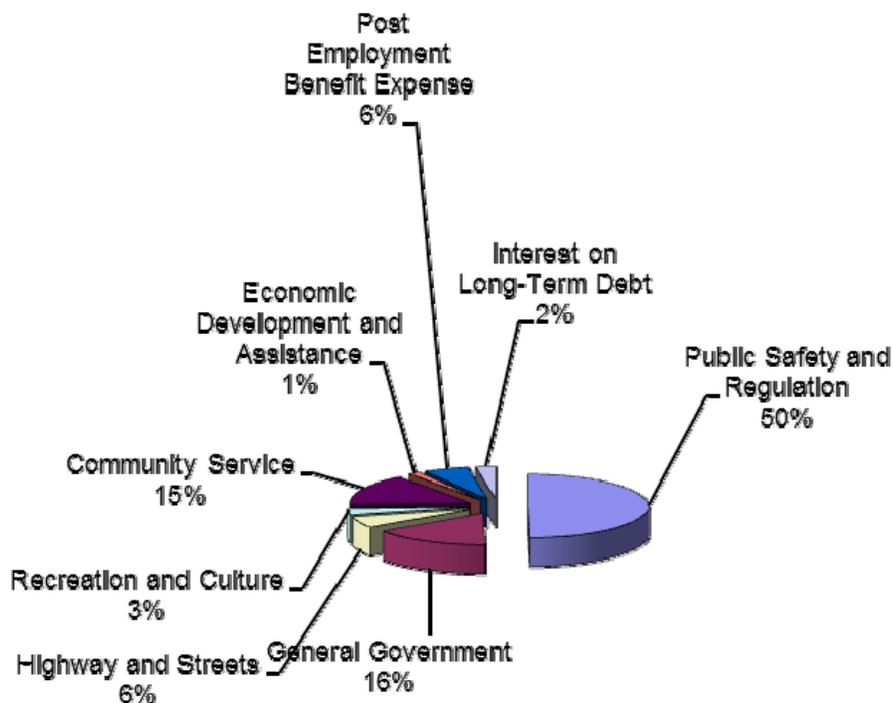
Statement of Activities

The *Statement of Activities*: The Statement of Activities describes the cost of the major governmental functions and compares the costs of these functions with revenue attributable to these activities.

Governmental Activities - Expenses
(in Millions)

<u>Governmental Functions</u>	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>	<u>% of Change</u>
Public Safety and Regulation	\$92.5	\$89.3	\$3.2	4%
General Government	29.1	24.5	4.6	19%
Highway and Streets	10.7	16.2	(5.5)	-34%
Recreation and Culture	5.9	6.4	(0.5)	-8%
Community Service	28.9	25.4	3.5	14%
Economic Development and Assistance	2.7	3.1	(0.4)	-13%
Post Employee Benefit Expense	11.3	13.9	(2.6)	-19%
Interest on Long-Term Debt	4.7	5.0	(0.3)	-6%
Total	<u>\$185.8</u>	<u>\$183.8</u>	<u>\$2.0</u>	<u>1%</u>

Functional Expenses – Primary Government



Public Safety accounts for 50 percent of expenses, while General Government is at 16 percent and Community Services also accounts for 16 percent. Post Employment Benefits, which consists of retiree health care costs as well as the accrued liability for health care costs for active employees upon retirement accounts for 6 percent of expenses.

Expenses increased from 2010 by \$2.1 million.

Public safety expenses increased by \$3.2 million, reflecting the budgeted increase in cost of salaries and unbudgeted increases in overtime, health benefits and compensated absences. Public Safety expenses of \$92.5 million are offset by \$9.6 million in charges for services and \$3.9 million in grant funds for urban security, truancy, and motor vehicle theft prevention programs. General Government expenses of \$29.1 million increased by \$4.6 million and are offset by \$3.5 million in charges for services most of which came from permit, license and inspection fees. Community Service expenses of \$28.9 million increased by \$3.5 million and are offset by \$5.0 million in grants related to the Albany Community Development Agency, Youth and Workforce Development Agency and \$12.6 million in charges for services, the largest part of which is revenue generated from other localities who use the city-owned regional landfill.

Revenues decreased from 2010 by \$4.2 million.

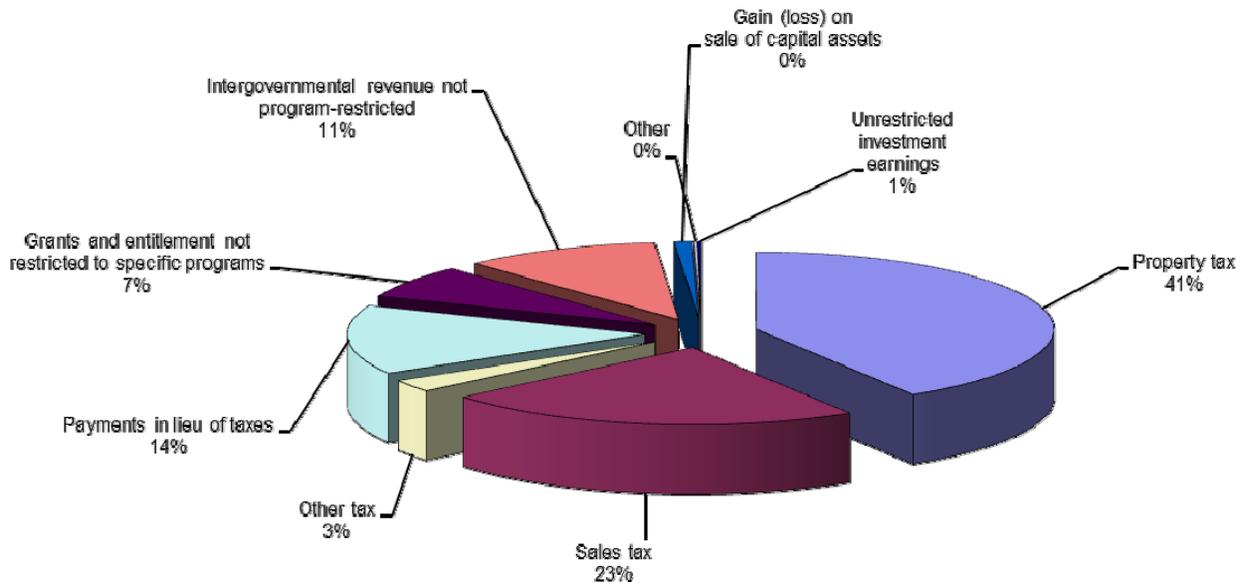
Total general revenues (\$130.4 million) decreased by \$4.2 million. Payments in lieu of taxes (\$18.9 million) decreased by more than \$7.1 million. The 19-a payments to the City decreased from \$25.8 million to a scheduled \$15.0 million in 2011. Grants and entitlements not restricted to specific programs (\$9.1 million) increased by \$1.1 million and Intergovernmental revenue not program-restricted (\$13.9 million) decreased by \$0.5 million, which includes a decrease in State Aid of \$0.2 million. Property tax revenue (\$53.7 million) increased by \$0.6 million, which was due to a nearly 2% increase in the tax levy compared to the previous year. Sales tax revenue increased by \$1.2 million and Gain on sale of capital assets was \$1.0 million higher than in 2010.

Governmental Activities - General Revenues
(in Millions)

Revenues	2011	2010	Increase/ (Decrease)	% of Change
Property tax	\$ 53.7	\$ 53.1	\$ 0.7	1%
Sales tax	29.7	28.5	1.2	4%
Other tax	3.4	3.4	(0.1)	-1%
Payments in lieu of taxes	18.9	26.0	(7.1)	-27%
Grants and entitlement not restricted to specific programs	9.1	8.0	1.1	14%
Intergovernmental revenue not program restricted	13.9	14.4	(0.4)	-3%
Gain (loss) on sale of capital assets	1.2	0.2	1.0	404%
Other	0.3	0.9	(0.6)	-70%
Unrestricted investment earnings	0.3	0.2	0.0	14%
Total General Revenues	\$ 130.4	\$ 134.6	\$ (4.2)	-3%

The following chart indicates the relative percentages of general revenues:

Governmental Activities – General Revenues
(in \$ Millions)



Component Units

Revenues of the Component Units totaled \$51.1 million, which is a decrease of \$3.4 million from 2010. The overall expenses of the Component Units totaled \$42.8 million – an increase of \$2.7 million. The Water Board/Water Authority accounts for 70 percent of the overall activity among the component units. The following is a summary of the relative revenues and expenses of the component units, which excludes the Albany Community Development Agency, because it is a blended component unit and is therefore included with the Primary Government in the *Statement of Activities*.

The following table indicates the relative value of revenues for the component units:

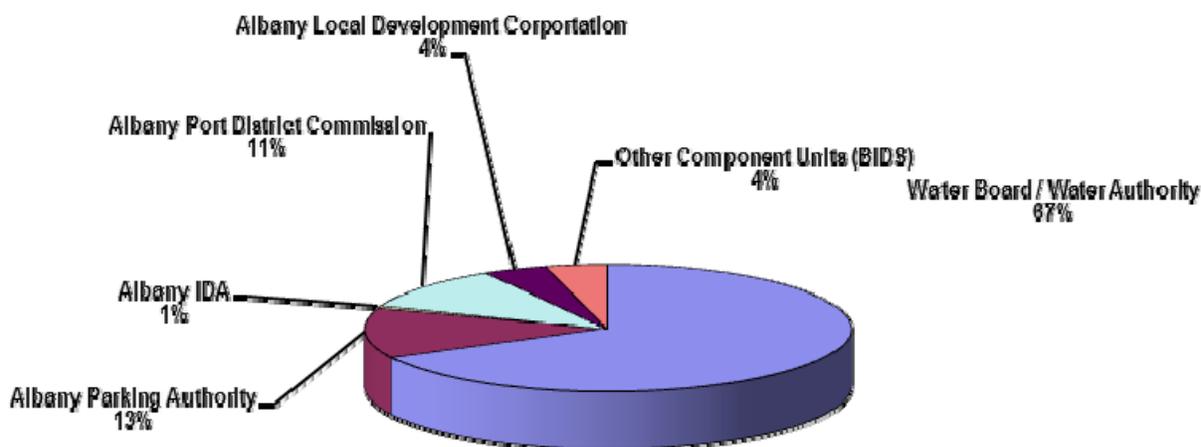
Component Units - Revenues				
<i>(in Millions)</i>				
Component Units	2011	2010	Increase / (Decrease)	% of Change
Water Board / Water Authority	\$35.2	\$33.9	\$1.3	4%
Albany Parking Authority	5.3	5.6	(0.3)	-5%
Albany IDA	0.6	0.2	0.4	200%
Albany Port District Commission	6.4	10.4	(4.0)	-38%
Albany Local Development Corporation	1.4	1.9	(0.5)	-26%
Other Component Units (BIDS)	1.7	2.0	(0.3)	-15%
Total	\$50.6	\$54.0	(\$3.4)	-6%

The following table indicates the relative value of expenses (including depreciation) for the component units:

Component Units - Expenses				
<i>(in Millions)</i>				
Component Units	2011	2010	Increase / (Decrease)	% of Change
Water Board / Water Authority	\$28.8	\$25.5	\$3.3	13%
Albany Parking Authority	5.5	6.4	(0.9)	-14%
Albany IDA	0.2	0.4	(0.2)	-50%
Albany Port District Commission	4.6	4.2	0.4	10%
Albany Local Development Corporation	1.8	1.6	0.2	13%
Other Component Units (BIDS)	1.8	1.9	(0.1)	-5%
Total	\$42.7	\$40.0	\$2.7	7%

The following chart indicates the relative percentage of expenses (including depreciation) for the Component units.

Component Units – 2011 Expenses



Governmental Funds Financial Statements

General Fund Balance Sheet

Assets increased by \$4.0 million. The largest increase (\$11.0 million) is in cash and cash equivalents which is the result of lower than budgeted spending and timing delays in payments to some component units. Cash and cash equivalents - restricted decreased (\$4.5 million) from the City's budgeted use of \$5.0 million in Debt Reserve Funds for debt service payments.

Liabilities increased by \$5.6 million due to an increase of \$1.1 million in accounts payable and accrued expenses, due to component units increased \$3.3 million due to timing delays in payments and due to other governments increased \$1.0 million.

The Governmental Accounting Standards Board (GASB) issued GASB Statement Number 54 (Statement 54), *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. Statement 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: non-spendable, restricted, committed, assigned and unassigned. The requirements of Statement 54 are effective for these financial statements. The City's fund balance at year-end was \$20.5 million. The non-spendable portion consists of \$3.5 million in prepayments, primarily to the state retirement plan. The restricted fund balance includes \$0.7 million for debt service and \$0.9 million for landfill post closure expenses. The assigned fund balance of \$5.6 million is appropriated to the 2012 budget. The unassigned fund balance totals \$9.7 million. In 2011, a General Fund Balance increase of \$2.9 million was offset by a decrease of \$4.5 million in the Debt Reserve Fund, resulting in a \$1.6 million decrease in total fund balance.

