

**ALBANY CSO POOL COMMUNITIES
CORPORATION**

(A NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENT

SEPTEMBER 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

Officers, Directors and Members
Albany CSO Pool Communities Corporation
(A Not-For-Profit Corporation)
Albany, New York

We have audited the accompanying financial statements of Albany CSO Pool Communities Corporation (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Albany CSO Pool Communities Corporation as of December 13, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 9, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 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.

WEST & COMPANY CPAs PC

Gloversville, New York
December 13, 2018

ALBANY CSO POOL COMMUNITIES CORPORATION

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and cash equivalents	\$ 62,333	\$ 35,653
Due from communities	221,318	44,368
Work in process	10,285,681	10,081,312
Grants receivable	1,600	0
	<u>10,570,932</u>	<u>10,161,333</u>
TOTAL ASSETS	<u>\$ 10,570,932</u>	<u>\$ 10,161,333</u>
LIABILITIES:		
Accounts payable	\$ 285,251	\$ 80,021
Deferred revenue	10,285,681	10,081,312
	<u>10,570,932</u>	<u>10,161,333</u>
TOTAL LIABILITIES	<u>\$ 10,570,932</u>	<u>\$ 10,161,333</u>

See accompanying notes and independent auditors' report.

ALBANY CSO POOL COMMUNITIES CORPORATION

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUES:		
Program revenues	\$ 1,852,763	\$ 2,656,391
Grant revenues	783,962	101,874
	<hr/>	<hr/>
Total revenues	2,636,725	2,758,265
FUNCTIONAL EXPENSES:		
Project costs	2,404,419	2,531,643
Legal fees	32,129	42,135
Professional fees	45,171	17,575
Administrative fees	150,734	158,672
Bank fees	0	0
Insurance	4,220	8,190
Miscellaneous fees	52	50
	<hr/>	<hr/>
Total functional expenses	2,636,725	2,758,265
CHANGE IN NET ASSETS	0	0
NET ASSETS - BEGINNING	<hr/>	<hr/>
	0	0
NET ASSETS - ENDING	<hr/> <hr/>	<hr/> <hr/>
	\$ 0	\$ 0

See accompanying notes and independent auditors' report.

ALBANY CSO POOL COMMUNITIES CORPORATION

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 0	\$ 0
Adjustments to convert to cash:		
(Increase) decrease in grants receivable	(1,600)	85,452
(Increase) in work in process	(204,369)	0
(Increase) in due from communities	(176,950)	(21,311)
Increase (decrease) in deferred revenue	204,369	0
Increase (decrease) in accounts payable	205,230	(132,018)
	<hr/>	<hr/>
Net cash provided (used) by operating activities	26,680	(67,877)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH	26,680	(67,877)
CASH - BEGINNING OF YEAR	35,653	103,530
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CASH - END OF YEAR	\$ 62,333	\$ 35,653
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See accompanying notes and independent auditors' report.

ALBANY CSO POOL COMMUNITIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Albany CSO Pool Communities Corporation is formed as a Charitable Corporation pursuant to Section 2-1 of the N-PCL, and will be operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

The Corporation was formed for the purpose of reducing discharges of wastewater and stormwater from combined sewer overflows within the municipalities (i.e., cities of Albany, Cohoes, Rensselaer, Troy, Watervliet and the Village of Green Island) that are the members of the Corporation, in order to protect the quality of the waters therein and to achieve compliance with all federal, state, and local laws, regulations, and permits applicable to the management of combined sewer overflows in the municipalities that are the Corporation's members.

The Corporation shall carry out the foregoing purposes, on behalf of its member municipalities, by soliciting, entering, administering, and performing any contracts necessary or incidental to the implementation of the Albany CSO Pool Long Term Control Plan dated June 30, 2011, together with the Albany CSO Pool Long Term Control Plan Supplemental Documentation, dated October, 2013 (collectively, the "LTCP"), as both were approved by the New York State Department of Environmental Conservation ("NYSDEC") on January 15, 2014, as well as any amendments or revisions to those documents made and approved in writing by the NYSDEC.

