

*CITY OF MECHANICVILLE, NEW YORK*

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2021*

*CITY OF MECHANICVILLE, NEW YORK*

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*DECEMBER 31, 2021*

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**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
City of Mechanicville, New York

**Report on the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the general fund, service awards program, special grant fund, water fund, sewer fund, capital projects fund and fiduciary fund of the City of Mechanicville, New York (the "City") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Mechanicville's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental and fiduciary activities of the City of Mechanicville, New York as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the general fund, service awards program, special grant fund, water fund, sewer fund, capital projects fund and fiduciary fund and do not purport to, and do not present fairly, the financial position of the City as of December 31, 2021, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information (pages 26 to 28), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
August 31, 2022

**CITY OF MECHANICVILLE, NEW YORK**  
 BALANCE SHEETS - ALL GOVERNMENTAL FUND TYPES  
 DECEMBER 31, 2021

	<u>Special Revenue Funds</u>					
	<u>General</u>	<u>Service Awards Program</u>	<u>Special Grant</u>	<u>Water</u>	<u>Sewer</u>	<u>Capital Projects</u>
<b>Assets:</b>						
Cash	\$ 1,628,944	\$ -	\$ 67,327	\$ 288,073	\$ 457,144	\$ 1,499,677
Investments	-	697,864	-	-	-	-
Property taxes receivable, net	242,728	-	-	-	-	-
Accounts receivable, net	336,985	-	-	118,833	26,830	-
State and federal receivables	145,593	-	-	-	-	645,553
Loans receivable, net	-	-	24,708	-	-	-
Due from other funds	1,278,390	-	-	-	-	-
Due from other governments	293,425	-	-	-	-	-
Prepaid expenses	83,911	-	-	-	-	-
<b>Total assets</b>	<u>\$ 4,009,976</u>	<u>\$ 697,864</u>	<u>\$ 92,035</u>	<u>\$ 406,906</u>	<u>\$ 483,974</u>	<u>\$ 2,145,230</u>
<b>Liabilities:</b>						
Accounts payable	\$ 488,271	\$ -	\$ 158	\$ 17,730	\$ 989	\$ 181,687
Accrued liabilities	86,095	-	-	9,256	3,571	-
Due to other funds	-	-	-	-	-	1,278,390
Due to other governments	31,986	-	-	-	-	-
Unearned revenue	258,307	-	-	-	-	-
BAN payable	-	-	-	-	-	971,000
<b>Total liabilities</b>	<u>864,659</u>	<u>-</u>	<u>158</u>	<u>26,986</u>	<u>4,560</u>	<u>2,431,077</u>
Deferred inflows of resources	<u>225,945</u>	<u>-</u>	<u>24,708</u>	<u>73,626</u>	<u>22,430</u>	<u>614,809</u>
<b>Fund balance (deficit):</b>						
Non-spendable	83,911	-	-	-	-	-
Assigned - appropriated	388,800	-	-	279,175	21,908	-
Assigned - unappropriated	-	697,864	67,169	27,119	435,076	-
Unassigned (deficit)	<u>2,446,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(900,656)</u>
<b>Total fund balance (deficit)</b>	<u>2,919,372</u>	<u>697,864</u>	<u>67,169</u>	<u>306,294</u>	<u>456,984</u>	<u>(900,656)</u>
<b>Total liabilities, deferred inflows of resources and fund balance (deficit)</b>	<u>\$ 4,009,976</u>	<u>\$ 697,864</u>	<u>\$ 92,035</u>	<u>\$ 406,906</u>	<u>\$ 483,974</u>	<u>\$ 2,145,230</u>