Combined Statement of Revenue and Expenditures -- Budget to Actual

CITY OF ALBANY, NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENDITURES, MODIFIED BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS (in Millions)

	General Fund				Special Revenue Fund			
	Original Budget	Modified Budget	Actual	Actual Over/ (Under) Original Budget	Original Budget	Modified Budget	Actual	Actual Over/ (Under) Original Budget
REVENUES								
Real property taxes	54.1	54.1	53.7	(0.4)	0.0	0.0	0.0	0.0
Sales and use taxes	28.5	28.5	29.7	1.2	0.0	0.0	0.0	0.0
Other taxes	3.5	3.6	3.4	(0.1)	0.0	0.0	0.0	0.0
Payments in lieu of taxes	18.9	18.9	18.9	0.0	0.0	0.0	0.0	0.0
Intergovernmental revenue	18.1	21.0	19.7	1.6	2.7	2.9	2.6	(0.3)
Charges for services	13.7	13.7	14.1	0.4	0.0	0.0	0.0	0.0
Fines, interest and penalties	5.8	6.0	5.7	(0.1)	0.0	0.0	0.0	0.0
Use of money and properties	0.1	0.1	0.4	0.3	0.0	0.0	0.0	0.0
Licenses and permits	2.0	2.0	2.5	0.5	0.0	0.0	0.0	0.0
Other revenues	3.3	3.6	3.9	0.6	0.0	0.0	0.0	0.0
Total revenues	148.1	151.6	152.1	4.0	2.7	2.9	2.6	(0.3)
EXPENDITURES								
Public safety and regulation	83.6	87.8	86.1	2.5	0.0	0.0	0.0	0.0
General government	23.8	23.9	21.9	(1.8)	0.0	0.0	0.0	0.0
Highways and streets	7.0	7.3	6.9	(0.1)	0.0	0.0	0.0	0.0
Recreation and culture	4.5	4.5	4.6	0.1	0.0	0.0	0.0	0.0
Community service	9.8	10.2	8.8	(1.1)	0.0	0.0	0.0	0.0
Employee benefits	15.9	15.4	12.9	(3.0)	0.0	0.0	0.0	0.0
Economic development and assistance	0.0	0.0	0.0	0.0	2.7	2.9	2.7	(0.2)
Debt service	18.1	18.1	14.5	(3.5)	0.0	0.0	0.0	0.0
Total expenditures	162.6	167.1	155.7	(6.9)	2.7	2.9	2.7	(0.2)
Excess (deficiency) of revenues and appropriated fund balance over expenditures	(14.5)	(15.6)	(3.6)	10.9	0.0	0.0	(0.1)	(0.1)
OTHER FINANCING SOURCES (USES)								
General fund allocation	6.1	6.1	0.0	(6.1)	0.0	0.0	0.0	0.0
Transfers	5.0	5.0	(1.3)	(6.3)	0.0	0.0	0.0	0.0
Proceeds from the issuance of other debt	2.4	2.4	1.7	(0.7)	0.0	0.0	0.0	0.0
Premium on bond anticipation notes issued	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.0
Proceeds from sale of property	1.0	1.0	1.2	0.2	0.0	0.0	0.0	0.0
Total other financing sources (uses)	14.5	14.5	2.0	(12.5)	0.0	0.0	0.0	0.0
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	0.0	(1.0)	(1.6)	(1.6)	0.6	0.6	(0.1)	(0.1)

The City's budget, which is effective on January 1st, is proposed by the Mayor prior to October 1st and is enacted by the Common Council by November 30th. This is the *Original Budget*. Changes to the budget throughout the year are made by the Board of Estimate and Apportionment, composed of the Mayor, the Treasurer, the Chief City Auditor, the President of the Common Council, and the Corporation Counsel. This is the *Modified Budget*. *Actual* reflects the operational results, including any audit adjustments. In this analysis actual is compared to original budget.

Revenues

General Fund revenues (excluding other financing sources) totaled \$152.1 million were \$4.0 million more than the original budget and \$6.2 million less than 2010. The most significant variances in revenue include the following:

Real property taxes were under budget by \$0.4 million which is the result of Supreme Court orders that reduced the actual amount payable. While property tax revenue came in under budget the \$1.0 million dollar increase for 2011 yielded an additional \$0.6 million in revenue from last year.

Sales Tax revenue was \$1.2 million over budget and was also \$1.2 million higher than 2010 at \$29.7 million, which reflects increased county-wide economic activity.

Payments in lieu of taxes finished the year on budget but significantly lower than 2010. The State's 19-a payment to the City was \$7.85 million lower in 2011 compared to the prior year. This payment reduction was reflected in the 2011 budget and accounts for most of the decrease in overall revenue from 2010.

Intergovernmental Revenue was \$1.6 million over budget. *State Aid Revenue Sharing* was \$0.2 million less than budget, which was offset by an increase in grant revenue.

Fines, interest and other penalties was \$0.4 million over budget, but decreased by \$0.7 million from 2010 levels. Revenue in 2010 was higher because the City succeeded in collecting on a large backlog of parking tickets after it implemented a new ticket collection system. In 2011, parking fine revenue finished the year nearly 12% above budget, while traffic fines, which are collected by the state, were approximately 21% below budget.

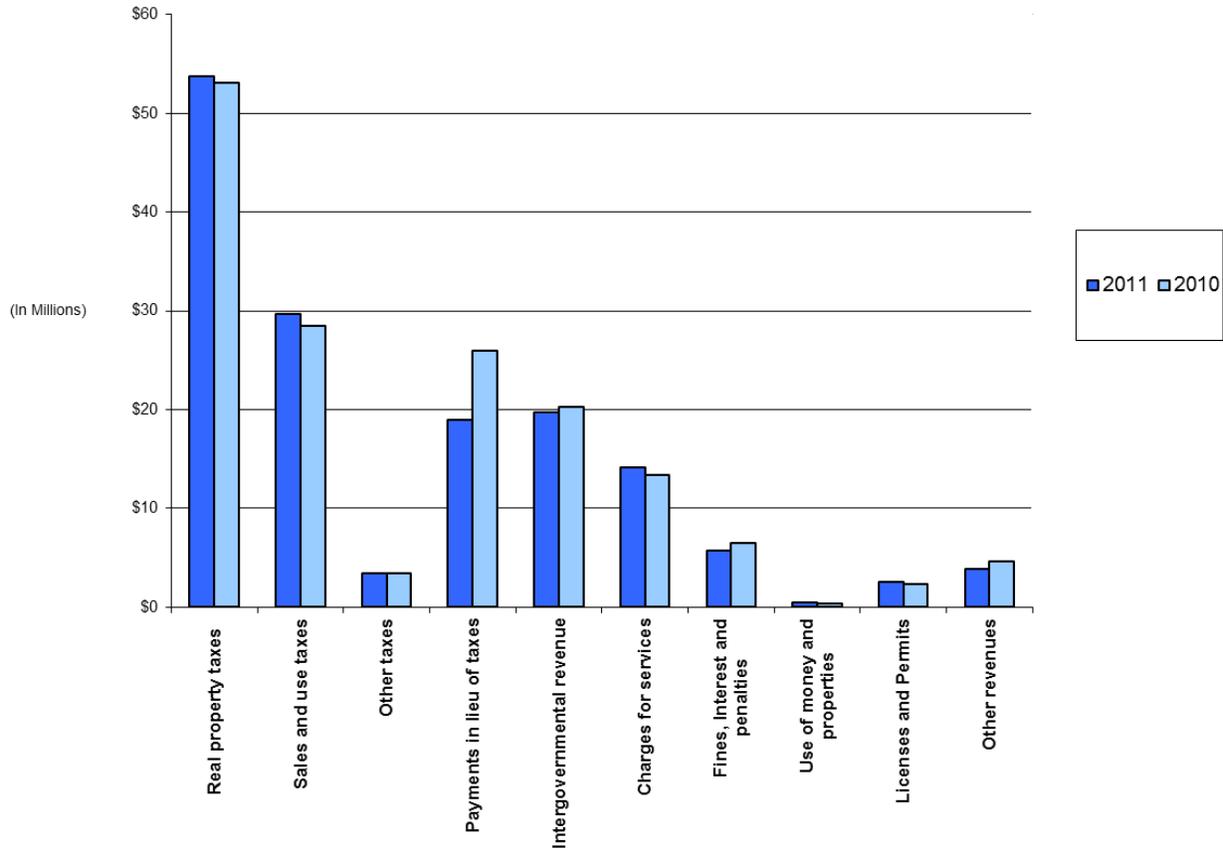
Use of money and properties was \$0.3 million over budget. Most of this was the result of worker's compensation claim settlements paid to the City.

Licenses and Permits increased by \$0.2 million from 2010 and finished the year \$0.5 million over budget. Street opening permits, plumbing permits and electrical permits all exceeded budget.

Other Revenues was \$0.6 million over budget but \$0.7 million below 2010 revenue. Last year included \$1.5 million reimbursement of expenses for health insurance claims billed in error by Empire Blue Cross. In 2011 the City received reimbursement from FEMA for damage caused by hurricane Irene and tropical storm Lee.

Governmental Funds - General Fund Revenues 2011 to 2010 Variance			
(In Millions)			
<u>Revenues</u>	<u>2011</u>	<u>2010</u>	<u>2011 Over/(Under) 2010</u>
Real property taxes	\$53.7	\$53.1	\$0.6
Sales and use taxes	29.7	28.5	1.2
Other taxes	3.4	3.4	0.0
Payments in lieu of taxes	18.9	26.0	(7.1)
Intergovernmental revenue	19.7	20.2	(0.5)
Charges for services	14.1	13.4	0.7
Fines, interest and penalties	5.7	6.5	(0.8)
Use of money and properties	0.5	0.3	0.2
Licenses and permits	2.5	2.3	0.2
Other revenues	3.9	4.6	(0.7)
Total revenues	<u>\$152.1</u>	<u>\$158.3</u>	<u>(\$6.2)</u>

Governmental Funds – General Fund Revenues 2011 to 2010 Variance



Expenses

Total expenditures of \$155.7 million were \$6.9 million less than the original budget and \$1.8 million less than 2010.

Public Safety spending (\$86.1 million) increased by \$0.7 million and was \$2.5 million more than original budget. Overtime and pay increases from the settlement of collective bargaining agreements were the main causes for the increase.

- *Public Safety Overtime* exceeded budgeted amounts by \$0.7 million. Police regular overtime totaled \$3.7 million and was under budget by \$0.3 million. Reimbursable overtime totaled \$1.2 million on a budget of \$1.0 million. Fire Department overtime was over budget by \$0.8 million and totaled approximately \$2.6 million on a budget of \$1.8 million.

General Government spending (\$21.9 million) was \$1.8 million less than original budget and \$0.6 million more than 2010. Most of the departments in this category came in at or below budget. Motor vehicle expense contributed to most of the increase from last year. While this expense came in at budget at \$1.9 million it was \$0.7 higher than 2010.

Highway and streets spending (\$6.9 million) was \$0.1 million less than budgeted and virtually the same as 2010.

Recreation and Culture spending (\$4.6 million) was \$0.1 more than budget and \$1.2 million lower than 2010. While most of the departments in this category were over budget they came in under last year's total expenses. The City closed the Public Baths Facility which saved \$0.3 million, the City Arts Commission budget was reduced by \$0.3 million, the Albany Plan was \$0.3 million lower and Bleecker Stadium expenses were \$0.3 million less than 2010.

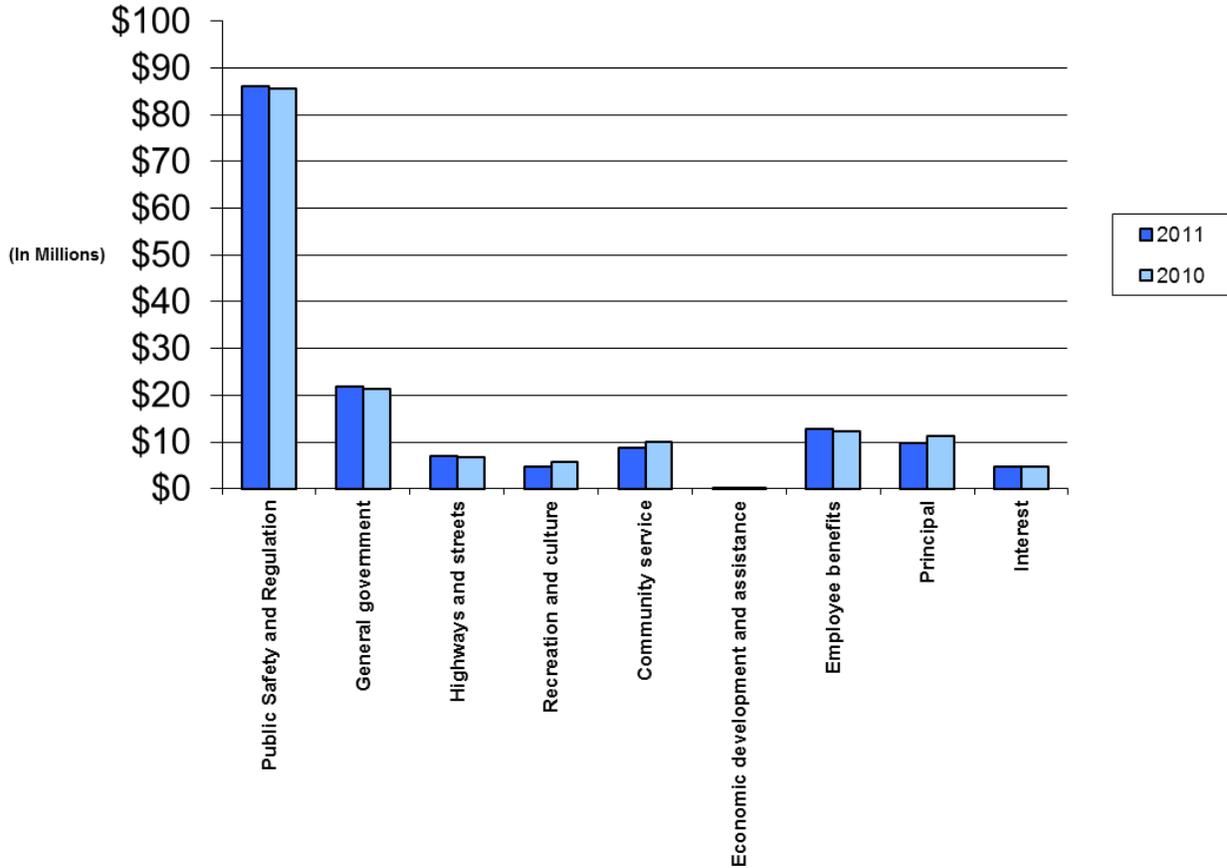
Undistributed Employee Benefits expense (\$12.9 million) was \$3.0 million under budget and \$0.6 million more than in 2010. The City is self insured and pays the actual claims for employee in the Empire Blue Cross plan. Lower expenses related to these claims resulted in significant decrease in costs for 2011.