The Corporation may also assist the member communities by applying for, obtaining and contracting with any federal, state, or local governmental agency or foundation, organization, or natural person for the purpose of obtaining grants, loans, or other forms of financial assistance, and expending or authorizing the expenditure of such funds in furtherance of the purposes of the Corporation.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less, or which are redeemable on demand. Fair value approximates carrying amounts.

Accounts Receivable

The Corporation does not maintain any allowance for estimated uncollectible accounts. It is management's opinion that all receivables are collectible.

Income Taxes

Albany CSO Pool Communities Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provisions for taxes in the accompanying financial statements. The Corporation is exempt from filing federal and state income tax returns under IRS Revenue Procedure 95-8.

ALBANY CSO POOL COMMUNITIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Uncertain Tax Positions

The Corporation files information returns in its U.S. federal jurisdiction and New York State. The Corporation's returns for its years ended September 30, 2018, 2017 and 2016, are subject to U.S. federal and New York State examination.

The Corporation follows the provision of uncertain tax positions as addressed in FASB ASC 740. The Corporation has been granted tax exempt status as a nonprofit organization, which management believes would be accepted upon examination by the taxing authorities. Management has determined that it currently has no other uncertain tax positions to report for the year ended September 30, 2018.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

NOTE 2 – DUE (TO) FROM COMMUNITIES

The participating communities have contributed funds towards the existing projects. The amounts due (to) from each community are as follows:

	<u>2018</u>	<u>2017</u>
City of Albany	\$ (341,494)	\$ (6,386)
City of Cohoes	(816,854)	(796,056)
Village of Green Island	(8,735)	(16,519)
City of Rensselaer	139,497	112,565
City of Troy	1,350,257	868,798
City of Watervliet	<u>(101,353)</u>	<u>(118,034)</u>
Due from Communities	<u>\$ 221,318</u>	<u>\$ 44,368</u>

NOTE 3 – WORK IN PROCESS AND DEFERRED REVENUE

As of September 30, 2018 and 2017, the Corporation has \$10,285,681 and \$10,081,312, respectively, of work in process. The majority of these costs were incurred directly by the participating communities prior to the execution of the consent order and prior to the formation of the Corporation. While these costs were incurred directly by the communities, these projects are part of the long-term plan and, therefore, included in the total expenses of the plan. Upon approval by the Corporation, these costs will be distributed to each community based on their cost-sharing percentages and recognized as revenue of the Corporation.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

The Corporation maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2018 and 2017, the Corporation's cash balances were fully insured.

ALBANY CSO POOL COMMUNITIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Corporation's long-term plan sets forth a project budget through 2027 in the amount of \$103,545,000. Through September 30, 2018 and 2017, \$9,302,310 and \$7,079,943, respectively, has been spent on these projects.

The Corporation is reliant upon receiving invoices from the communities for work performed through year-end as such there may be liabilities and corresponding revenue that has been incurred but not recorded.

NOTE 6 – SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through the issuance date of the report. None were considered material to the issued financial statement.

ALBANY CSO POOL COMMUNITIES CORPORATION
SCHEDULES OF CUMULATIVE COSTS AND INCOME ALLOCATION BY COMMUNITY
YEARS ENDED SEPTEMBER 30, 2016, 2017 AND 2018

Community	Costs through September 30, 2016	Grants through September 30, 2016	Costs through September 30, 2017	Grants through September 30, 2017	Costs through September 30, 2018	Grants through September 30, 2018	Net Cumulative Costs
City of Albany	\$ 2,535,961	\$ (512,732)	\$ 1,618,550	\$ (75,825)	\$ 1,815,415	\$ (671,677)	\$ 4,709,692
City of Cohoes	118,414	(23,942)	75,576	(3,541)	267,264	(201,218)	232,553
Village of Green Island	22,905	(4,631)	14,619	(685)	0	0	32,208
City of Rensselaer	92,052	(18,611)	58,751	(2,752)	8,242	0	137,682
City of Troy	1,502,215	(303,725)	958,773	(44,916)	125,078	(72,209)	2,165,216
City of Watervliet	50,131	(10,136)	31,996	(1,499)	6,368	(3,894)	72,966
TOTAL	\$ 4,321,678	\$ (873,777)	\$ 2,758,265	\$ (129,218)	\$ 2,222,367	\$ (948,998)	\$ 7,350,317

See accompanying notes.