**CITY OF MECHANICVILLE, NEW YORK**  
**STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>	<u>Service Awards Program</u>	<u>Special Revenue Funds</u>			<u>Capital Projects</u>
			<u>Special Grant</u>	<u>Water</u>	<u>Sewer</u>	
Revenue:						
Real property taxes	\$ 2,646,621	\$ -	\$ -	\$ -	\$ -	\$ -
Real property tax items	114,055	-	-	-	-	-
Non property tax items	1,501,973	-	-	-	-	-
Departmental income	31,010	-	-	708,078	953,109	-
Intergovernmental charges	15,251	-	-	-	-	-
Use of money and property	-	36,232	-	-	-	-
Licenses and permits	16,407	-	-	-	-	-
Fine and forfeitures	34,250	-	-	-	-	-
Sale of property and compensation for loss	119,168	-	-	-	-	-
Miscellaneous local sources	331,514	72,859	13,328	-	-	-
State aid	985,739	-	-	-	-	181,896
Federal aid	-	-	-	-	-	9,939
Total revenue	<u>5,795,988</u>	<u>109,091</u>	<u>13,328</u>	<u>708,078</u>	<u>953,109</u>	<u>191,835</u>
Expenditures:						
General government support	694,905	-	-	-	-	-
Public safety	1,669,788	-	-	-	-	-
Health	10,000	-	-	-	-	-
Transportation	1,472,146	-	-	-	-	-
Economic assistance and opportunity	12,910	-	-	-	-	-
Culture and recreation	94,840	-	-	-	-	-
Home and community services	409,354	-	-	564,106	868,188	750,047
Employee benefits	1,140,555	69,180	-	79,495	61,120	-
Debt service	167,734	-	-	302,000	23,500	-
Total expenditures	<u>5,672,232</u>	<u>69,180</u>	<u>-</u>	<u>945,601</u>	<u>952,808</u>	<u>750,047</u>
Operating transfers in	-	-	-	130,000	-	-
Operating transfers out	(130,000)	-	-	-	-	-
Proceeds from debt issuance	109,440	-	-	-	-	1,329,892
Net change in fund balance	103,196	39,911	13,328	(107,523)	301	771,680
Fund balance (deficit), beginning of year	<u>2,816,176</u>	<u>657,953</u>	<u>53,841</u>	<u>413,817</u>	<u>456,683</u>	<u>(1,672,336)</u>
Fund balance (deficit), end of year	<u>\$ 2,919,372</u>	<u>\$ 697,864</u>	<u>\$ 67,169</u>	<u>\$ 306,294</u>	<u>\$ 456,984</u>	<u>\$ (900,656)</u>

**CITY OF MECHANICVILLE, NEW YORK**  
*STATEMENT OF NET POSITION AND CHANGES IN NET POSITION*  
*FIDUCIARY FUND*  
*DECEMBER 31, 2021*

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**Statement of Net Position**

	<u><b>Custodial</b></u>
School Taxes Receivable (Total Assets)	\$ <u>246,800</u>
Due to other governments (Total Liabilities)	\$ <u>246,800</u>

**Statement of Changes in Net Position**

Property tax collection for other governments	\$ 271,215
Payments of property taxes to other governments	\$ <u>271,215</u>
Change in net position	-
Net position, beginning	<u>-</u>
Net position, ending	\$ <u>-</u>



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Mechanicville, New York (the City) has prepared its general, service award program, special grant, water, sewer, capital projects and fiduciary fund financial statements in accordance with accounting principles generally accepted in the United States of America as applied to government units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing GAAP for state and local governments through its pronouncements (Standards and Interpretation).

The City does not comply with GASB Statement No. 34, which requires the City to present the government-wide financial statements on a full accrual government-wide basis as well as the fund basis. The financial statements present only the general, service award program, special grant, water, sewer, capital projects and fiduciary funds, and do not purport to, and do not present fairly the financial position or changes in financial position of the City.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying governmental funds financial statements follows.

### *A. Financial Reporting Entity*

The City was incorporated in 1915 and operates under an elected Common Council which includes the Mayor and four other persons, and provides service to approximately 5,200 residents in areas including general government services, public works, public safety and community enrichment programs.

GASB Statement No. 61 defines the financial reporting entity for the City to include all funds, account groups, agencies, boards, commissions and authorities where the elected officials (the Mayor and/or the council, respectively) are financially accountable and for which a financial benefit or burden relationship exists. The following terms are used to describe the components of a reporting entity:

- Primary Government

A legally separate state, general purpose local or special purpose government with a separately elected governing body. It must be fiscally independent of other primary governments.

- Component Unit

A legally separate organization for which the elected officials are financially accountable. Also the primary government is able to impose its will on the component unit or there is a potential for the component unit to provide a financial benefit or incur a financial burden on the primary government.