Debt Service payments (\$14.5 million) decreased by almost \$1.6 million from last year and were \$3.5 million below budget. The combination of using Debt Reserve funds and reimbursements from Federal and State road improvement projects significantly reduced the City's debt expense in 2011.

**Governmental Funds - General Fund Expense 2011 to 2010 Variance
(In Millions)**

<u>Expenditures</u>	<u>2011</u>	<u>2010</u>	<u>2011 Over/(Under) 2010</u>
Public safety and regulation	\$ 86.1	\$ 85.5	\$ 0.7
General government	21.9	21.2	0.7
Highways and streets	6.9	6.7	0.2
Recreation and culture	4.6	5.8	(1.2)
Community service	8.8	9.9	(1.2)
Economic development and assistance	0.0	0.0	0.0
Employee benefits	12.9	12.3	0.5
Principal	9.9	11.3	(1.4)
Interest	<u>4.7</u>	<u>4.8</u>	<u>(0.1)</u>
Total expenditures	<u>\$155.7</u>	<u>\$157.4</u>	<u>(\$1.7)</u>
Excess of operating revenues over expenditures	<u>(\$3.7)</u>	<u>\$0.8</u>	<u>(\$4.5)</u>

General Government – General Fund Expenditures 2011 to 2010 Variance



DEBT

The City's long-term debt and short-term debt are described in detail in Notes 12-13.

In July 2011, the City issued \$7,922,026 in General Obligation (Serial) Bonds at an interest rate of between 1.50% and 3.00% over a ten year term and \$46,471,026 in BANS at an interest rate of 1.25%. The notes are for expenses of current capital projects, including the landfill expansion.

Capital Leases

The City entered into no new capital lease agreements in 2011.

Debt Ceiling

Of the outstanding indebtedness, approximately \$131,860,000 was subject to the statutory debt limit, using approximately 39% of the City's \$334,145,000 statutory debt limit.

CREDIT RATINGS AND BOND INSURANCE

The City of Albany currently has an outstanding credit rating from Standard & Poor's of AA- with a stable outlook. All outstanding debt is backed by insurance policies from municipal insurance companies except issues secured through the New York State Environmental Facilities Corporation (EFC).

CAPITAL ACQUISITION AND CONSTRUCTION ACTIVITIES

During 2011 the City expended \$13.0 million on capital projects and acquisitions. This includes the landfill expansion and Federal and State funds for transportation and infrastructure projects, funds secured through General Obligation Bonds and Bond Anticipation Notes, and appropriations from the City's General Fund. The following are some of the major sources of capital expenditures:

<u>Capital Acquisition, Construction and Expenditures</u>	
Street and Sidewalk Construction	\$4.6 Million
Street and Sidewalk Maintenance Equipment	\$ 0.6 Million
Landfill Equipment and Expansion	\$ 6.7 Million
Public Safety Equipment	\$ 1.1 Million

This Annual Financial Report is intended to provide information on the City of Albany's operations and is available to all with an interest in the financial matters related to the City of Albany, New York. Questions concerning any of the information provided in this report or any request for additional information should be either in writing or by e-mail.

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CITY OF ALBANY, NEW YORK
STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government	Component Units
ASSETS		
Cash and cash equivalents	\$ 55,039,308	\$ 10,994,573
Cash and cash equivalents - restricted	1,758,785	3,100,183
Investments, restricted	-	11,264,844
Taxes receivable	5,455,543	-
Accounts receivable, net	2,079,306	15,537,054
Mortgage loans receivable	11,251,392	2,162,544
Due from primary government	-	7,972,401
Due from other governments	14,718,262	-
Due from other funds	4,742,306	-
Due from component units	311,486	-
Intangible assets, net	-	2,101,694
Prepaid and other assets	3,968,151	3,717,938
Property held for investment, lease or sale	517,163	4,238,345
Capital assets, net	<u>191,557,159</u>	<u>82,444,990</u>
Total assets	<u><u>\$ 291,398,861</u></u>	<u><u>\$ 143,534,566</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 10,987,740	\$ 3,015,309
Capital lease obligations	2,801,262	264,550
Bonds and loans payable	85,530,195	86,578,992
Bond and revenue anticipation notes payable	46,471,326	-
Accrued post employment benefit obligation	58,579,244	2,517,564
Accrued interest payable	913,464	2,820,417
Deferred revenue	10,756,077	1,908,078
Due to other funds	4,048,406	-
Due to other governments	12,200,426	-
Due to primary government	-	268,218
Due to component units	7,202,007	-
Due to NYS Retirement System	1,699,524	-
Compensated absences	20,585,548	-
Landfill post-closure costs	7,996,929	-
Judgments and claims	8,052,052	-
Other liabilities	<u>975,744</u>	<u>1,524,443</u>
Total liabilities	<u>278,799,944</u>	<u>98,897,571</u>
NET ASSETS (DEFICIENCY)		
Invested in capital assets, net of related debt	103,742,865	1,625,595
Restricted for:		
Program specific activities	-	4,788,782
Encumbrances	-	451,611
Debt service	739,755	171,400
Unrestricted net assets (deficiency)	<u>(91,883,703)</u>	<u>37,599,607</u>
Total net assets	<u>12,598,917</u>	<u>44,636,995</u>
Total liabilities and net assets	<u><u>\$ 291,398,861</u></u>	<u><u>\$ 143,534,566</u></u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	Component Units
Primary Government:						
Public safety and regulation	\$ 92,532,933	\$ 9,570,840	\$ 3,874,905	\$ -	\$ (79,087,188)	\$ -
General government	29,108,422	3,547,221	-	-	(25,561,201)	-
Highways and streets	10,671,615	48,255	-	7,067,456	(3,555,904)	-
Recreation and culture	5,972,567	1,782,448	-	-	(4,190,119)	-
Community service	28,864,228	12,586,651	4,957,892	-	(11,319,685)	-
Economic development and assistance	2,681,926	-	-	-	(2,681,926)	-
Post employment benefit expense	11,327,221	-	-	-	(11,327,221)	-
Interest on long-term debt	4,717,601	-	-	-	(4,717,601)	-
Total governmental activities	<u>185,876,513</u>	<u>27,535,415</u>	<u>8,832,797</u>	<u>7,067,456</u>	<u>(142,440,845)</u>	<u>-</u>
Component Units:						
Albany Water Board and Municipal Water Finance Authority	28,834,117	35,202,803	-	-	-	6,368,686
Albany Parking Authority	5,542,960	5,265,038	-	-	-	(277,922)
Albany Industrial Development Agency	228,961	633,492	-	-	-	404,531
Albany Port District Commission	4,608,086	4,108,132	2,275,244	-	-	1,775,290
Capitalize Albany Corporation	1,819,513	1,434,836	-	-	-	(384,677)
Other component units	1,769,929	1,751,166	-	-	-	(18,763)
Total component units	<u>\$ 42,803,566</u>	<u>\$ 48,395,467</u>	<u>\$ 2,275,244</u>	<u>\$ -</u>	<u>-</u>	<u>7,867,145</u>
General Revenues:						
Property tax					53,706,541	-
Sales tax					29,679,430	-
Other tax					3,383,715	-
Payments in lieu of taxes					18,923,704	-
Grants and entitlements not restricted to specific programs					9,098,048	-
Intergovernmental revenue not program-restricted					13,930,340	-
Gain on sale of capital assets					1,206,200	-
Other revenues					261,447	-
Unrestricted investment earnings					246,563	408,219
Total general revenues					<u>130,435,988</u>	<u>408,219</u>
Change in net assets					(12,004,857)	8,275,364
Net assets, beginning of year					<u>24,603,774</u>	<u>36,361,631</u>
Net assets, end of year					<u>\$ 12,598,917</u>	<u>\$ 44,636,995</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 19,892,289	\$ 413,314	\$ 33,713,546	\$ 1,020,159	\$ 55,039,308
Cash and cash equivalents - restricted	1,652,841	-	-	105,944	1,758,785
Taxes receivable	5,455,543	-	-	-	5,455,543
Accounts receivable, net	1,154,963	-	-	-	1,154,963
Landfill receivable, net	924,343	-	-	-	924,343
Mortgage loans receivable	-	-	-	11,251,392	11,251,392
Due from other funds	4,064,062	14,870	78,119	585,255	4,742,306
Due from component units	311,486	-	-	-	311,486
Due from federal and state governments	2,884,177	84,824	1,984,045	1,193,627	6,146,673
Due from other governments	8,571,589	-	-	-	8,571,589
Other assets	3,581,335	42,133	-	344,683	3,968,151
	<u>\$ 48,492,628</u>	<u>\$ 555,141</u>	<u>\$ 35,775,710</u>	<u>\$ 14,501,060</u>	<u>\$ 99,324,539</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Bond and revenue anticipation notes payable	\$ -	\$ -	\$ 46,471,326	\$ -	\$ 46,471,326
Accounts payable and accrued expenses	7,295,027	18,368	2,397,129	1,277,216	10,987,740
Due to other funds	960,617	349,096	2,101,304	637,389	4,048,406
Due to component units	7,202,007	-	-	-	7,202,007
Due to other governments	12,140,695	-	-	59,731	12,200,426
Deferred revenue	105,400	252,063	-	10,398,614	10,756,077
Accrued interest	-	-	-	-	-
Other liabilities	243,710	-	168,090	563,944	975,744
Total liabilities	<u>27,947,456</u>	<u>619,527</u>	<u>51,137,849</u>	<u>12,936,894</u>	<u>92,641,726</u>
Fund Balance					
Nonspendable:					
Prepayments	3,563,956	-	-	8,210	3,572,166
Restricted for:					
Debt Service	739,755	-	-	-	739,755
Landfill Postclosure	913,086	-	-	-	913,086
Downpayment Assistance Program	-	-	-	105,944	105,944
Committed for:					
Choose Albany Program	-	-	-	300,000	300,000
NSP Program	-	-	-	250,000	250,000
Assigned for:					
Fund Appropriations	5,635,000	-	-	-	5,635,000
Other purposes	-	-	-	900,012	900,012
Unassigned:	9,693,375	(64,386)	(15,362,139)	-	(5,733,150)
Total fund balances (deficiency)	<u>20,545,172</u>	<u>(64,386)</u>	<u>(15,362,139)</u>	<u>1,564,166</u>	<u>6,682,813</u>
Total liabilities and fund balances	<u>\$ 48,492,628</u>	<u>\$ 555,141</u>	<u>\$ 35,775,710</u>	<u>\$ 14,501,060</u>	<u>\$ 99,324,539</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Real property taxes	\$ 53,706,541	\$ -	\$ -	\$ -	\$ 53,706,541
Sales and use taxes	29,679,430	-	-	-	29,679,430
Other taxes	3,383,715	-	-	-	3,383,715
Payments in lieu of taxes	18,923,704	-	-	-	18,923,704
Intergovernmental revenue	19,701,516	2,582,504	14,989,482	9,639,912	46,913,414
Charges for services	14,111,588	-	-	820,973	14,932,561
Fines, interest and penalties	5,735,266	-	-	-	5,735,266
Uses of money and properties	448,483	-	-	-	448,483
License and permits	2,523,951	-	-	-	2,523,951
Other revenues	3,873,455	-	-	292,609	4,166,064
Total revenues	<u>152,087,649</u>	<u>2,582,504</u>	<u>14,989,482</u>	<u>10,753,494</u>	<u>180,413,129</u>
EXPENDITURES					
Public safety and regulation	86,141,987	-	1,446,743	-	87,588,730
General government	21,945,673	-	2,407,229	-	24,352,902
Highways and streets	6,884,215	-	8,790,931	-	15,675,146
Recreation and culture	4,597,770	-	524,100	-	5,121,870
Community service	8,750,978	-	7,076,266	10,929,692	26,756,936
Economic development and assistance	11,248	2,662,774	-	-	2,674,022
Employee benefits	12,865,168	-	-	-	12,865,168
Debt service:					
Principal	9,853,575	-	-	187,360	10,040,935
Interest	4,688,951	-	-	75,918	4,764,869
Total expenditures	<u>155,739,565</u>	<u>2,662,774</u>	<u>20,245,269</u>	<u>11,192,970</u>	<u>189,840,578</u>
Excess (deficiency) of revenues over expenditures	<u>(3,651,916)</u>	<u>(80,270)</u>	<u>(5,255,787)</u>	<u>(439,476)</u>	<u>(9,427,449)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of property	1,206,200	-	-	-	1,206,200
Proceeds from bond refunding, including premium	-	-	13,792,305	-	13,792,305
Refunding repayment debt service	-	-	(13,792,305)	-	(13,792,305)
Proceeds from issuance of long-term debt	-	-	-	500,000	500,000
Proceeds from the issuance of other debt	1,699,524	-	-	-	1,699,524
Premium on bond anticipation notes issued	399,521	-	-	-	399,521
Payment to refund bond escrow agent	-	-	(608,443)	-	(608,443)
Transfers in	31,283	-	1,300,000	-	1,331,283
Transfers out	(1,300,000)	-	(31,283)	-	(1,331,283)
Total other financing sources (uses)	<u>2,036,528</u>	<u>-</u>	<u>660,274</u>	<u>500,000</u>	<u>3,196,802</u>
Excess (deficiency) of revenues over expenditures and other financing sources	<u>(1,615,388)</u>	<u>(80,270)</u>	<u>(4,595,513)</u>	<u>60,524</u>	<u>(6,230,647)</u>
FUND BALANCE (DEFICIENCY) , beginning of year	<u>22,160,560</u>	<u>15,884</u>	<u>(10,766,626)</u>	<u>1,503,642</u>	<u>12,913,460</u>
FUND BALANCE (DEFICIENCY), ending	<u>\$ 20,545,172</u>	<u>\$ (64,386)</u>	<u>\$ (15,362,139)</u>	<u>\$ 1,564,166</u>	<u>\$ 6,682,813</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS
December 31, 2011

