Module 6 Case Study: City of Albany, New York – 2025 Audited Financial Statements

Context

In Module 1 you read the City of Albany's budget — what the City *planned* to do with its money. In this case you will read what the City *actually did*, as reported in its audited financial statements. The year is **2025**, the year before the budget you read in Module 1.

The City of Albany's fiscal year is the calendar year. Its most recent audited statements cover the year ended **December 31, 2025**. The City titles the document *Basic Financial Statements, Supplementary Information and Independent Auditor's Reports*. The textbook calls the fuller version of this kind of document an Annual Comprehensive Financial Report, or ACFR.

- City of Albany – Financial Statements & Documents: 2025 Audited Financial Statement

The report is also attached as `City-of-Albany-Financial-Statements-2025.pdf`. Everything in this case comes from this one report. Page numbers in this case are the ones printed at the bottom of each page, not the PDF viewer's page count.

Deferred outflows and deferred inflows, in plain language. Government statements of net position have two categories that a business balance sheet does not.

- A **deferred outflow of resources** is money the City has already paid, or a cost it has already taken on, that the accounting rules count as belonging to a *future* year. It is listed after assets, but it is not something the City can spend or sell. The City reports $96.0 million of deferred outflows (page 11), all tied to pensions and retiree health care. For example, about $16.8 million is pension contributions the City paid after March 31, 2025. The State pension systems measure the City's pension liability as of March 31, so these payments will count against that liability in 2026 rather than 2025 (Note 12, page 43).
- A **deferred inflow of resources** is the reverse: something the City has received or has a right to, or a gain it has recorded, that the rules count as belonging to a *future* year. It is listed after liabilities, but the City does not owe it to anyone. The City reports $164.1 million of deferred inflows. The simplest example is **leases** ($0.3 million). When the City rents out property under a multi-year lease, it records the future rent as a receivable now, but it counts the rent as revenue only as each year of the lease goes by.

Because of these two categories, total assets minus total liabilities will *not* equal net position. Net position = assets + deferred outflows − liabilities − deferred inflows. Report the totals the statement gives, and check that this equation balances. (The City's own definitions are in Note 1(r), pages 28–29.)

Read the labels, then check the arithmetic. Audited statements can still contain labeling

mistakes. If a total does not seem to fit its label, add up the lines yourself and report what the numbers show. If you find a mislabeled line, say so in your answer.

Instructions

Review the City of Albany's 2025 financial statements and answer the following questions. You should be able to locate the answers using the table of contents, the financial statements, and the Management's Discussion and Analysis at the front of the report. Note the page number where you find each answer.

1. Government-wide Statement of Net Position (the balance sheet)

Find the government-wide Statement of Net Position. What are the total assets for the Primary Government and for the Component Units? What are the total liabilities for the Primary Government and for the Component Units? What is the total net position for the Primary Government and for the Component Units?

(Hint: this statement is in the Basic Financial Statements section, after the Management's Discussion and Analysis. The City's primary government has only one column, Governmental Activities.)

2. Government-wide Statement of Activities (the activity statement)

Find the government-wide Statement of Activities. What are the total expenses for the Primary Government and for the Component Units? What is the total general revenue for the Primary Government? What is the change in net position for the Primary Government for the year?

(Hint: this statement follows the Statement of Net Position. The primary government is the City's governmental activities only. Make sure the expense total you report does not also include the component units.)

3. Governmental funds

What is a governmental fund? (You can find the answer in the textbook, the lecture, or the City's report.) Give three examples of governmental funds reported by the City of Albany.

Identify the page numbers for:

- the Balance Sheet – Governmental Funds, and
- the Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

Looking at the governmental funds (use the **Total Governmental Funds** column):

- What is the total fund balance at the end of the year? (Governmental funds report *fund balance*, not net position.)
- Do the City's governmental funds report an overall surplus or deficit for the year? Use the line "Excess of expenditures over revenue," and also report the net change in fund balances.

(Hint: these statements follow the government-wide statements. A fund balance can be negative.)

4. Component units

Some services connected to the City are run by **legally separate organizations**, such as public authorities, that the City is financially accountable for. These are the City's **component units**. The City's report shows them in their own column, apart from the City's own governmental activities. In many other cities, services such as water, sewer, and parking are run by the city government itself and reported as **enterprise funds**, a type of proprietary fund. Albany runs them through separate authorities instead.

Answer this question using only the two component-unit statements: the **Statement of Net Position – Discretely Presented Component Units** (page 17) and the **Statement of Activities – Discretely Presented Component Units** (page 18).

- List the component units that have their own column. Which two report the largest total assets?
- For the **Albany Water Board and Albany Municipal Water Finance Authority** and the **Albany Port District Commission**, report:
  - total assets,
  - capital assets, net,
  - total liabilities, and
  - total net position.
- On page 18, find the **"Change in net position"** line and report it for every component unit column. Which units added to their net position in 2025 (a surplus), and which lost net position (a deficit)? How much was each? Which unit accounts for the largest share of the total change?
- On page 18, find the line **"Excess (deficiency) of operating revenue over expenses."** Which units cover their operating expenses with their own operating revenue, and which do not?

(Hint: on page 18, a number in parentheses is a negative number, that is, a deficit.)

5. What changed from 2024 to 2025?

The Management's Discussion and Analysis (MD&A) at the front of the report puts 2025 next to 2024 in two short tables: a condensed Statement of Net Position (page 7) and a condensed Statement of Activities (page 8).

- From **page 7**, report the 2024 amount, the 2025 amount, and the change for total assets, total liabilities, and total net position.
- From **page 8**, report the 2024 amount, the 2025 amount, and the change for total revenue, total expenses, and change in net position.
- Which **expense line** on page 8 grew the most from 2024 to 2025, and by how much?
- From **page 15**, report the fund balance at the beginning of 2025 (that is, the end of 2024) and at the end of 2025, for the **General Fund** and for **Total Governmental Funds**.

Explain to a member of the Common Council who has not seen the statements. Is the City in a stronger or weaker financial position at the end of 2025 than at the end of 2024?

(Hint: the 2024 column on page 7 was restated to correct errors; the 2024 column on page 8 was not. That is why 2024's ending net position on page 8 does not match the 2024 net position on page 7. Use page 7 for net position.)

What to submit

Submit a short response document (1–2 pages) that includes:

- Short written answers to Questions 1–4, with the key figures from the statements and the page number where you found each one
- Your 2024–2025 comparison and your summary for the Council member (Question 5)

Record the figures and page numbers in this workbook, and submit the completed workbook along with your response document:

- `Module 6_case_template_City-of-Albany_2026.xlsx`

It has two summary tables: the sheet "2025 summary" covers Questions 1–4, and the sheet "2024 to 2025" covers Question 5.

You do not need to attach full financial statements or reproduce tables — focus on interpreting the information.

AI-use disclosure: You may use an AI tool on this case. At the end of your response, note which tool you used, what you asked it to do, and one thing it produced that you checked against the report and corrected.