In accordance with accounting principles generally accepted in the United States of America, there were no component units identified.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*A. Financial Reporting Entity (Continued)*

*Excluded from the Financial Reporting Entity*

The City of Mechanicville/Town of Stillwater Industrial Development Agency (the “Agency”) was created for the purpose of encouraging economic growth in the City and the Town. The Mayor and Town appoints the agency’s governing board. The City does not approve the Authority’s budget or contracts. The City has no oversight responsibility for the funds of the Authority. A separate audit report is available for the agency’s December 31, 2021 financial statement.

The Mechanicville Housing Authority (the “Authority”) was organized pursuant to the Housing Statutes of the State of New York and was created to provide low-income housing. The Governing Board of the Authority is appointed by the Mayor. The City provides no subsidy to the Authority, nor is it responsible for the debt or operating deficits of the Authority. The Authority’s debt is essentially supported by operating revenues of the Authority and is not guaranteed by the City. The City does not approve the Authority’s budget, contracts or hiring of staff. The City has no oversight responsibility for the funds of the Authority. A separate audit report is available for the Authority’s December 31, 2021 financial statement.

*B. Basis of Presentation - Fund Accounting*

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions and limitations.

The various funds are grouped in the financial statements in the following fund types and account group:

*Governmental Fund Types*

Governmental funds are those in which most governmental functions of the City are reported. The acquisition, use and balances of the City’s expendable financial resources and the related liabilities are accounted for through the governmental funds. The measurement focus is upon determination of financial position, rather than upon determination of net income. The following are the City's governmental fund types:

**General Fund** - The general fund is the primary operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*B. Basis of Presentation - Fund Accounting (Continued)*

*Governmental Fund Types (Continued)*

**Service Awards Program** - The service awards program is used to account for revenues and expenditures relating to the length of service plan provided to volunteer City Fire Fighters.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The special revenue funds include the following:

- Special Grant Fund - established to account for revenues and expenditures relating to special grants.
- Water Fund - established by law to account for revenues and expenditures for the purpose of providing water to the City.
- Sewer Fund - established by law to account for revenues and expenditures for the purpose of providing sewage services to the City.

**Capital Projects Fund** - The capital projects fund accounts for and reports financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

*Fiduciary Fund Types*

Fiduciary fund accounts are used for assets held by the City as an agent for the Mechanicville School District in a custodial capacity.

*Account Groups*

Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The two account groups are not “funds.” They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

**The Non-Current Governmental Assets Account Group** - This account group is used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes. The City does not report the non-current governmental assets account group as historical records of fixed assets have not been maintained.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*B. Basis of Presentation - Fund Accounting (Continued)*

*Account Groups (Continued)*

**The Non-Current Governmental Liabilities Account Group** - This account group is used to record all long-term obligations of the City, such as bonds, compensated absences and other long-term debt. As the City has not recorded in the general long-term debt account group, liabilities for postemployment benefits other than pensions and for pensions and related liabilities that are not within the scope of GASB 68, as they are unknown, the non-current governmental liabilities account group has not been reported.

*C. Basis of Accounting*

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when they are susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the liability is incurred, if measurable, except that:

- Interest on long-term debt is not recognized as an expenditure until paid.
- Compensated absences, which vest or accumulate, is charged as an expenditure when paid.

In applying the susceptible-to-accrual concept to state and federal aid, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are generally reflected as revenues at the time of receipt.

The primary non-property tax item is sales tax which is recorded as revenue in the general fund when it is received by the State and available for distribution to the City. Other revenues are recorded when received in cash because they are generally not measurable until actually received.

The accrual basis of accounting is followed by the fiduciary funds.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. Budgetary Data*

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. The City employs the following budgetary procedures:

- No later than October 31, the Commissioner of Finance submits a tentative budget to the Mayor and Commissioner's for their departments for the fiscal year commencing that January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- After public hearings are conducted, no later than November 30, the City Council adopts the City Budget.
- All revisions that alter appropriations of any department by fund must be approved by the City Council.

*E. Property Taxes*

City real property taxes are levied annually no later than February 20 and foreclosure procedures begin for unpaid balances that exceed two years.

*F. Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Open encumbrances at year end are reported as reservations of fund balances since the commitments do not constitute expenditures nor liabilities.

*G. General Fixed Assets*

Acquisitions of equipment and capital facilities are appropriately recorded as expenditures in the various governmental funds of the City.