Total fund balance - governmental funds \$ 6,682,813

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Property held for sale is	\$ 517,163	
The cost of capital assets is	410,355,980	
Accumulated depreciation is	<u>(218,798,821)</u>	192,074,322

Long-term liabilities, including bonds payable, that are not due and payable in the current period are not reported as liabilities in the funds. Long-term liabilities not due and payable at year end consist of:

Bonds and loans payable	(84,580,548)	
Bond Premium	(949,647)	
Due to NYS Retirement System	(1,699,524)	
Accrued post employment benefit obligation	(58,579,244)	
Accrued interest on bonds	(913,464)	
Compensated absences	(20,585,548)	
Landfill closure and postclosure obligation	(7,996,929)	
Capital lease obligations	(2,801,262)	
Judgments and claims	<u>(8,052,052)</u>	<u>(186,158,218)</u>

Net assets of governmental activities		<u><u>\$ 12,598,917</u></u>
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CITY OF ALBANY, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

Total net change in fund balance - governmental funds \$ (6,230,647)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	13,019,960	
Depreciation expense	(11,721,269)	
Loss on disposal of assets	(185,128)	
Other	(163,125)	
Capital outlays for property held for sale	<u>517,162</u>	1,467,600

In the statement of activities, certain operating expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Thus, the change in net assets differs from the change in fund balance as follows:

Compensated absences	(2,026,732)	
Landfill closure and postclosure costs	(70,782)	
Judgments and claims	<u>(615,897)</u>	(2,713,411)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets.

Other reduction in long term payables	91,917	
Bond proceeds	(20,697,026)	
Premiums on Bonds	(1,017,305)	
Issuance of ACDA Loan Payable	(500,000)	
Amortization of Bond Premium	67,658	
Due to NYS retirement system	(1,699,524)	
Principal repaid	<u>23,873,080</u>	118,800

Accrued post employment benefit obligation liability increases long-term liabilities in the statement of net assets and related expenditures in the statement of activities, but not to governmental funds. Net post employment benefit contribution is an expenditure in governmental funds, but the contribution reduces long-term liabilities in the statement of net assets. This is the amount by which accrued post employment benefit liability adjustment exceeds the contribution.

Accrued post employment benefit liability adjustment	(11,327,221)	
Post employment benefit contribution paid	<u>6,163,107</u>	(5,164,114)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

		<u>516,915</u>
Change in net assets of governmental activities		<u><u>\$ (12,004,857)</u></u>

CITY OF ALBANY
COMBINING BALANCE SHEET – DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2011

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	City of Albany Industrial Development Agency	Albany Port District Commission	Capitalize Albany Corporation	Other Component Units	Totals
ASSETS							
Cash and cash equivalents	\$ 4,612,669	\$ 1,017,549	\$ 655,512	\$ 354,753	\$ 3,572,020	\$ 782,070	\$ 10,994,573
Cash and cash equivalents, restricted	-	2,779,149	-	-	321,034	-	3,100,183
Investments, restricted	4,628,197	1,891,252	-	2,100,589	2,644,806	-	11,264,844
Receivables, net:							
Accounts	13,129,020	13,527	-	1,489,884	-	2,560	14,634,991
Other	-	38,865	-	-	700,464	162,734	902,063
Mortgage loans and notes receivable	-	-	131,970	-	2,030,574	-	2,162,544
Due from primary government	7,914,562	-	-	-	-	57,839	7,972,401
Prepaid and other assets	909,586	61,445	-	301,027	2,373,211	72,669	3,717,938
Property held for investment, lease or sale	-	-	-	-	3,663,351	574,994	4,238,345
Intangible assets, net	1,222,126	879,568	-	-	-	-	2,101,694
Capital assets, net	34,945,418	16,269,999	-	30,757,219	472,354	-	82,444,990
Total assets	\$ 67,361,578	\$ 22,951,354	\$ 787,482	\$ 35,003,472	\$ 15,777,814	\$ 1,652,866	\$ 143,534,566
LIABILITIES							
Accounts payable and accrued expenses	\$ 2,190,965	\$ 284,816	\$ 109,102	\$ 193,710	\$ 91,714	\$ 145,002	\$ 3,015,309
Current maturities of long-term debt	3,930,000	2,060,000	-	156,807	322,112	16,936	6,485,855
OPEB obligation, current portion	-	-	-	36,700	-	-	36,700
Current installments of capital lease obligation	-	40,656	-	-	-	-	40,656
Accrued interest payable	-	390,677	-	-	-	-	390,677
Due to primary government	-	-	131,970	-	136,248	-	268,218
Deferred revenues	743,384	-	-	166,423	992,245	6,026	1,908,078
Revolving loan fund	-	-	-	-	705,245	-	705,245
Other liabilities	255,714	-	-	393,234	-	170,250	819,198
Accrued interest on capital appreciation bonds	-	2,429,740	-	-	-	-	2,429,740
OPEB obligation, net of current portion	-	1,563,188	-	917,676	-	-	2,480,864
Capital lease obligation, less current installments	-	223,894	-	-	-	-	223,894
Bonds and notes payable	56,096,193	18,308,478	-	1,146,718	4,208,436	333,312	80,093,137
Total liabilities	63,216,256	25,301,449	241,072	3,011,268	6,456,000	671,526	98,897,571
FUND BALANCE (DEFICIT) AND OTHER CREDITS							
Reserved for							
Program specific activities	-	4,670,401	-	-	118,381	-	4,788,782
Encumbrances	451,611	-	-	-	-	-	451,611
Debt service	-	-	-	-	171,400	-	171,400
Invested in capital assets, net of related debt	(25,080,775)	(4,363,029)	-	29,453,694	1,615,705	-	1,625,595
Unreserved	28,774,486	(2,657,467)	546,410	2,538,510	7,416,328	981,340	37,599,607
Total fund balance (deficit) and other credits	4,145,322	(2,350,095)	546,410	31,992,204	9,321,814	981,340	44,636,995
Total liabilities and fund balance	\$ 67,361,578	\$ 22,951,354	\$ 787,482	\$ 35,003,472	\$ 15,777,814	\$ 1,652,866	\$ 143,534,566

See notes to financial statements.

CITY OF ALBANY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2011

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	City of Albany Industrial Development Agency	Albany Port District Commission	Capitalize Albany Corporation	Other Component Units	Totals
Operating revenue	\$ 35,202,803	\$ 5,265,038	\$ 633,492	\$ 4,108,132	\$ 1,434,836	\$ 1,751,166	\$ 48,395,467
Operating expenses							
Costs of services	-	2,840,683	102,876	694,644	911,785	1,439,528	5,989,516
Source of supply and purification	3,273,551	-	-	-	-	-	3,273,551
Transmission and distribution	4,068,170	-	-	-	-	-	4,068,170
General and administrative	2,649,366	984,245	-	2,220,153	-	253,926	6,107,690
Real estate taxes paid to other governments	1,895,849	-	-	-	-	-	1,895,849
Sewer contract	8,186,723	-	-	-	-	-	8,186,723
Depreciation and amortization	4,551,043	700,559	-	1,304,344	214,862	76,475	6,847,283
Grants	-	-	126,085	-	-	-	126,085
Miscellaneous	-	274,775	-	-	579,657	-	854,432
Total operating expenses	<u>24,624,702</u>	<u>4,800,262</u>	<u>228,961</u>	<u>4,219,141</u>	<u>1,706,304</u>	<u>1,769,929</u>	<u>37,349,299</u>
Excess (deficiency) of operating revenue over expenses before nonoperating revenue (expenses)	<u>10,578,101</u>	<u>464,776</u>	<u>404,531</u>	<u>(111,009)</u>	<u>(271,468)</u>	<u>(18,763)</u>	<u>11,046,168</u>
Nonoperating revenue (expenses)							
Amortization of bond issue costs	-	(468,495)	-	-	-	-	(468,495)
Increase (decrease) in fair value of investments	27,336	6,042	-	(5,705)	-	-	27,673
Interest income	276,712	129,238	463	1,806	-	-	408,219
Interest expense	(1,615,344)	(1,171,889)	-	(51,085)	(113,209)	-	(2,951,527)
Other revenue	-	-	-	-	-	-	-
Increase in receivable reserve	(2,599,076)	-	-	-	-	-	(2,599,076)
Realized loss on sale of investments	(22,331)	(28,356)	-	-	-	-	(50,687)
Increase upon hedge termination	-	920,000	-	-	-	-	920,000
Waterfront development expenses	-	-	-	(332,155)	-	-	(332,155)
Net nonoperating expenses	<u>(3,932,703)</u>	<u>(613,460)</u>	<u>463</u>	<u>(387,139)</u>	<u>(113,209)</u>	<u>-</u>	<u>(5,046,048)</u>
Excess of revenue over expenses before transfers	<u>6,645,398</u>	<u>(148,684)</u>	<u>404,994</u>	<u>(498,148)</u>	<u>(384,677)</u>	<u>(18,763)</u>	<u>6,000,120</u>
Grant funding	-	-	-	2,275,244	-	-	2,275,244
Excess of revenue over expenses	<u>6,645,398</u>	<u>(148,684)</u>	<u>404,994</u>	<u>1,777,096</u>	<u>(384,677)</u>	<u>(18,763)</u>	<u>8,275,364</u>
FUND BALANCE (DEFICIT) AND OTHER CREDITS, beginning of year	<u>(2,500,076)</u>	<u>(2,201,411)</u>	<u>141,416</u>	<u>30,215,108</u>	<u>9,706,491</u>	<u>1,000,103</u>	<u>36,361,631</u>
FUND BALANCE (DEFICIT) AND OTHER CREDITS, end of year	<u>\$ 4,145,322</u>	<u>\$ (2,350,095)</u>	<u>\$ 546,410</u>	<u>\$ 31,992,204</u>	<u>\$ 9,321,814</u>	<u>\$ 981,340</u>	<u>\$ 44,636,995</u>

See notes to financial statements.