*H. Compensated Absences*

City employees are granted vacation and sick leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limitations. The liability for accumulated vacation and related benefits has been recorded in the respective governmental fund type in accordance with GASB Statement No. 16. Payment of accumulated sick leave and related benefits is reflected in the non-current government liabilities account group since it is anticipated that none of the liability will be liquidated with expendable financial resources. However, management believes that sufficient resources will be made available for payment of accumulated sick leave and related benefits when such payments become due.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*I. Other Post Employment Benefits*

In addition to the retirement benefits described in Note 8, the City provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the City and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the City. The City recognized the cost of providing benefits for the year ended December 31, 2021 by recording its costs for the benefits for approximately 51 currently enrolled retirees and family members as an expenditure in 2021, which totaled approximately \$370,000.

*J. Deferred Compensation Plan*

Employees of the City may elect to participate in the City's Deferred Compensation Plan created in accordance with Internal Revenue Code §457. The Plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement.

Under the terms of the amended Plan agreement, these monies are not subject to the claims of the City's general creditors after they are paid to the Plan's Trustee.

*K. Subsequent Events*

Management has evaluated subsequent events or transactions as to potential material impact on operations or financial position occurring through August 31, 2022, the date the financial statements were available to be issued. No such events or transactions were noted.

**2. STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY**

*Deficit Fund Balance*

The capital projects fund has deficits totaling \$900,656 at December 31, 2021. This deficit is caused by allowing contracts for projects funded by borrowings and operating transfers. The deficit will be eliminated with long term borrowings and collection of deferred receivables.

**3. CASH AND INVESTMENTS**

The City's investment policy was adopted by the City Council and is governed by State statutes. The City's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Commissioner of Finance is authorized to use demand accounts, certificates of deposit, obligations of the United States of America, New York State and local municipalities and school districts, certificates of participation and repurchase agreements with certain restrictions.

**3. CASH AND INVESTMENTS (CONTINUED)**

Collateral is required for demand deposits and certificates of deposit at 100 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of any state and its municipalities and school districts.

During 2021, cash and investments were either insured by Federal Depository Insurance or collateralized by assets of the City’s agent in the City’s name.

**4. INTERFUND TRANSACTIONS**

During the course of operations, the City has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. As of and for the year ended December 31, 2021, interfund balances and revenues and expense arising from these transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,278,390	\$ -
Capital Projects Fund	-	1,278,390
	<u>\$ 1,278,390</u>	<u>\$ 1,278,390</u>

**5. SHORT-TERM DEBT**

Liabilities for bond anticipation notes (BANs) are generally accounted for in the capital projects fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum live of the permanent financing, provided that stipulated annual reduction of principal are made.

The following is a summary of changes in BANs for the year ended December 31, 2021:

BANs Outstanding, January 1, 2021	\$ -
BANs Issued	971,000
BANs Redeemed	-
BANs Outstanding, December 31, 2021	<u>\$ 971,000</u>

**CITY OF MECHANICVILLE, NEW YORK**  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 DECEMBER 31, 2021

**5. SHORT-TERM DEBT (CONTINUED)**

BANs outstanding at December 31, 2021 were as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Dam Project	\$ .39%	\$ 7/29/22	\$ 971,000

**6. LONG-TERM DEBT**

The changes in the City's recorded long-term debt during the year are summarized as follows:

	<u>January 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2021</u>
Serial Bonds Payable	\$ 6,097,608	\$ 1,441,536	\$ 412,144	\$ 7,127,000
Installment Debt Payable	232,890	-	54,993	177,897
Compensated Absences	62,849	53,934	-	116,783
Net Pension Liability (Note 8)	2,563,453	-	2,098,728	464,725
	<u>\$ 8,956,800</u>	<u>\$ 1,495,470</u>	<u>\$ 2,565,865</u>	<u>\$ 7,886,405</u>

Serial bonds payable consist of the following:

<u>Purpose</u>	<u>Year of Issue/ Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>December 31, 2021</u>
Water Plant Construction - EFC	2007/2037	0.00%	\$ 5,673,707	\$ 3,290,000
Sewer - EFC	2006/2033	0.00%	765,000	282,000
Fire Truck	2016/2031	2.375%	380,000	270,000
Bridges	2017/2026	1.0%-4.4%	478,920	260,000
Water Line - EFC	2018/2047	0.00%	3,124,000	2,925,000
Backhoe	2021/2030	.75%-2.17%	109,440	100,000
Total Serial Bonds			<u>\$ 10,531,067</u>	<u>\$ 7,127,000</u>

"EFC" is the New York State Environmental Facilities Corporation.

The annual maturities of serial bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 410,500	\$ 14,746
2023	410,500	13,311
2024	415,500	11,763
2025	420,500	9,923
2026	420,500	7,508
2027-2031	1,892,500	14,285
2032-2036	1,689,000	-
2037-2041	790,000	-
2042-2046	565,000	-
2047	113,000	-
	<u>\$ 7,127,000</u>	<u>\$ 71,536</u>



**6. LONG-TERM DEBT (CONTINUED)**

Installment debt payable consists of a capital lease for a fire truck acquired in February 2010, with annual payments of \$67,015, including interest at 4.975%, through February 2024.

The annual maturities of installment debt are as follows:

2022	\$	67,015
2023		67,015
2024		67,015
Total		201,045
Amount Representing Interest		(23,148)
Installment Debt Payable		\$ 177,897

Information to record the liability for post-employment benefits other than pensions (GASB Statement No. 75) and the liability for pensions and related assets that are not within the scope of GASB Statement No. 68 and GASB Statement No. 73 is not available and therefore these liabilities have not been recorded as they are unknown.

**7. UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES**

Unearned revenues in the general fund consist of \$258,307 received and unexpended for the American Revenue Plan.

Certain revenues have been deferred in the fund statements as the revenue is not available to pay liabilities of the current period.

General fund - tax revenue receivable	<u>\$ 225,945</u>
Special grant fund - USDA loan payments	<u>\$ 24,708</u>
Water fund - water rents receivable	<u>\$ 73,626</u>
Sewer fund - sewer rents receivable	<u>\$ 22,430</u>
Capital projects fund - grant revenue	<u>\$ 614,809</u>

**8. PENSION PLANS**

*General Information*

The City participates in the New York State and Local Employees' Retirement System ("ERS") and New York State and Local Police and Fire Retirement System ("PFRS"). The Systems are cost sharing multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

**8. PENSION PLANS (CONTINUED)**

*Plan Description and Benefits Provided*

The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in plan net position allocated to the Systems. The Comptroller of the State of New York (the “Comptroller”) serves as sole trustee and administrative head of the Systems. System benefits are established under provisions of the New York State Retirement and Social Security Laws (“NYSRSSL”). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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 System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for ERS employees who joined the System after July 27, 1976 who contribute 3% of their salary, for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally must contribute 3% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the Systems’ fiscal year ending March 31.

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

2021	\$	335,643
2020	\$	287,716
2019	\$	306,828

Chapter 260 of the laws of 2014 of the State of New York allows local employers to bond or amortize a portion (limitations established by fiscal year) of their retirement bill up to 10 years for fiscal years ended March 31, 2005 through 2008. Chapter 57 of the laws of 2010 of the State of New York allows local employers to amortize a portion (limitations established by fiscal year) of their retirement bill for 10 years for fiscal years ended March 31, 2011 and forward.

These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts. The City has no bonded or amortized retirement obligations.

**8. PENSION PLANS (CONTINUED)**

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

At December 31, 2021, the City has a liability of \$3,615 for ERS and \$461,110 for PFRS for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2021, the City's proportion was .00363% for ERS and .02655% for PFRS.

At December 31, 2021, the City's deferred outflows and inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 146,466	\$ -
Changes in assumptions	1,797,567	(12,536)
Net difference between projected and actual earnings on pension plan investments	-	(2,394,288)
Changes in proportion and differences between employer contributions and proportionate share of contributions	50,093	(364,026)
Contributions subsequent to the measurement date	<u>251,732</u>	<u>-</u>
	<b><u>\$ 2,245,858</u></b>	<b><u>\$ (2,770,850)</u></b>

The net amount of the employer's balances of deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31, 2022	\$ 47,144
December 31, 2023	(105,965)
December 31, 2024	(166,327)
December 31, 2025	(498,312)
December 31, 2026	<u>198,468</u>
	<b><u>\$ (524,992)</u></b>

**8. PENSION PLANS (CONTINUED)**

*ERS and PFRS Actuarial Assumptions*

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following actuarial assumptions.