CITY OF ALBANY
COMBINING STATEMENT OF CASH FLOWS –
DISCRETELY PRESENTED COMPONENT UNITS
December 31, 2011

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	City of Albany Industrial Development Agency	Albany Port District Commission	Capitalize Albany Corporation	Other Component Units*	Totals
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Excess (deficiency) of operating revenue over expense	\$ 10,578,101	\$ 464,776	\$ 404,531	\$ (111,009)	\$ (271,468)	\$ (18,763)	\$ 11,046,168
Adjustments to reconcile excess of operating expenses over revenue to net cash provided (used) by operating activities:							
Depreciation and amortization	4,551,043	700,559	-	1,304,344	214,862	76,475	6,847,283
Realized (loss) gain on sale of investments and assets	(22,331)	-	-	-	35,752	-	13,421
Provision for losses on mortgage costs, accrued interest, and other receivables	-	-	-	-	463,455	-	463,455
Interest income on cash and cash equivalents and investments	-	-	-	-	(73,677)	-	(73,677)
Changes in:							
Accounts receivable	(1,318,396)	-	-	82,847	31,699	-	(1,203,850)
Due from primary government	-	-	-	-	-	271,612	271,612
Other receivables	-	12,666	-	-	-	(42,073)	(29,407)
Prepaid expenses and other assets	(24,774)	(33,058)	-	(85,182)	-	(8,629)	(151,643)
Accounts payable and accrued expenses	(106,543)	13,443	-	52,602	(119,365)	69,941	(89,922)
Due to City of Albany	-	-	-	-	(54,711)	-	(54,711)
Other liabilities	-	495,773	(318)	215,493	4,065	(1,507)	713,506
Other assets	-	-	-	-	-	-	-
Deferred revenue	-	-	-	163,540	20,829	-	184,369
Net cash provided by (used in) operating activities	<u>13,657,100</u>	<u>1,654,159</u>	<u>404,213</u>	<u>1,622,635</u>	<u>251,441</u>	<u>347,056</u>	<u>17,936,604</u>
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from long-term debt	-	-	-	-	-	-	-
Principal payments on long-term debt	(5,138,138)	(1,485,000)	-	(269,218)	(309,722)	(26,970)	(7,229,048)
Interest payments on long-term debt	(1,615,344)	(1,118,130)	-	(51,085)	(115,525)	-	(2,900,084)
Cash payments for (proceeds from sale of) capital assets	-	-	-	(3,812,416)	-	(4,178)	(3,816,594)
Acquisition of intangible assets	(1,192,485)	-	-	-	-	-	(1,192,485)
Deferred financing costs	-	-	-	-	-	(35,540)	(35,540)
Purchase of other assets including purchase options	-	-	-	-	(526,559)	-	(526,559)
Net payments to City of Albany	(5,172,015)	-	-	-	-	-	(5,172,015)
Bond issue costs	-	6,056	-	-	-	-	6,056
Proceeds from grant fundings	-	-	-	1,484,789	-	-	1,484,789
Net cash provided by (used in) capital and related financing activities	<u>(13,117,982)</u>	<u>(2,597,074)</u>	<u>-</u>	<u>(2,647,930)</u>	<u>(951,806)</u>	<u>(66,688)</u>	<u>(19,381,480)</u>
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES							
Purchase of property, plant, and equipment	(4,773,423)	(7,514)	-	-	(47,219)	(218,932)	(5,047,088)
Issuance of mortgage notes	-	-	-	-	(1,000,000)	-	(1,000,000)
Net decrease in restricted cash	-	-	-	-	343,576	-	343,576
Cash received on sale of investments	1,745,213	3,052,453	-	5,180,000	2,576,534	-	12,554,200
Cash paid for purchase of investments	-	(2,115,418)	-	(5,177,034)	(2,629,302)	-	(9,921,754)
Repayments received on mortgage loans	-	-	-	-	390,364	-	390,364
Interest on investments	276,712	129,218	463	1,806	72,896	-	481,095
Principal payments received under direct financing leases	-	-	-	-	170,148	-	170,148
Net cash provided by (used in) investing activities	<u>(2,751,498)</u>	<u>1,058,739</u>	<u>463</u>	<u>4,772</u>	<u>(123,003)</u>	<u>(218,932)</u>	<u>(2,029,459)</u>
Net increase (decrease) in cash and cash equivalents	(2,212,380)	115,824	404,676	(1,020,523)	(823,368)	61,436	(3,474,335)
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,825,049</u>	<u>3,680,874</u>	<u>250,836</u>	<u>1,375,276</u>	<u>4,395,388</u>	<u>720,634</u>	<u>17,248,057</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,612,669</u>	<u>\$ 3,796,698</u>	<u>\$ 655,512</u>	<u>\$ 354,753</u>	<u>\$ 3,572,020</u>	<u>\$ 782,070</u>	<u>\$ 13,773,722</u>

See notes to financial statements.

CITY OF ALBANY, NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
December 31, 2011

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 822,090
Cash and equivalents - restricted	<u>688,948</u>
Total assets	<u><u>\$1,511,038</u></u>
LIABILITIES	
Accounts payable	\$ 3,706
Seized forfeitures	688,948
Due to other funds	108,645
Other liabilities	<u>709,739</u>
Total liabilities	<u>1,511,038</u>
NET ASSETS	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,511,038</u></u>

See notes to financial statements.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Albany, New York (City) was established in 1614, chartered in 1686, and is governed by a Mayor and the City's Common Council. The City, as the primary government, performs local governmental functions within its jurisdiction, including general governmental support, public safety, culture and recreation, transportation, health, and economic assistance and opportunity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

In preparing financial statements in conformity with GAAP, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and accordingly data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

The decision to include a component unit in the City's reporting entity is based on several criteria, including legal standing, fiscal dependency, financial accountability, selection of governing authority and ability to significantly influence operations. Based on the application of these criteria, the following is a brief review of significant entities considered in determining the City's reporting entity. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

The City's component units are legally separate entities that are not operating departments of the City. The component units are managed independently, largely outside the appropriated budget process, and their powers generally are vested in a governing board. The governing boards of the component units are either entirely or partially appointed by the mayor.

Substantially all of the financial data was derived from audited annual financial statements and summarized in the financial statements. Additional information about each of the component units can be obtained from their annual financial statements.

Fund Balance Classifications

Effective January 1, 2011, the City adopted GASB Statement No. 54, which redefines how fund balances of governmental funds are presented in the financial statements. Fund balances are classified as follows:

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

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Fund Balance Classifications (Continued)

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Common Council.

Assigned - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Common Council or through the Common Council delegating this responsibility to the Agency director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. The Unassigned classification would also include negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Blended Component Unit

Albany Community Development Agency (ACDA) is a public benefit corporation, established by State law and governed by a seven member Board of Directors who are City officials. The objectives of ACDA are to provide a suitable living environment and to expand economic opportunities for persons of low and moderate income within the City. ACDA has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs.

The City has the ability to significantly influence operations, select the governing board and participate in fiscal management, accordingly, ACDA is treated as a blended component unit of the City and its activities are included as a special revenue fund of the primary government and reported separately as an other governmental fund in the governmental fund statements.

Discretely Presented Component Units

The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City:

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Albany Water Board and Albany Municipal Water Finance Authority

The City of Albany Water and Sewer System (the System) provides water supply and distribution, and the collection and disposal of sewage for the City. The System began operations in February 1988, and consists of two legally separate and independent entities, the Albany Municipal Water Finance Authority (the Authority) and the Albany Water Board (the Board).

The Authority, a public benefit corporation, was established in 1986 for the purpose of issuing revenue bonds to pay for the purchase, future improvement, and construction of the System. Among its powers, the Authority may borrow money, issue debt, and require that the Board charge and collect sufficient rates to pay the costs of operating and financing the System. The Authority consists of seven members, two members of which are appointed by the Governor of New York State and five members of which are appointed by the Mayor of the City.

The Board, a corporate municipal instrumentality, was established in 1986 with the power to set and collect water and sewer fees in the amounts sufficient to pay the debt service on the bonds of the Authority, as well as to provide for the costs of the operation and maintenance of the System. The primary responsibility of the Board is to charge, collect, and enforce rates and other charges for the System. The Board consists of five members who are appointed by the Mayor of the City.

Albany Parking Authority

The Albany Parking Authority (the Parking Authority) was established in 1982 as a public benefit corporation of the State of New York. The Authority's existence is for a period of fifteen years, and thereafter until all of its liabilities have been met, and its bonds have been discharged. All rights and properties shall pass to the City upon the cessation of the Authority's existence. The Parking Authority is authorized to construct, operate and maintain areas or places in the City for the parking or storing of motor vehicles and is governed by a Board of Directors, which consists of five members appointed by the Mayor of the City with the advice and consent of the City Common Council. During 2010, the Parking Authority has restated its December 31, 2009, financial statements to properly report the adoption of GASB Statement No. 53.

City of Albany Industrial Development Agency

The City of Albany Industrial Development Agency (IDA) is a public benefit corporation established July 1, 1983 under the mandate of Article 18-A, "New York State Industrial Development Agency Act," of New York State general municipal law.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

City of Albany Industrial Development Agency (Continued)

The IDA was established to promote and assist in acquiring or constructing various business and recreational facilities and, in the process, advance the job opportunities, health, general prosperity and economic welfare of the people of the City of Albany. A function of the IDA is to authorize the issuance of industrial revenue bonds for industrial development projects. The IDA reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The IDA receives application fees from applicants and closing fees from those accepted for industrial revenue financing. The IDA is governed by a five-member board appointed by the City Common Council.

Albany Port District Commission

The Albany Port District Commission (the Commission) was established in 1925 by Chapter 192 of the Laws of the State of New York (the State). The law, as amended through December 31, 1986, grants the Commission regulatory powers over the development and operations of the port facilities of the Albany Port District (the Port). The Commission is a public corporation with perpetual existence and has the right of eminent domain, with the power to construct, develop and operate Port facilities including a terminal railroad; to fix fees, rates, rentals and other charges for its facilities; to regulate and supervise the construction and operations of Port facilities by private enterprise; to issue bonds and notes and to do all things necessary to make the Port useful and productive.

The Laws of 1925 provide that the municipalities of Albany and Rensselaer be assessed for the Commission's deficit, if any, from operations and financing. A reapportionment determination made April 1, 1932 established the rates of 88 percent for Albany and 12 percent for Rensselaer. These rates are still in effect and although the rates are subject to change under the provisions of the law, in recent years, there have been no such changes.

Capitalize Albany Corporation

Capitalize Albany Corporation (CAC, formerly Albany Local Development Corporation), which commenced business on October 1, 1979 was formed under the Not-for-Profit Corporation Laws of the State of New York for the purposes of reducing adult unemployment and promoting the training of individuals to improve or develop job opportunities within certain areas of the City. CAC's mission is accomplished by encouraging the development and/or retention of business and industry primarily through the loaning of money to enterprises at below market interest rates. Additionally, CAC has invested in certain real estate, and leased such real estate to businesses, in order to further develop job opportunities and aid the City.

Downtown Albany Restoration Program, Inc.

Downtown Albany Restoration Program, Inc. d/b/a Downtown Albany Business Improvement District, Inc. (BID) is a tax-exempt organization organized in 1996 under the Not-for-Profit Corporation Law of New York State. BID was created to execute the responsibility of a comprehensive business improvement district. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the downtown business improvement district. The BID may be dissolved by legislative body with all the assets reverting back to the City.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Lark Street Area District Management Association, Inc.

Lark Street Area District Management Association, Inc. (Association) is a tax exempt organization organized in 1996 under the Not-for-Profit Corporation Laws of New York State. The Association was created to execute responsibilities of a Comprehensive Business Improvement District. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the Lark Street business improvement district. The Association may be dissolved by legislative body with all the assets reverting back to the City.

Central District Management Association, Inc.

The Central District Management Association, Inc. doing business as the Central Business Improvement District, Inc. (CBID) is a non-profit organization formed in January 1998 under the Not-for-Profit Corporation Law of New York State. The primary purpose of the CBID is to promote the preservation and development of the Central Avenue business corridor of the City of Albany and to make the area more attractive and accessible. To this end the CBID will work to enhance the public perception of the Central Avenue business corridor through overseeing and managing the appearance, security and cleanliness of the business improvement district. The CBID may be dissolved by legislative body with all the assets reverting back to the City.

The BID, Association, and CBID have been combined for financial statement reporting purposes and are reported as “other component units” in the combining balance sheet, combining statement of revenues, expenditures and changes in equity and in the combining statement of cash flows.

Entities excluded from the reporting entity:

Albany Housing Authority

The Albany Housing Authority (Housing Authority) was established by state statute. The Mayor of the City of Albany appoints the Board of Directors of the Housing Authority; however, the City is not financially accountable for the Housing Authority, the City cannot significantly influence the activities of the Housing Authority and the Housing Authority does not provide specific financial benefits to or impose specific financial burdens on the City.

Albany City School District

The Albany City School District (the School District) operates the elementary and high schools in the City. The City is not accountable for the School District as the School District has the authority to levy taxes and School District Board members are elected officials.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund, but not interprimary government and component unit, transactions have generally been eliminated from these financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The City's activities are all classified as governmental activities. The primary government is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset with program revenues. Direct expenses are those which are clearly identifiable with a specific function or activity. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements.

Major individual governmental funds are reported in separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the grantor have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within one year. Expenditures are generally recorded when a liability is incurred, in the same manner as accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, postemployment benefit obligations, claims and judgments and similar long-term liabilities are recorded only when payment is due.

Property taxes, sales taxes, licenses and other fees are all recognized as revenues of the current period. Special assessments are recorded as receivable and deferred revenue at the time the related project is completed and levied. Revenue is recognized as assessments become measurable and available, normally as received.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)*

The City reports the following major governmental funds:

Governmental fund types

General Fund – The General Fund is the principal fund of the City. All financial transactions related to revenue and expenditures for delivery of those services traditionally provided by a municipal government, which are not accounted for in other funds, are accounted for in the General Fund.

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than major capital projects that are legally restricted to expenditures for specified purposes). The following Special Revenue Funds operate within financial limits of an annual budget adopted by the City Council. Special Revenue Funds of the City include the following:

Special Grant Fund – Used to account for the use of state and federal monies received under the Workforce Investment Act.

Miscellaneous Special Revenue Fund – Principally used to account for the use of state and federal monies received under the Corporation for National and Community Services program as well as Department of Justice and other youth and recreational funds.

Capital Projects Fund – Resources used to construct or acquire capital improvements, and general fixed assets are accounted for in this fund. Resources are derived principally from proceeds of long-term debt and Federal and State aid.