	<u>ERS</u>	<u>PERS</u>
Interest rate	5.9%	5.9%
Salary increase	4.4%	6.2%
Inflation rate	2.7%	2.7%
Cost of living adjustment	1.4%	1.4%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on MP-2020.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020.

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 for ERS and PFRS were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	4.05%
International equity	6.30%
Private equity	6.75%
Real estate	4.95%
Opportunistic portfolio	4.50%
Real assets	5.95%
Credit	3.63%
Cash	.50%

**8. PENSION PLANS (CONTINUED)**

*Discount Rate*

The discount rate used to calculate the total pension liability was 5.9% for ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
<b><u>ERS</u></b>			
Employers' proportionate share of the net pension assets (liability)	<u>\$ (1,003,366)</u>	<u>\$ (3,615)</u>	<u>\$ 918,389</u>
<b><u>PFRS</u></b>			
Employers' proportionate share of the net pension assets (liability)	<u>\$ (1,960,899)</u>	<u>\$ (461,110)</u>	<u>\$ 780,328</u>

*Pension Plan Fiduciary Net Position*

The components of the net pension liability of the plans as of March 31, 2021 were as follows (in thousands):

	<u>ERS</u>	<u>PFRS</u>
Plan total pension liability	\$ (220,680,157)	\$ (41,236,775)
Fiduciary net position	<u>220,580,583</u>	<u>39,500,500</u>
Plan net pension liability	<u>(99,574)</u>	<u>(1,736,275)</u>
Ratio of fiduciary net position to the Plan total pension liability	<u>99.95%</u>	<u>95.79%</u>

## 9. FUND BALANCE

The City has implemented GASB 54 “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB 54 defines five categories of fund balances as follows:

- **Nonspendable** fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The City’s nonspendable fund balance consists of \$83,911 in prepaid expenses at December 31, 2021.
- **Restricted** fund balance includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The City had no restricted fund balance at December 31, 2021.
- **Committed** fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. The City had no committed fund balances at December 31, 2021.
- **Assigned** fund balance includes amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the City or designated by the City for ensuing year’s budget. Assigned fund balance includes \$388,800 in the general fund, \$279,175 in the water fund and \$21,908 in the sewer fund assigned for the ensuing year’s budget.
- **Unassigned** fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund.

The City Council determines whether restricted, committed, assigned or unassigned amounts are considered to have been spent first when resources are available from multiple constraint levels. The default policy is that resources are spent first from the highest constraint level.

## 10. LENGTH OF SERVICE AWARD PROGRAM

The City participates in a single-employer, defined benefit pension plan administered by its Board of Commissioners. The Length of Service Award Program (LOSAP) plan provisions are established by the City and are approved by the voters. LOSAP provides a monthly pension benefit upon retirement at the age of 65 or upon death, should the volunteer decease before age 65. The City is required to contribute based upon actuarial calculations. Actual contributions made by the City for the year ended December 31, 2021 totaled \$72,859.

**10. LENGTH OF SERVICE AWARD PROGRAM (CONTINUED)**

The actuarial present value of accumulated plan benefits is determined by an actuary from Penflex, Inc. Service Award Program Specialists using the attained age, normal frozen initial liability cost method and it is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts of interest) and the probability of payment (by means of decrements such as death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The actuarial values of the Plan’s assets were determined using the fair market value of the assets as of the valuation date. The significant actuarial assumptions used in the valuation as of December 31, 2021 were mortality rates of participants (RP-2014 Male Mortality Table was used); investment return rate (the valuations include an assumed rate of return of 5.0%); and retirement age assumptions (all active participants will elect pensions as soon as eligible for normal pension at age 65). The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits.

Penflex, Inc. Service Award Program Specialists issued a stand-alone, certified financial report for the Plan for the year ended December 31, 2021, which was dated June 17, 2022. The following is a summary of the funding of the Plan for the most recent actuarial valuation:

<b>Actuarial Valuation Date</b>	<b>Value of Plan Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Actual Actuarial Liability</b>	<b>Funded Ratio</b>
1/1/22	\$ 697,864	\$ 994,736	\$ 296,872	70%
1/1/21	\$ 657,953	\$ 1,011,673	\$ 353,720	65%
1/1/20	\$ 600,539	\$ 950,613	\$ 350,074	63%

Information is reported as of the most recent actuarial valuation date, January 1, 2022.

**10. LENGTH OF SERVICE AWARD PROGRAM (CONTINUED)**

The following disclosures are required for Plans that do not obtain an independent certified public accountant to perform an audit of the Plan. This disclosure is as of December 31, 2021.

(a) Program Financial Condition

Assets and Liabilities

Actuarial present value of accrued service awards as of January 1, 2022		\$ 994,736
Less assets available for benefits:		
Cash and money market	\$ 37,145	
U.S. equities	148,174	
International equities	105,490	
Fixed income	364,848	
Benefits prepaid	42,207	
Total net assets available from benefits		697,864
Total unfunded benefits		\$ 296,872

Separately Amortized Costs

The remaining unfunded prior costs are being amortized over 9 years at 5.0%. The unfunded liability for additional Service Awards earned after attainment of the entitlement age is being amortized over three years at 5.0% from the year they are accrued.

Receipts and Disbursements

Plan net assets at January 1, 2021		\$ 657,953
Changes during the year:		
Sponsor contributions	72,859	
Changes in fair market value of investments	24,121	
Investment income earned	18,314	
Investment expense	(5,313)	
Administrative fees	(890)	
Benefits paid/payable	(69,180)	
		39,911
Plan net assets at January 1, 2021		\$ 697,864

Contributions

Contribution recommended by actuary		\$ 72,859
Actual contribution made by the Sponsor		\$ 72,859



**10. LENGTH OF SERVICE AWARD PROGRAM (CONTINUED)**

(b) Funding Methodology and Actuarial Assumptions

Normal Costs

The actuarial valuation methodology used by the actuary to determine the Sponsor's contribution is the Attained Age Normal Cost Method. The assumptions used by the actuary to determine the Sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on Program investments            5.0%

Tables used for:

Post Entitlement Age mortality	RP-2014 Male Mortality Table without projection
* Pre-entitlement age mortality	None
* Pre-entitlement age disability	None
* Pre-entitlement age withdrawal	None
* Pre-entitlement age service credit accrual	100%

\* For Program cost calculation purposes, all pre-entitlement age active volunteer firefighter participants are assumed to survive to the entitlement age and begin to be paid service awards upon attainment of the entitlement age.

**11. TAX ABATEMENT**

The City enters into Payment in Lieu of Taxes ("PILOT") agreements with some local businesses. PILOTS are often included as part of an Industrial Development Agency ("IDA") agreement with a commercial or industrial development for the purpose of attracting or retaining business within their jurisdictions. PILOT agreements normally provide for payments of amounts lesser than would have been collected for real estate taxes for a number of years.

For the year ended December 31, 2021, the City had \$45,281 in PILOT revenue.

**12. COMMITMENTS AND CONTINGENCIES**

*Litigation*

Several claims against the City are presently pending for various reasons including condemnation and personal injuries. Although the final outcome of these matters cannot be predicted, management of the City, based on the advice of the City's Counsel, does not believe that the final settlement of these matters will have a material adverse effect on the financial condition of the City.

**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Grant Programs*

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantor or its representatives. The City believes, based upon its review of current activity and prior experience, the amount of disallowances resulting from these audits, if any, will not be significant to the City's financial position or results of operations.

*Environmental Concerns*

The City is engaged in many activities (e.g., water and sewer service, refuse collection, gasoline storage), in the normal course of operations, that are potentially hazardous to the environment. As of December 31, 2021, the City is not aware of any significant environmental problems that should be disclosed in the financial statements.

*Union Contracts*

Police, fire department and department of public works employees are each represented by a collective bargaining agent. Those agents which represent them and the dates of expiration of their agreements are as follows:

<b><u>Bargaining Unit</u></b>	<b><u>Contract Expiration Date</u></b>
Civil Service Employees Association	December 31, 2024
Mechanicville Police Benevolent and Protective Association	December 31, 2022

*Self Insurance*

The City participates in a self-insured plan for workers' compensation under County of Saratoga Local Law No. 1 and 2, 1956, pursuant to Article 5 of the Workers' Compensation Law. The plan, which currently has 53 participants, is open to any eligible municipality or public entity for participation. The County of Saratoga Springs, New York is responsible for administration of the plan and reserves. The plan purchases commercial insurance for employer's third party suits; the limit is \$1,000,000 with retention of \$10,000. All participants make annual payments to the plan based on historical estimates of the amounts needed to pay prior and current year claims and establish a reserve for catastrophic losses. For the year ended December 31, 2021 the City's workers' compensation premium was \$61,398. The City's annual workers' compensation premium is included in the County tax levy for the given fiscal year, therefore no expenditure is reflected in the City's financial statements for workers' compensation. The County issues a publicly available financial report which may be obtained by writing to the County of Saratoga, 40 McMaster Street, Ballston Spa, New York. 12020.