Other governmental funds

Albany Community Development Agency (ACDA) is a public benefit corporation, which has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs. As previously discussed, it is accounted for as a blended component unit of the City.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, operating grants and contributions, and capital grants and charges, including special assessments. Internally dedicated resources are reported as general revenues, which includes all taxes.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets

Cash and Investments

The City's investment policies must comply with State statutes as well as their own written investment policy. City monies must be deposited into Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City is authorized to use money market accounts and certificates of deposit. Permissible investments include obligations of the United States Treasurer, and United States agencies that are backed by the full faith and credit of the United States, repurchase agreements, and with the permission of the State Comptroller, obligations of New York State or its localities.

Deposits in excess of the FDIC limits are required to be fully collateralized by obligations of New York State or Federal agencies, the principal and interest of which are guaranteed by the United States or obligations of New York State local governments. The securities are held in a separate, segregated account in the name of the financial institution for the benefit of the City.

The City considers highly liquid investments (including restricted assets) with an original maturity date of three months or less, and money market accounts to be cash equivalents.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either due to/from other funds or advances to/from other funds.

All landfill and other accounts receivable are shown net of an appropriate allowance for uncollectible accounts, where such a provision is required.

Inventories and Prepaid Items

The City does not maintain inventories of supplies and records expenditures when purchased rather than when consumed. Likewise, it records payments to vendors for prepaid expenses as expenditures when paid.

Restricted Assets

Restricted assets, which consist principally of cash and cash equivalents, are assets to be used for the reduction of future debt service payments and to provide resources to offset the costs of future capital improvements.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (including roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated life of three years or more. These assets are recorded at historical cost or estimated historical cost if purchased or constructed.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

Capital Assets (Continued)

Normal maintenance and repair costs that do not add to the value of the asset or materially extend their lives are not capitalized.

Major classes of capital assets are depreciated using the straight-line method over various useful lives. Useful lives for the major classes of capital assets are summarized as follows:

Buildings, capital leases and improvements	20 - 50 years
Machinery and equipment	3 - 20 years
Infrastructure	30 years

Compensated Absences

Employees earn vacation and sick leave as they provide service. Pursuant to collective bargaining agreements, they may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. In addition, certain employees may accumulate unused sick time earned and upon retirement, termination, or death, may be compensated for such accumulated time. The cost of accumulated vacation pay and sick time expected to be paid from future expendable resources of the Governmental Funds are accounted for as a liability in the General Long-Term Debt Account Group and recognized in the respective Governmental Funds when the expenditures are paid.

Leave paid in the current period is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements.

Judgments and Claims

The liability for claims in process represents estimates for all known workers' compensation claims and probable legal settlements at year end.

Deferred Revenue

Deferred revenues principally represent unpaid loan balances resulting from various community development home loan programs operated by the City. When loan payments are received, revenue is recognized to the extent of principal received. When grant funds are reloaned, a corresponding expenditure is recorded. When the allowance for loan losses is increased, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are recognized as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds.

In the fund financial statements, bond premiums and discounts are reported in the current period. The face amount of debt issued is reported as other financing sources. Payments on such debt are recognized as expenditures in the period made. Premiums and discounts are reported as other financing sources or use and issuance costs are reported as debt service expenditures.

NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-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 Assets of Governmental Activities

Total fund balances of the City's governmental funds differs from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term economic focus of the statement of net assets versus the solely current financial resources focus of the governmental fund balance sheets.

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

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance 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 on the statement of activities.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 2 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (Continued)

ii. Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on 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 liability transaction differences:

Long-term liability transaction differences relate principally to bonds, post employment benefits and accrued compensated absences. Both interest and principal payments on bonds and other long-term debt 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 assets.

Employees earn vacation and sick leave as they provide service. They may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. The cost of vacation pay and sick time are recognized in the statement of revenues, expenditures and changes in fund balance when the expenditures are paid. The cost of vacation and sick time earned within the reporting period, including that which is not expected to be paid with expendable available financial resources, is reported in the government-wide financial statements as a liability and expensed in the statement of activities.

Employees earn retirement benefits as they provide service. The benefit is based on factors such as the applicable employee agreement, the employees' hiring date and the number of years of service to the City. The costs of retirement benefits are recognized in the statement of revenues, expenditures and changes in fund balance when the expenditures are paid. The total cost of postemployment benefits to be paid, as estimated in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, is being amortized over a thirty year period. The cost of retirement benefits earned within the reporting period, including that which is not expected to be paid with expendable available resources is reported in the government-wide financial statements as a liability and expensed in the statement of activities.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Pursuant to Article 6 of the Second Class Cities Law of the State of New York and its own charter, the City legally adopts calendar year budgets for the General and Special Revenue Funds. Any amendments to the original budget during the year require the approval of the Board of Estimate and Apportionment.

The appropriated budget is prepared by fund, function and department, encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 4 — CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS - RESTRICTED

At December 31, 2011, cash and cash equivalents and cash and cash equivalents - restricted are comprised of interest bearing and non-interest bearing deposits in various financial institutions.

It is the City's policy for all deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2011, all cash and cash equivalents, as well as restricted cash and cash equivalents in excess of FDIC insurance, were fully collateralized by securities in the name of the financial institution held in a separate account.

The City has approximately \$1,758,785,000 in cash and cash equivalents that have been restricted as follows:

General Fund		
Debt service	\$ 739,755	
Landfill postclosure	<u>913,086</u>	1,652,841
Other Governmental Funds		
Debt service	<u>105,944</u>	<u>105,944</u>
		<u>\$1,758,785</u>
Cash and cash equivalents - restricted		

The City's investment policy attempts to limit exposure to losses arising from interest rate risk, credit risk, custodial risk, and concentration of credit risk. Further, statutes authorize the City to invest in obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

NOTE 5 — LANDFILL RECEIVABLE

The City currently has one landfill accepting waste from various public and private entities. These entities are billed monthly based on the tonnage deposited at the landfill for the previous month. At December 31, 2011, the City had outstanding landfill receivables of approximately \$927,300.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 6 — PROPERTY TAXES

Property taxes are levied and payable in January. Any property taxes not paid by the following December 31 are purchased without recourse by the County of Albany. Accordingly, the total levy is considered measurable and available, and there is no allowance for uncollectible property taxes at December 31, 2011.

The taxable assessed value of real property, as adjusted by New York State, included in the tax levy of 2010 (revenue in 2011), was \$4,969,416,154. The effective tax rate on this value is \$9.97 per thousand for residential and \$12.82 per thousand for non-residential properties. The constitutional tax limit is 2% of the 5-year average of the full value assessment. The 2011 levy represents approximately 53% of the constitutional tax limit. The taxable assessed value of real property included in the tax levy of 2011 (revenue in 2012), was \$4,783,457,074. The effective tax rate on this value is \$9.95 per thousand for residential and \$13.84 per thousand for non-residential properties. The 2012 levy represents approximately 54% of the constitutional tax limit.

NOTE 7 — CAPITAL ASSETS

Property and equipment is comprised of the following:

	Balance December 31, 2010	Additions	Deletions and Adjustments	Balance December 31, 2011
Capital assets not being depreciated:				
Land	\$ 4,620,003	-	-	\$ 4,620,003
Construction in process	43,626,351	6,466,768	(10,308,058)	39,785,061
	<u>48,246,354</u>	<u>6,466,768</u>	<u>(10,308,058)</u>	<u>44,405,064</u>
Capital assets being depreciated:				
Buildings, capital leases and improvements	48,083,411	600	(158,500)	47,925,511
Machinery and equipment	57,890,007	2,508,235	(6,338,603)	54,059,639
Infrastructure	249,613,351	4,044,357	10,308,058	263,965,766
	<u>403,833,123</u>	<u>13,019,960</u>	<u>(6,497,103)</u>	<u>410,355,980</u>
Less accumulated depreciation for:				
Buildings, capital leases and improvements	24,919,993	901,668	(158,500)	25,663,161
Machinery and equipment	45,848,451	3,476,337	(6,153,475)	43,171,313
Infrastructure	142,621,083	7,343,264	-	149,964,347
	<u>213,389,527</u>	<u>11,721,269</u>	<u>(6,311,975)</u>	<u>218,798,821</u>
 Total capital assets, net	 <u>\$ 190,443,596</u>			 <u>\$ 191,557,159</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 7 — CAPITAL ASSETS (Continued)

Depreciation expense was \$11,721,269 for the year ended December 31, 2011. In the statement of activities, depreciation expense is allocated to each function as follows:

<u>Function/Programs</u>	<u>Depreciation Expense</u>
Public safety and regulation	\$ 2,006,023
General government	4,263,790
Highway and streets	3,098,115
Recreation and culture	392,527
Community service	1,952,910
Economic development and assistance	7,904
	<u>\$ 11,721,269</u>

NOTE 8 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES

The City, through ACDA, lends monies received through Federal grants (principally HUD CDBG) to individuals, businesses, and non-profit agencies at low interest rates to fund the acquisition and rehabilitation of low income housing and other community development projects in the City. Loan disbursements are recorded as grant expenditures and loan repayments are recorded as program income. Mortgage loans receivable and the related deferred revenue account consist of principal to be collected in future periods or principal amounts that are forgiven annually in accordance with grant provisions.

Interest rates and loan periods are determined using criteria established by the granting agency. Interest rates on these loans range between 0% and 8% and loan periods are either for a period of up to 15 years or deferred and forgiven as long as the beneficiary is in compliance with the loan agreement.

Funds received from the NYSHTFC were used to establish loans with various not-for-profit organizations, for use in the acquisition and rehabilitation of low income housing. In accordance with applicable grant provisions, loan disbursements are reflected as Due to New York Housing Trust Fund Corporation (NYSHTFC). Funds disbursed to participants generally do not bear interest and are repayable over a period of 15 to 25 years. In accordance with loan agreements, annually, on the anniversary date of completion of the project, one fifteenth or twenty-fifth of the loan is forgiven as long as the beneficiary is in compliance with the loan agreement.

In 2011, the Agency initiated a Choose Albany revolving loan fund utilizing general funds. The revolving loan fund promotes home ownership in Albany and will be for 8% of the purchase price up to \$15,000. The loan can be utilized for down payment assistance or closing costs. The loans have a ten year term with zero percent interest.

The balance of mortgage loans receivable, net of related allowances, is comprised of the following at December 31, 2011:

<u>Program</u>	<u>Balance</u>
HUD	\$ 6,485,123
HUD, forgivable grant loans	4,024,792
NYSHTFC	530,927
Choose Albany	210,550
	<u>\$ 11,251,392</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 9 — INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at December 31, 2011 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 4,064,062	\$ 960,617
Special Revenue	14,870	349,096
Capital Projects	78,119	2,101,304
Albany Community Development Agency	585,255	637,389
	<u>4,742,306</u>	<u>4,048,406</u>
Fiduciary Fund	-	108,645
	<u>\$ 4,742,306</u>	<u>\$ 4,157,051</u>

Fiduciary fund balances are not reported in the government wide financial statements or fund financial statements. Rather, they are reported separately in the statement of fiduciary net assets – fiduciary funds. The net difference as reported by the City and its Component Units is approximately \$582,255 which is primarily caused by timing difference related to the recording of tax assessment adjustments.

NOTE 10 — DUE FROM/TO COMPONENT UNITS

The City has reported approximately \$6,891,000 as the amount due to the Component Units, net at December 31, 2011. The Component Units reported approximately \$7,704,000 as the amount due from the primary government, net. The net difference as reported by the City and its Component Units is approximately \$813,000 which is primarily caused by timing difference related to the recording of tax assessment adjustments. Other activity giving rise to difference in amounts due between the City and the Component Units relates to payroll, benefits, grant reimbursements and other administrative costs paid for by the City and reimbursed to the City by the Component Units or paid for by the Component Units and reimbursed by the City.

NOTE 11 — PENSION PLANS

The City of Albany participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS) and the Public Employees' Group Life Insurance Plan (collectively, the Systems). These are cost-sharing multi-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, NYS Comptroller State Office Building, 110 State Street, Albany, NY 12207.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 11 — PENSION PLANS (Continued)

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of service and for those who joined after December 31, 2009 they are required to contribute 3% of their salary for the length of their public service employment. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The City of Albany is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2011	\$4,539,660	\$8,931,589
2010	\$3,619,931	\$7,911,276
2009	\$2,318,239	\$7,058,207

For 2011, the City of Albany elected to amortize \$1,700,000 of its contribution in accordance with the provisions of Chapter 57, laws of 2010 related to payment of retirement contributions. The City's contributions made to the Systems were equal to 100 percent of the contributions required for 2010 and 2009.

NOTE 12 — NOTES PAYABLE

(a) Bond Anticipation Notes

The City may issue Bond Anticipation Notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years.

In July 2011, the City issued \$46,471,326 in BANs at an interest rate of 1.25%. The proceeds of the BANs, along with \$16,757,723 of available funds, were used to redeem \$55,703,049 of the \$63,980,049 BANs issued in 2010 which matured July 8, 2011 and also provide \$7,526,000 new funds for the purchase of land, equipment and vehicle purchases as well as costs associated with the expansion of the City's landfill. These BANs were subsequently redeemed in July 2012 (see Note 15 – Subsequent Events).

Interest expense on BANs totaled approximately \$660,000 for the year ended December 31, 2011.

NOTE 13 — INDEBTEDNESS

Indebtedness of the City include loans, certain accruals, and serial and Environmental Facilities Corporation (EFC) bonds. Bonds are guaranteed by the full faith and credit of the City.

The following is a summary of certain long-term liability transactions of the City for the year ended December 31, 2011:

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 — INDEBTEDNESS (Continued)

	<u>Balance January 1, 2011</u>	<u>New Issues/ Increase in Estimates</u>	<u>Payments/ Decrease in Estimates</u>	<u>Balance December 31, 2011</u>
Litigation and contingent liabilities	\$ 7,436,155	\$ 3,808,997	\$ (3,193,100)	\$ 8,052,052
Vacation/sick pay obligations	18,558,816	2,026,732	-	20,585,548
Landfill closure and postclosure care costs	7,926,147	70,782	-	7,996,929
Capital lease obligations	4,128,900	-	(1,327,638)	2,801,262
Accrued interest	1,430,379	-	(516,915)	913,464
Bonds	85,596,229	20,697,026	(22,608,030)	83,685,225
Premiums on Bonds	-	1,017,305	(67,658)	949,647
Post employment benefit obligation (Note 14)	53,415,130	11,327,221	(6,163,107)	58,579,244
Due to NYS Retirement System	-	1,699,524	-	1,699,524
Loans payable (ACDA)	424,653	500,000	(29,330)	895,323
Total	<u>\$ 178,916,409</u>	<u>\$ 41,147,587</u>	<u>\$ (33,905,778)</u>	<u>\$ 186,158,218</u>

Of the total outstanding indebtedness of the City at December 31, 2011, approximately \$131,860,000 was subject to the statutory debt limit. Amounts subject to the statutory debt limit include bonds and notes payable. This represents approximately 39% of the City's \$334,145,000 statutory debt limit.

(a) Bonds

Serial and New York State Environmental Facilities (EFC) bonds, the proceeds of which have been used primarily to provide funds for various capital projects, consists of the following at December 31, 2011:

<u>Interest Rate</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding December 31, 2011</u>	<u>Annual Principal Installments (Range)</u>
Serial Bonds					
3.50 - 5.00%	2001	2014	\$ 6,675,000	\$ 1,235,000	\$355,000 - 665,000
2.50 - 4.50%	2002	2013	10,085,000	1,610,000	785,000 - 1,160,000
4.07%	2002	2013	500,000	88,199	88,199
2.75 - 4.25%	2003	2018	21,908,218	11,725,000	1,956,165 - 1,961,806
3.00 - 4.00%	2004	2015	14,262,338	5,945,000	1,565,352 - 1,638,000
4.00 - 4.125%	2006	2018	15,500,000	9,970,000	1,015,000 - 1,610,000
3.62%	2009	2023	19,974,950	17,745,000	1,059,950 - 1,860,000
3.00 - 4.00%	2011	2025	11,075,000	11,075,000	775,000 - 1,375,000
3.00 - 4.00%	2011	2017	1,700,000	1,515,000	185,000 - 275,000
1.5%	2011	2021	7,922,026	7,922,026	720,000 - 890,000
EFC Bonds					
3.75 - 5.35%	1998	2017	3,788,500	1,160,000	158,500 - 235,000
4.31 - 5.74%	2000	2020	7,057,467	3,645,000	280,000 - 445,000
1.21 - 5.00%	2002	2022	4,641,106	2,730,000	205,000 - 445,000
Pension Bonds					
5.25%	2006	2020	10,095,000	7,320,000	495,000 - 1,000,000
				<u>\$ 83,685,225</u>	
Add: Unamortized Premiums				\$ 949,647	
Add: ACDA Loans Payable				895,323	
				<u>\$ 85,530,195</u>	

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds (continued)

The following are details of bonds outstanding at December 31, 2011:

During 2001, the City issued \$6,675,000 in General Obligation Refunding Bonds with an average interest rate of 4.45% to advance refund \$6,210,000 of outstanding 1994 General Obligation Bonds with an average interest rate of 6.10%. The net proceeds were deposited in an irrevocable trust with an escrow agent. The escrow agent subsequently purchased non-callable direct obligations of the United States of America ("Governmental Obligations"). The principal of and investment income on the portfolio of Government Obligations together with other available cash on deposit in the irrevocable trust are expected to provide for all future debt service payments on the aforementioned bonds. As a result, the 1994 bonds are considered to be defeased.

During 2002, the City issued \$10,085,000 in General Obligation Refunding Bonds with an average interest rate of 3.75% to advance refund \$9,660,000 of outstanding 1993 General Obligation Bonds with an average interest rate of 5.08%. The issue matures in 2013.

During 2003, ACDA issued \$500,000 in General Obligation Bonds with an interest rate of 4.07%. The bonds have a maturity date of October 2013. Bond proceeds will fund loans granted through the Albany Down Payment Assistance Program. Principal payments are required to be paid in conjunction with payments received from loan beneficiaries.

During 2003, the City issued \$21,908,218 in General Obligation Bonds with interest rates from 2.75% to 4.25% and priced to yield from .94% to 4.25%. The bonds carry an average interest rate of 3.94% and the average life of the bonds is 8.75 years. The issue matures on August 1, 2018. Proceeds are being used for ongoing and additional capital projects.

During 2004, the City issued \$14,262,338 in General Obligation Bonds with interest rates from 3.00% to 4.00% and priced to yield from 1.50% to 4.00%. The bonds carry an average interest rate of 3.50% and the average life of the bonds is 8.75 years. The issue matures on July 15, 2015. Proceeds are being used for ongoing and additional capital projects.

During 2006, the City issued \$25,595,000 in General Obligation Bonds. The issue included \$15,500,000 in tax exempt bonds to be used for ongoing and additional capital projects and \$10,095,000 in federally taxable bonds used to convert the federally taxable BANs originally issued in 2004 to finance additional retirement participation costs of City employees participating in the New York State Retirement System.

The 2006 tax exempt bonds bear interest rates from 4.00% to 4.125%. The issue matures in 2018. The 2006 taxable bonds bear interest of 5.25% and mature in 2020 with annual payments range from \$495,000 to \$1,000,000.

During 2009, the City issued \$19,974,950 in General Obligation Bonds. The proceeds, along with \$2,462,000 in available funds, were used to redeem \$28,525,600 Bond Anticipation Notes of 2008, originally issued for various capital projects.

In March 2011, the City issued \$12,775,000 in General Obligation Refunding Bonds. The Bonds carry interest rates ranging from 3.00% to 5.00% and a premium of \$1,017,305. The final bond issue matures on August 1, 2025.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 — INDEBTEDNESS (Continued)

(a) Bonds (continued)

The proceeds of the Bonds are to advance refund \$1,735,000 of outstanding 1997 General Obligation Bonds with interest rates ranging from 4.8% to 5.0%, \$5,565,000 of outstanding 2000 General Obligation Bonds, with interest rates ranging from 5.00% to 5.50%, and \$5,955,000 of outstanding 2001 General Obligation Bonds with interest rates ranging from 4.125% to 5.000%.

In July 2011, the City issued \$7,922,026 in General Obligation Bonds and \$46,471,326 in Bond Anticipation Notes (BANs). The Bonds carry interest rates ranging from 1.50% to 3.00%. The final bond issue matures on July 1, 2021. The BANs are due July 6, 2012 and carry an interest rate of 1.25%.

The proceeds of the Bonds, along with \$350,471 of available funds, will redeem \$8,187,000 of the \$63,890,049 BANs issued in 2010 and matured July 8, 2011 and will also provide \$85,000 in new monies for the purchase of land, equipment and vehicle purchases as well as costs associated with the expansion of the City's landfill.

The proceeds of the BANs, along with \$16,757,723 of available funds, will redeem \$55,703,049 of the \$63,890,049 BANs issued in 2010 and matured July 8, 2011 and will provide \$7,526,000 new monies for the purchase of land, equipment and vehicle purchases as well as costs associated with the expansion of the City's landfill.

During 1998, the City received bond proceeds in the amount of \$3,788,500 from EFC with interest rates ranging from 3.75% to 5.35% maturing in 2017. The proceeds were used to expand the City-owned regional landfill.

During 2000, the City received bond proceeds in the amount of \$7,057,467 from EFC with interest rates ranging from 4.31% to 5.74% maturing in 2020. The proceeds were used to remove petroleum storage tanks and expand the City-owned regional landfill.

During 2002, the City received additional bond proceeds in the amount of \$4,641,106 from EFC with an average interest rate of 4.22%, maturing on October 15, 2022. The proceeds were used for the expansion and improvement of the City's landfill and the purchase of a street sweeping vehicle.

Future maturities of general long-term debt as of December 31, 2011 are as follows:

Year Ending December 31	Principal	Interest	Total
2012	\$ 10,137,026	\$ 2,995,021	\$ 13,132,047
2013	10,583,199	2,653,454	13,236,653
2014	10,060,000	2,293,733	12,353,733
2015	10,015,000	1,936,001	11,951,001
2016	8,255,000	1,579,801	9,834,801
2017-2021	29,935,000	3,771,697	33,706,697
2022-2026	4,700,000	314,005	5,014,005
	<u>\$ 83,685,225</u>	<u>\$ 15,543,712</u>	<u>\$ 99,228,937</u>

Interest expense for bonds and loans payable was approximately \$4,576,000 for the year ended December 31, 2011.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 — INDEBTEDNESS (Continued)

(b) Capital lease obligations

City

During 2005, the City entered into a one year master equipment lease/purchase agreement (the "agreement") with a bank. The agreement provided capital for the City to use to purchase certain equipment from various vendors to be used by the City in executing day to day delivery of general government services to its constituency. Lease purchases are authorized by the City's Common Council and identified by ordinance numbers in the agreements. Approved ordinances became part of the distinct subordinate lease/purchase agreements. The one year agreement provided for renewal of the agreement at the City's discretion for up to two additional years. During 2006, the City renewed the agreement adding three new distinct subordinate lease/purchase agreements. Proceeds under the separate agreements are transferred by the bank to an escrow account to be used by the City to purchase the designated equipment identified in the subordinate agreements. These amounts are recognized by the City as other financing sources on the statement of revenues, expenditures, and change in fund balance in the period in which the cash is transferred by the bank. The unspent proceeds under the agreements of approximately \$608,000 were recorded as restricted cash in the capital fund on the governmental funds balance sheet. These funds were released from restriction in 2011.

The total acquisition cost is deferred in the lease/purchase schedules and bear interest ranging from 3.15% to 3.65%. The purchases qualify as capital leases. The interest portion of the future minimum lease payments approximate \$137,000 and the net present value of the lease payments approximate \$1,791,000. Payments of interest and principal are semi-annual and are made in accordance with each subordinate agreement payment schedule.

IDA

The City entered into a capital lease with the IDA, whereby the City has agreed to lease the City of Albany Municipal Golf Course clubhouse and related parcel of land (collectively the "property"). The lease payments made under the agreement shall be in an amount equal to the amount payable as principal and interest on the IDA's Revenue Bonds, 1991 Series A and B. The lease payments are due monthly through 2012. The agreement qualifies as a capital lease. The interest portion of the future minimum lease payments approximates \$7,000 and the net present value at December 31, 2011 approximates \$55,000. Title of the property transfers to the City upon satisfaction of the outstanding debt service.

ACDA

ACDA amended its lease for office space at a facility located at 200 Henry Johnson Boulevard. The amended lease has a sixteen year term and the agreement requires ACDA to remit semi-annual payments to the Capitalize Albany Corporation ("CAC") through 2018. The agreement qualifies as a capital lease. The interest portion of future minimum lease payments approximate \$204,000 and the net present value at December 31, 2011 approximates \$955,000.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 — INDEBTEDNESS (Continued)

(b) Capital lease obligations (continued)

A summary of future minimum lease payments and future minimum maturities of the capital lease obligations as of December 31, 2011 is as follows:

<u>Year Ending December 31</u>	<u>CITY</u>	<u>IDA</u>	<u>ACDA</u>	<u>Total</u>
2012	\$ 517,159	\$ 61,824	\$ 166,606	\$ 745,589
2013	517,159	-	164,850	682,009
2014	517,159	-	167,663	684,822
2015	376,431	-	165,044	541,475
2016	-	-	166,994	166,994
Thereafter	-	-	328,113	328,113
Total minimum lease payments	1,927,908	61,824	1,159,270	3,149,002
Less amounts representing interest	(136,646)	(6,824)	(204,270)	(347,740)
Total principal	<u>\$ 1,791,262</u>	<u>\$ 55,000</u>	<u>\$ 955,000</u>	<u>\$ 2,801,262</u>

(c) Litigation and contingent liabilities

(1) Judgments and Claims

There are various suits and claims pending against the City. In the opinion of City officials and Corporation Counsel, there are no proceedings against the City in which the likelihood the City will be held liable is probable and the amount of claims relating to such proceedings are reasonably estimable. The City has recognized an accrued liability of approximately \$470,000 related to future claims on certain other matters.

(2) Self Insurance

The City self-insures workers' compensation claims. The City and its component units, with the exception of the BID, the Association, and the CBID, all participate in the self-insurance program.