**12. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Refuse Agreement*

The City has entered into an agreement with County Waste and Recycling Service, Inc. for refuse and recycling at established rates through December 31, 2021. Total refuse and recycling expenditures for the year ended December 31, 2021 were \$404,146.

**13. UNCERTAINTY**

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the City and its future financial position and results of operations is not presently determinable.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MECHANICVILLE, NEW YORK**  
 SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Final Budget</u>	<u>Actual</u> *	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>			
Real Property Taxes	\$ 2,718,344	\$ 2,646,621	\$ (71,723)
Real Property Tax Items	63,000	114,055	51,055
Non Property Tax Items	1,326,025	1,501,973	175,948
Departmental Income	19,258	31,010	11,752
Intergovernmental Charges	14,500	15,251	751
Use of Money and Property	1,500	-	(1,500)
Licenses and Permits	13,810	16,407	2,597
Fines and Forfeitures	46,900	34,250	(12,650)
Sale of Property and Compensation for Loss	8,680	119,168	110,488
Miscellaneous Local Sources	387,181	331,514	(55,667)
State Aid	781,651	985,739	204,088
Total Revenue	<u>5,380,849</u>	<u>5,795,988</u>	<u>415,139</u>
<b>Expenditures</b>			
General Government Support	710,943	694,905	16,038
Public Safety	1,646,136	1,651,386	(5,250)
Health	10,000	10,000	-
Transportation	1,487,172	1,472,146	15,026
Economic Assistance and Opportunity	13,255	12,910	345
Culture and Recreation	106,431	94,840	11,591
Home and Community Services	427,956	409,354	18,602
Employee Benefits	1,171,616	1,140,555	31,061
Debt Service	193,050	186,136	6,914
Total Expenditures	<u>5,766,559</u>	<u>5,672,232</u>	<u>94,327</u>
<b>Other Changes</b>			
Proceeds from Debt Issuance	109,440	109,440	-
Operating Transfers - Out	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
Excess (Deficiency) of Revenue Over Expenditures and Other Changes	<u>\$ (406,270)</u>	<u>\$ 103,196</u>	<u>\$ 509,466</u>

\* Actual public safety has been decreased by \$18,402 and debt service increased by \$18,402 to conform to budget presentation.

**CITY OF MECHANICVILLE, NEW YORK**  
 SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL - WATER FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2021

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>			
Departmental Income	\$ 745,796	\$ 708,078	\$ (37,718)
Total Revenue	<u>745,796</u>	<u>708,078</u>	<u>(37,718)</u>
<b>Expenditures</b>			
Home and Community Services	629,500	564,106	65,394
Employee Benefits	80,353	79,495	858
Debt Service (Principal and Interest)	<u>305,814</u>	<u>302,000</u>	<u>3,814</u>
Total Expenditures	<u>1,015,667</u>	<u>945,601</u>	<u>70,066</u>
<b>Other Changes</b>			
Operating Transfer - In	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ (139,871)</u>	<u>\$ (107,523)</u>	<u>\$ 32,348</u>

**CITY OF MECHANICVILLE, NEW YORK**  
 SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL - SEWER FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2021

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenue</b>			
Departmental Income	\$ 961,201	\$ 953,109	\$ (8,092)
Total Revenue	<u>961,201</u>	<u>953,109</u>	<u>(8,092)</u>
<b>Expenditures</b>			
Home and Community Services	876,276	868,188	8,088
Employee Benefits	61,882	61,120	762
Debt Service (Principal and Interest)	<u>23,500</u>	<u>23,500</u>	<u>-</u>
Total Expenditures	<u>961,658</u>	<u>952,808</u>	<u>8,850</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ (457)</u>	<u>\$ 301</u>	<u>\$ 758</u>