Under the program, the City utilizes a program administrator to process claims as they occur. A liability for unpaid claims based upon individual case estimates for claims incurred as well as claims incurred but not reported (IBNR) at December 31, 2011 has been recorded in the caption "Judgments and claims." This liability is the City's best estimate based on available information. Changes in the reported liability since December 31, 2011 resulted from the following:

	<u>Balance as of December 31, 2010</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance as of December 31, 2011</u>
Workers' compensation liability	<u>\$ 6,936,155</u>	<u>\$ 3,842,966</u>	<u>\$ (3,193,100)</u>	<u>\$ 7,586,021</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 — INDEBTEDNESS (Continued)

(c) *Litigation and contingent liabilities (continued)*

(3) *Grant Programs*

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted periodically in accordance with grantor requirements. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

(d) *Landfill closure and post closure care costs*

The City has four landfills, three of which stopped accepting waste prior to December 1993. The fourth, Albany Interim Landfill (AIL), together with its expansions added in 1997 and 2010, is still accepting waste at December 31, 2011.

State and federal laws and regulations require the City to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste. The City reports closure and post closure care costs based on landfill capacity used as of each balance sheet date.

Accrued landfill closure and post closure care costs of approximately \$7,996,929 at December 31, 2011, represent the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of all previously closed landfills and 83 percent of the estimated capacity of the AIL and its expansions currently being used as determined by an independent engineer. The estimated remaining life of the AIL, including the 1997 and 2010 expansions is approximately 6 years. The City will recognize the remaining estimated cost of closure and post closure care of \$1,575,000 as the remaining AIL and expansion estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City currently has a cash reserve of approximately \$913,000 for payment of closure and post closure care costs.

In June 2009, the New York State Department of Environmental Conservation (NYSDEC) issued a renewal permit to the City to continue operations of the existing landfill through June 2019. The renewal permit also included a modification provision authorizing an approximate 15 acre expansion which ultimately doubles the existing capacity of the landfill.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 — INDEBTEDNESS (Continued)

(e) Loans payable

Loans payable are further broken down as follows:

	<u>Balance January 1, 2011</u>	<u>New Issues/ Increase in Estimates</u>	<u>Retirement/ Decrease in Estimates</u>	<u>Balance December 31, 2011</u>
Note payable (1)	\$100,000	\$ -	\$ -	\$100,000
Note payable (2)	175,000	-	(20,000)	155,000
Note payable (3)	149,653	-	(9,330)	140,323
Note payable (4)	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
	<u>\$424,653</u>	<u>\$500,000</u>	<u>\$ (29,330)</u>	<u>\$895,323</u>

- (1) During 2002, the Agency borrowed the sum of \$100,000 from the Capitalize Albany Corporation (former Albany Local Development Corporation, CAC) to establish a fund for collateral for the Albany Down Payment Assistance Program. The proceeds of this note are required to be maintained in a segregated bank account until note maturity. The term of the note shall be the length of the City of Albany Down Payment Assistance Program but no longer than August 9, 2013. The Agency will pay interest earned on the secured funds upon repayment of the note. There are no scheduled monthly payments until maturity.
- (2) As part of the capitalized lease obligation, described in (C) above, the Agency executed a note payable to CAC to pay for all previously unreimbursed tenant expenses. The note has a sixteen year term and the agreement requires the Agency to remit semi-annual payments to CAC through 2018.
- (3) Note payable from CAC to fund improvements made to one of the Agency's properties located at 388 Clinton Avenue. The note is collateralized by a mortgage agreement on the building located at 388 Clinton Avenue. The note is being amortized over a period of twenty years, with monthly principal and interest payments. The interest rate for the first five years of the note is fixed at 4%, and is subject to every five years thereafter to prime plus 1%.
- (4) During 2011, the Agency borrowed the sum of \$500,000 from the Capitalize Albany Corporation to purchase property at 25 Delaware Avenue. The note is collateralized by a mortgage agreement on the property located at 25 Delaware Avenue. The note is being paid over a period of ten years, with monthly principal and interest payments. The balance is due in full at the time of sale or change in ownership of the property. The interest rate is 5.75%. The property acquired was recorded as property held for sale and included in other assets in the statement of net assets.

(f) Due to New York State and Local Retirement System

During 2011, the City was given the option to defer part of their 2011-2012 New York State Pension contribution. The deferred portion of the contribution is amortized over ten years at a rate of 3.75%. Annual payments of \$206,939, including principal and interest, begin February 2013. The total account due NYSLRS at December 31, 2011 was \$1,699,524.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 13 — INDEBTEDNESS (Continued)

(f) Due to New York State and Local Retirement System (continued)

A summary of future NYSLRS payment obligations as of December 31, 2011 is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ -	\$ -
2013	143,204	63,732	206,936
2014	148,574	58,362	206,936
2015	154,145	52,791	206,936
2016	159,926	47,010	206,936
2017-2021	894,218	140,462	1,034,680
2022-2025	199,457	7,479	206,936
	<u>\$ 1,699,524</u>	<u>\$ 369,836</u>	<u>\$ 2,069,360</u>

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS

City

In addition to providing pension benefits (see Note 11), the City also provides health care benefits for retired employees, their dependents and certain survivors. Substantially all of the City's employees, as well as employees of the Albany Water Board may become eligible for those benefits if they reach normal retirement age while working for the City.

The City follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the recognition, measurement, and display of other postemployment benefits (retiree health insurance) expenses and related liabilities and note disclosure.

Plan Description

The City administers its Retiree Medical Plan (the Plan) as a single-employer defined benefit other postemployment benefit (OPEB) plan. The Plan provides for the continuation of medical benefits to certain qualifying retirees of the City and the Albany Water Board, and their dependents and certain survivors and can be amended by action of the City. The Plan does not currently 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 obligations of the Plan members, employers and other entities are established by the City. The required contribution rates of the employer and the members vary depending on the retiree's hiring date and number of years of service to the City. The City currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis, with the possibility of prefunding additional benefits if so determined by the City. For 2011, the City contributed approximately \$10,291,000 for current costs. The costs of administering the plan are paid by the City.

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funded Status and Funding Progress

The schedule of funding progress presents multi year (when available) trend information that is useful in determining whether the actuarial value of Plan assets, if any, is increasing or decreasing over time relative to the actuarial accrued liability. The following table sets forth the actuarial accrued liability and funded status of the Plan as of January 1, 2011, the latest valuation date.

<u>Actuarial Accrued Liability (AAL)</u>	
Currently retired	\$ 154,795,200
Actives eligible to retire	75,822,300
Actives not yet eligible to retire	39,646,300
Actuarial accrued liability	<u>270,263,800</u>
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 270,263,800</u>
Funded ratio	<u>0%</u>
2011 normal cost	<u>\$ 4,667,500</u>

The following table summarizes the amortization calculation of the UAAL (level annual payment method) as of the latest valuation date:

UAAL	\$ 270,263,800
Amortization period (years)	30
Amortization discount rate	5%
Present value factor	16.1411
2011 UAAL amortization amount	\$ 8,397,800

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for 2011:

Normal cost	\$ 4,667,500
Amortization of UAAL	8,397,800
Interest	419,900
ARC	<u>13,485,200</u>
Interest on OPEB obligation	2,670,800
Adjustment to ARC	<u>(701,200)</u>
OPEB expense	<u>\$ 15,454,800</u>

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 14 — OTHER POSTEMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's OPEB obligation for the current and preceding years were as follows:

	<u>2011</u>	<u>2010</u>
Net OPEB obligation at beginning of year	\$ 53,415,500	\$ 49,714,900
OPEB expense	15,454,800	15,047,500
OPEB contributions	<u>(10,290,700)</u>	<u>(11,346,900)</u>
Net OPEB obligation at end of year	58,579,600	53,415,500
Less: estimated current portion of OPEB obligation	<u>10,925,400</u>	<u>10,290,700</u>
Estimated long-term portion of OPEB obligation	<u>\$ 47,654,200</u>	<u>\$ 43,124,800</u>
Percentage of expense contributed	<u>66.6%</u>	<u>75.4%</u>

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs (if any) between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used to calculate the costs of the Plan for age, disability, vested and surviving spouse's benefits is the Projected Unit Credit Actuarial Cost Method. Under this method, each participant's projected benefit is calculated at all possible ages based on the Plan provisions as well as the initial data and actuarial assumptions. For active participants, the AAL is determined by pro-rating the projected benefit based upon service accrued to the valuation date divided by service projected to be accrued at the first age of benefit eligibility. The normal cost is determined by dividing the projected benefit by service projected to be accrued at the first age of benefit eligibility.

The measurement date for the calculation was January 1, 2011 and the discount rate utilized was 5%. No salary increases were assumed since benefits are not based on compensation. Health care costs for governmental activities were assumed to increase as follows:

<u>Year</u>	<u>Trend Increase</u>
2012	10.0%
2013	9.0%
2014	8.0%
2015	7.0%
2016	6.0%
Thereafter	5.0%

CITY OF ALBANY
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 15 — SUBSEQUENT EVENTS

In July 2012, the City issued \$12,590,000 in General Obligation Refunding Bonds. The Bonds carry interest rates ranging from 2.00% to 5.00% and a premium of \$1,342,868. The final bond issue matures on July 15, 2018.

The proceeds of the Bonds are to advance refund \$10,240,000 of outstanding 2003 General Obligation Bonds with interest rates ranging from 4.00% to 4.25% and \$3,085,000 of outstanding 2004 General Obligation Bonds with interest rates of 4.00%.

In July 2012, the City issued \$34,037,827 in General Obligation Bonds and \$20,520,000 in Bond Anticipation Notes (BANs). The Bonds carry interest rates ranging from 2.00% to 4.00% and a premium of \$1,448,713. The final bond issue matures on July 1, 2021. The BANs are due July 5, 2013 and carry an interest rate of 1.00%.

The proceeds of the Bonds, along with \$5,689,173 of available funds, will redeem \$39,727,000 of the \$46,471,326 BANs issued in 2011 and matured July 6, 2012.

The proceeds of the BANs, along with \$3,659,326 of available funds, will redeem \$6,744,326 of the \$46,471,326 BANs issued in 2011 and matured July 6, 2012 and will provide \$17,435,000 new monies for various capital purchases.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ALBANY, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES AND MODIFIED BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2011

	General Fund				Special Revenue Funds			
	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget
REVENUES								
Real property taxes	\$ 54,149,000	\$ 54,149,000	\$ 53,706,541	\$ (442,459)	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	28,500,000	28,500,000	29,679,430	1,179,430	-	-	-	-
Other taxes	3,539,000	3,539,000	3,383,715	(155,285)	-	-	-	-
Payments in lieu of taxes	18,916,000	18,916,000	18,923,704	7,704	-	-	-	-
Intergovernmental revenue	18,075,000	21,087,642	19,701,516	(1,386,126)	2,722,000	2,894,000	2,582,504	(311,496)
Charges for services	13,690,000	13,690,000	14,111,588	421,588	-	-	-	-
Fines, interest and penalties	5,822,000	5,998,900	5,735,266	(263,634)	-	-	-	-
Use of money and properties	147,000	147,000	448,483	301,483	-	-	-	-
Licenses and permits	1,984,000	1,984,000	2,523,951	539,951	-	-	-	-
Other revenues	3,268,900	3,587,722	3,873,455	285,733	-	-	-	-
Total revenues	<u>148,090,900</u>	<u>151,599,264</u>	<u>152,087,649</u>	<u>488,385</u>	<u>2,722,000</u>	<u>2,894,000</u>	<u>2,582,504</u>	<u>(311,496)</u>
EXPENDITURES								
Public safety and regulation	83,636,172	87,817,937	86,141,987	(1,675,950)	-	-	-	-
General government	23,775,593	23,851,283	21,945,673	(1,905,610)	-	-	-	-
Highways and streets	6,955,705	7,262,705	6,884,215	(378,490)	-	-	-	-
Recreation and culture	4,497,343	4,523,644	4,597,770	74,126	-	-	-	-
Community service	9,812,087	10,186,087	8,750,978	(1,435,109)	-	-	-	-
Employee benefits	15,905,000	15,394,035	12,865,168	(2,528,867)	-	-	-	-
Economic development and assistance	-	-	11,248	11,248	2,722,000	2,894,000	2,662,774	(231,226)
Debt service	18,053,000	18,053,000	14,542,526	(3,510,474)	-	-	-	-
Total expenditures	<u>162,634,900</u>	<u>167,088,691</u>	<u>155,739,565</u>	<u>(11,349,126)</u>	<u>2,722,000</u>	<u>2,894,000</u>	<u>2,662,774</u>	<u>(231,226)</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>(14,544,000)</u>	<u>(15,489,427)</u>	<u>(3,651,916)</u>	<u>11,837,511</u>	<u>-</u>	<u>-</u>	<u>(80,270)</u>	<u>(80,270)</u>
OTHER FINANCING SOURCES (USES)								
General fund allocation	6,134,000	6,134,000	-	(6,134,000)	-	-	-	-
Transfers	5,000,000	5,000,000	(1,268,717)	(6,268,717)	-	-	-	-
Proceeds from the issuance of other debt	2,400,000	2,400,000	1,699,524	(700,476)	-	-	-	-
Premium on bond anticipation notes issued	-	-	399,521	399,521	-	-	-	-
Proceeds from sale of property	1,010,000	1,010,000	1,206,200	196,200	-	-	-	-
Total other financing sources (uses)	<u>14,544,000</u>	<u>14,544,000</u>	<u>2,036,528</u>	<u>(12,507,472)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ (945,427)</u>	<u>\$ (1,615,388)</u>	<u>\$ (669,961)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,270)</u>	<u>\$ (80,270)</u>